



**Mahindra**  
Rise.

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(the churn)



## Subsidiary Companies

### Part 01

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1	Mahindra Vehicle Manufacturers Limited	1
2	Mahindra Heavy Engines Limited (formerly known as Mahindra Heavy Engines Private Limited)	46
3	Mahindra Automobile Distributor Private Limited	87
4	Mahindra Reva Electric Vehicles Limited (formerly known as Mahindra Reva Electric Vehicles Private Limited)	113
5	NBS International Limited	151
6	Mahindra Trucks and Buses Limited	182
7	Mahindra Automotive Australia Pty. Limited	215
8	Mahindra Europe s.r.l.	226
9	Mahindra Graphic Research Design s.r.l.	255
10	Mahindra & Mahindra South Africa (Proprietary) Limited	280
11	Mahindra North American Technical Center, Inc.	296
12	Mahindra Tractor Assembly Inc.	305
13	Ssangyong Motor Company	316
14	Ssangyong European Parts Center B.V.	354
15	Ssangyong Motor (Shanghai) Company Limited	365
16	SY Auto Capital Co., Ltd.	388
17	Mahindra Gujarat Tractor Limited	400
18	Mahindra Agri Solutions Limited (formerly known as Mahindra Shubhlabh Services Limited)	434
19	EPC Industrié Limited	469
20	Mahindra UNIVEG Private Limited	520
21	Mahindra HZPC Private Limited (formerly known as Mahindra Investments (International) Private Limited)	544
22	Auto Digitech Private Limited (formerly known as Mahindra Punjab Tractors Private Limited)	566
23	Mahindra USA Inc.	584
24	Mahindra Yueda (Yancheng) Tractor Company Limited	593
25	Mahindra & Mahindra Financial Services Limited (formerly known as Mahindra Housing Private Limited)	628
26	Mahindra Rural Housing Finance Limited	734
27	Mahindra Insurance Brokers Limited	780
28	Mahindra Asset Management Company Private Limited	816
29	Mahindra Trustee Company Private Limited	846
30	Mahindra Lifespace Developers Limited	868
31	Mahindra World City (Jaipur) Limited	956
32	Mahindra Water Utilities Limited	995
33	Mahindra World City Developers Limited	1021
34	Mahindra Residential Developers Limited	1057
35	Mahindra Consulting Engineers Limited	1087
36	Mahindra Bebanco Developers Limited	1120
37	Anthurium Developers Limited	1148
38	Industrial Township (Maharashtra) Limited	1166
39	Knowledge Township Limited	1183
40	Industrial Cluster Private Limited (formerly known as Mahindra Housing Private Limited)	1204
41	Mahindra Infrastructure Developers Limited	1221
42	Mahindra Industrial Park Chennai Limited	1249
43	Mahindra Integrated Township Limited	1279

44	Mahindra World City (Maharashtra) Limited	1313
45	Raigad Industrial & Business Park Limited	1330
46	Bristlecone Limited	1346
47	Bristlecone India Limited	1356
48	Bristlecone GmbH	1391
49	Bristlecone Inc.	1405
50	Bristlecone Consulting Limited	1418
51	Bristlecone (Malaysia) Sdn. Bhd.	1424
52	Bristlecone (Singapore) Pte. Limited	1439
53	Bristlecone (UK) Limited	1447
54	Bristlecone International AG	1458
55	Mahindra - BT Investment Company (Mauritius) Limited	1463
56	Mahindra Intertrade Limited	1476
57	Mahindra Electrical Steel Private Limited	1522
58	Mahindra Steel Service Centre Limited	1541
59	Mahindra MiddleEast Electrical Steel Service Centre (FZC)	1573
60	Mahindra Auto Steel Private Limited	1589



## Subsidiary Companies

### Part 02

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61	Mahindra Aerospace Private Limited	1623
62	Mahindra Aerostructures Private Limited	1661
63	Aerostaff Australia Pty. Limited	1696
64	Airvan Flight Services Pty. Limited	1707
65	Airvan10 Pty Limited	1712
66	Gipp Aero Investments Pty. Limited	1718
67	GA8 Airvan Pty. Limited	1727
68	GA200 Pty. Limited	1733
69	Gippsaero Pty. Limited	1739
70	Mahindra Aerospace Australia Pty. Limited	1752
71	Nomad TC Pty. Limited	1762
72	Mahindra Sanyo Special Steel Private Limited	1768
73	Mahindra Holidays & Resorts India Limited	1810
74	HCR Management Oy	1890
75	Holiday Club Resorts Oy	1898
76	Gables Promoters Private Limited	1927
77	Infinity Hospitality Group Company Limited	1946
78	Mahindra Hotels and Residences India Limited	1956
79	Convington S.a.r.l	1970
80	MH Boutique Hospitality Limited	1978
81	Heritage Bird (M) Sdn. Bhd.	1985
82	MHR Holdings (Mauritius) Limited	1995
83	Holiday Club Sweden Ab Åre	2012
84	Kiinteistö Oy Himos Gardens	2022
85	Holiday Club Resorts Rus LLC	2027
86	Suomen Vapaa-aikakiinteistöt Oy LKV	2032
87	Kiinteistö Oy Himoksen Tähti 2	2040
88	Kiinteistö Oy Vanha Ykköstii	2047
89	Kiinteistö Oy Katinnurkka	2054
90	Kiinteistö Oy Tenetinlahti	2061
91	Kiinteistö Oy Mällönsniemi	2067
92	Kiinteistö Oy Rauhan Ranta 1	2074
93	Kiinteistö Oy Rauhan Ranta 2	2080
94	Kiinteistö Oy Tiurunniemi	2086
95	Kiinteistö Oy Rauhan Liikekiinteistöt 1	2092
96	Supermarket Capri Oy	2100
97	Kiinteistö Oy Kylpyläntorni 1	2109
98	Kiinteistö Oy Spa Lofts 2	2116
99	Kiinteistö Oy Spa Lofts 3	2123
100	Kiinteistö Oy Kuusamon Pulkajärvi 1	2130
101	Saimaa Gardens Arena Oy	2136
102	Ownership Services Sweden Ab	2143
103	Holiday Club Canarias Investments S.L.U	2149
104	Holiday Club Sport and SpaHotels AB	2160

105	Holiday Club Canarias Sales & Marketing S.L.U	2168
106	Holiday Club Canarias Resort Management S.L.U	2195
107	Kiinteistö Oy Tunturinrivi	2215
108	Caribia Service Oy	2221
109	Åre Semesterby A AB	2227
110	Åre Semesterby B AB	2235
111	Åre Semesterby C AB	2241
112	Åre Semesterby D AB	2247
113	Åre Villas 1 AB	2253
114	Åre Villas 2 AB	2259
115	Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited)	2265
116	Mahindra Renewables Private Limited (formerly known as Mahindra Offgrid Services Private Limited)	2305
117	Marvel Solren Private Limited	2336
118	Neo Solren Private Limited	2356
119	Astra Solren Private Limited	2376
120	Brightsolar Renewable Energy Private Limited	2397
121	Cleansolar Renewable Energy Private Limited	2419
122	Divine Solren Private Limited	2441
123	Mahindra Engineering and Chemical Products Limited	2461
124	Mahindra Retail Private Limited	2498
125	Retail Initiative Holdings Limited	2538
126	Mahindra Internet Commerce Private Limited	2562
127	Mahindra Logistics Limited	2589
128	Lords Freight (India) Private Limited	2628
129	2 x 2 Logistics Private Limited	2651
130	Mahindra Two Wheelers Limited	2671
131	Peugeot Motocycles S.A.S.	2710
132	Peugeot Motocycles Italia S.p.A.	2738
133	Peugeot Motocycles Deutschland GmbH	2769
134	Mahindra Two Wheelers Europe Holdings S.a.r.l.	2777
135	Mahindra Defence Systems Limited	2784
136	Defence Land Systems India Limited	2813
137	Mahindra Defence Naval Systems Private Limited	2848
138	Mahindra Telephonics Integrated Systems Limited	2880
139	Mahindra Emirates Vehicle Armouring FZ-LLC	2914
140	Mahindra Telecommunications Investment Private Limited	2928
141	Mahindra First Choice Services Limited	2948
142	Mahindra First Choice Wheels Limited	2983
143	Mahindra eMarket Limited (formerly known as Mriyalguda Farm Solution Limited)	3017
144	Mahindra Namaste Limited	3039
145	Mahindra Holdings Limited	3062
146	Mahindra Overseas Investment Company (Mauritius) Limited	3095
147	Mahindra Integrated Business Solutions Private Limited	3112
148	Mahindra Racing S.p.A. (formerly known as Mahindra Racing S.r.l.)	3134
149	Mahindra Racing UK Limited	3141
150	Mahindra 'Electoral Trust' Company	3148
151	Gateway Housing Company Limited	3164
152	Orizonte Business Solutions Limited (Formerly known as Mega One Stop Farm Services Limited)	3180

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Ninth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Revenue	302.66	318.82
Profit/(Loss) before Interest, Depreciation and Tax	(13,982.38)	(109.11)
Less : Depreciation	4.93	6.92
Profit/(Loss) before Interest and Tax	(13,987.31)	(116.03)
Less : Interest Expense	-	5.70
Profit/(Loss) before Tax	(13,987.31)	(121.73)
Provision for Tax/tax of earlier years	20.79	5.07
Profit/(Loss) for the year	(14,008.10)	(126.80)
Profit/(Loss) brought forward from earlier years	(943.21)	(816.41)
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life	-	-
Profit/(Loss) carried to Balance Sheet	(14,951.31)	(943.21)
Net Worth	29,480.63	43,488.73

No material changes and commitments have occurred after the closure of the financial year under review till the date of this report which would affect the financial position of the Company.

### Operations:

#### Aircraft Division

##### GippsAero

The year FY 16 was a challenging year for General Aviation Aircraft market resulting in significant reduction in Aircraft Sales for all companies. The Company's step-down subsidiary M/s. GippsAero Pty Ltd (GA) made a number of changes to its market strategy in response to market challenges. To regain momentum, the business re-focussed on a few successful markets plus entry into China and India to take advantage of the growing demand for general aviation aircraft in these regions. The benefits of the changes are expected to be seen in FY17.

Progress on the Airvan 10 continued at a steady pace and most flight safety critical challenges have been overcome and the Certification is expected in the second half of FY17.

##### CNM-5

Following the successful test flights of the prototype CNM5 aircraft in Australia in 2011, the Company and its CNM-5 development partner, National Aerospace Laboratories (NAL) discussed the potential benefits and approach to Type Certify the CNM5 in Australia and collaboratively prepared a detailed project plan for the same. This being a different approach to certification than was originally planned, National Aerospace

Laboratories (NAL) has to obtain a formal clearance from its parent body, Council of Scientific and Industrial Research and other Government bodies as may be required. The Company has been following up for this approval to launch formal certification program in Australia. The Company is awaiting a decision from NAL and appropriate government authorities.

#### Aerostructures Division

During the year, the Company's subsidiary Mahindra Aerostructures Private Limited (MASPL) signed contracts with Tier 1 companies of Airbus located at Germany & UK and started supplying components for a variety of aircraft programs. These contracts are expected to reach peak volumes over the next 18-24 months in a phased manner. The Company is pursuing various opportunities both in India and abroad which are expected to yield results in the coming years.

#### Dividend

In view of the losses, your Directors have not considered dividend for the year under review.

#### Subsidiaries and Associates

During the year under review, your Company incorporated a subsidiary in Australia by the name of Airvan 10 Pty Ltd.

A report on the performance and financial position of each of the subsidiaries and associates of the Company included in the consolidated financial statement, for the year ended 31<sup>st</sup> March, 2016, is given in separate section marked as Annexure I and the same forms part of this report.

### Consolidated Financial Statement

In accordance with Section 134(7) of the Companies Act, 2013 the audited consolidated financial statements of your Company forms part of this report.

### Share Capital

During the year under review, the authorized share capital of the Company was increased from Rs. 250 crores divided into 23,50,00,000 Equity Shares of Rs. 10 each and 1,50,00,000 5% Non-Cumulative Compulsorily Convertible Preference Shares of Rs. 10 each to Rs. 275 crores divided into 26,00,00,000 Equity Shares of Rs. 10 each and 1,50,00,000 5% Non-Cumulative Compulsorily Convertible Preference Shares of Rs. 10 each.

Necessary amendment to Memorandum of Association was made during the year under review.

The Paid up share capital of the Company stood at the end of the financial year under review at Rs. 235,29,41,250/-

### Board of Directors

The Composition of the Board of Directors is as under:

Sl. No.	Name of the Director	Designation	Executive/ Non Executive	Independent/ Non Independent
1.	Mr. Shriprakash Shukla (DIN:00007418)	Chairman	Non-Executive	Non Independent
2.	Mr. V. S. Parthasarathy (DIN:00125299)	Director	Non-Executive	Non Independent
3.	Mr. S. Ramkrishna (DIN:02091639)	Director	Non-Executive	Non Independent
4.	Mr. Sudhir Yagnik (DIN: 07340019)	Director	Non-Executive	Non Independent
5.	Mr. K. V. Ramakrishna (DIN:00133248)	Director	Non-Executive	Non Independent
6.	Mr. R. Laxman (DIN:03033960)	Director	Non-Executive	Non Independent
7.	Mrs. Rajyalakshmi Rao Meka (DIN:00009420)	Director	Non-Executive	Independent
8.	Dr. Devi Singh (DIN:00015681)	Director	Non-Executive	Independent
9.	Mr. Arvind Kumar Mehra (DIN:01039769)	Whole Time Director	Executive	Non Independent

Mr. Sudhir Yagnik (DIN: 07340019) was appointed as Additional Director on 27<sup>th</sup> November, 2015 and holds office upto the ensuing Annual General Meeting only.

Your Company has received notice from a member intimating its intention to propose, at the ensuing Annual General Meeting, the appointment of Mr. Sudhir Yagnik as Director liable to retire by rotation.

Mr. Sanjay Joglekar (DIN: 00209394) resigned as Director with effect from 7<sup>th</sup> October, 2015. Your Board takes this opportunity to thank Mr. Sanjay Joglekar for his valuable Services to the Company as Director during his association with the Company.

Your Company has received declarations from Mrs. Rajyalakshmi Rao Meka and Dr. Devi Singh to the effect that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

### Meetings of the Board and Annual General Meeting

Your Board of Directors met four times during the year under review i.e on 21<sup>st</sup> May, 2015, 2<sup>nd</sup> September, 2015, 27<sup>th</sup> November, 2015 and 4<sup>th</sup> March, 2016.

The 8<sup>th</sup> Annual General meeting of the shareholders was held on 2<sup>nd</sup> September, 2015.

The attendance at the meetings of the Board was as under:-

Name of Directors	No. of meetings attended
Mr. S. P. Shukla	4
Mr. V. S. Parthasarathy	4
Mr. Sudhir Yagnik @	2
Mr. S. Ramkrishna	3
Mr. Arvind Mehra	4
Mr. K. V. Ramakrishna	4
Mr. R. Laxman	4
Mrs. Rajyalakshmi Rao Meka	4
Dr. Devi Singh	4
Mr. Sanjay Joglekar*	2

@ Appointed with effect from 27<sup>th</sup> November, 2015.

\* Resigned with effect from 7<sup>th</sup> October, 2015.

### Meeting of Independent Directors

The Independent Directors of the Company met on 27<sup>th</sup> November, 2015 without the presence of the Chairman or Executive Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received from operating management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013 the Board carried out an annual evaluation of performance of its own, its committees and individual Directors, including independent Directors. Questionnaires/Feedback templates for annual evaluation were circulated to each Board member and duly filled in questionnaires/responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation at the meeting held on 17<sup>th</sup> May, 2016.

### Codes of Conduct

Your Company has, adopted Codes of Conduct for Corporate Governance (“the Codes”) for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company’s business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company’s ethos.

Your Company has for the year under review, received declarations from the Board Members and Senior Management Personnel and Employees affirming compliance with respective Code of Conduct.

### Key Managerial Personnel (KMP)

Key Managerial Personnel of the Company are Mr. Arvind Kumar Mehra - Whole Time Director and Mr. Yashesh Bhatt - Company Secretary.

Mr. Ajay Mantry - Chief Financial Officer, resigned from the position with effect from 31<sup>st</sup> March, 2016. Mr. T Subrahmanya Sharma was appointed as Chief financial Officer of the Company with effect from 18<sup>th</sup> May, 2016.

### Committees of the Board:

#### Audit Committee

The Committee consists of Mrs. Rajyalakshmi Rao Meka, Independent Director, Dr. Devi Singh, Independent Director and Mr. V. S. Parthasarathy.

Mrs. Rajyalakshmi Rao Meka is the Chairman of the Audit Committee.

The Committee met three times during the year under review i.e. on 21<sup>st</sup> May, 2015, 27<sup>th</sup> November, 2015 and 4<sup>th</sup> March, 2016 and complied with the terms of reference assigned to the Committee from time to time.

The attendance at the meetings of the Audit Committee was as under:-

Name of Directors	No. of meetings attended
Mr. V. S. Parthasarathy	3
Mrs. Rajyalakshmi Rao Meka	3
Dr. Devi Singh	3

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of Dr. Devi Singh, Independent Director, Mrs. Rajyalakshmi Rao Meka, Independent Director, Mr. S. P. Shukla and Mr. R Laxman. Dr. Devi Singh is the Chairman of the Nomination and Remuneration Committee.

The Committee met twice during the year under review i.e., on 21<sup>st</sup> May, 2015 and 27<sup>th</sup> November, 2015.

The attendance at the meetings of the Nomination and Remuneration Committee was as under:-

Name of Directors	No. of meetings attended
Mr. S. P. Shukla	2
Mr. R. Laxman	2
Dr. Devi Singh	1
Mrs. Rajyalakshmi Rao Meka	2

The Committee members at their meeting held on 17<sup>th</sup> May, 2016 carried out an evaluation of the performance of individual directors through a structured questionnaire process.

#### Policy for Remuneration of Directors, Key Managerial Personnel, and other Employees and Criteria for appointment/removal of Directors and Senior Management Personnel

Policies for the remuneration of Directors, Key Managerial Personnel and other Employees and the appointment/removal of Directors and Senior Management Personnel are in place. The same had been formulated keeping in view the principles of transparency and consistency and were approved by the Board as per recommendation of Nomination and Remuneration Committee.

These policies are furnished as Annexure II and form part of this Report.



### **Risk Management Policy**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is helpful in managing the risks associated with the business of the Company.

### **The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder.

### **Statutory Auditors & Audit Report**

Messrs. B. K. Khare & Co., Chartered Accountants, (ICAI Registration Number 105102W) retire as Auditors of your Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members are requested to appoint Auditors from the conclusion of forthcoming Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

As required under the provisions of section 139 of the Companies Act, 2013, your Company has obtained a written consent and certificate from the above Auditors to the effect that their reappointment, if made, would be in conformity with the conditions and criteria specified therein.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

### **Secretarial Auditor**

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed M/s. M Siroya & Co, a firm of Practising Company Secretaries, as the Secretarial Auditor of your Company for the financial year ended 31<sup>st</sup> March 2016.

The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March 2016, issued by the secretarial auditor pursuant to the aforesaid provisions, is provided as Annexure III and forms part of this report.

The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

### **Reporting on Frauds by Auditors**

During the year under review, the Statutory Auditors and Secretarial Auditors had 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 and Rules made thereunder, details of which are required to be furnished in this report.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of The Companies (Accounts) Rules, 2014 are given as Annexure IV to this Report.

### **Corporate Social Responsibility**

The provisions relating to Corporate Social Responsibility were not applicable to your Company for the year under review.

### **Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013**

During the year under review, there were no loans, guarantees or investments, particulars in respect of which are required to be furnished under Section 186 of the Companies Act, 2013.

### **Public Deposits and Loans/Advances**

Your Company had not accepted any deposits from the public, or its employees, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review and there was no amount which qualified as deposit outstanding as on the date of balance sheet.

Your Company had not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with Schedule V thereto applicable to parent company Mahindra and Mahindra Limited.

### **Particulars of Transactions with Related Parties**

All the contracts/arrangements/transactions entered, during the year under review, with related parties referred to in sub section 1 of Section 188 of Companies Act, 2013, and Rules made thereunder, were carried out in ordinary course of business and at arm's length.

Particulars of material contracts or arrangements or transactions with related parties, required to be furnished in terms of Section 134 of Companies Act, 2013 are furnished in form AOC – 2 as Annexure V and the same forms part of this Report.

### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as Annexure VI and forms part of this report.

**Internal Financial Controls**

Your Company has an adequate system of internal controls and monitoring procedures as well as internal financial controls on financial statements commensurate with the size and the nature of its business. The internal control system is supplemented by documented policies, guidelines and procedures. Besides the Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee. The Internal Audit function submits detailed reports periodically to the management and the Audit Committee. The Audit Committee reviews these reports with the operating management with a view to provide oversight of the internal control systems.

**General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events during the year under review.

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.

3. Receipt of any remuneration or commission by the Whole Time Director from any of its subsidiaries
4. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
5. Particulars of employees, since Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, are not applicable to an unlisted Company.

**Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Mr. S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**PART A: SUBSIDIARIES**

**Rs. in Lakhs**

Sr. No.	Particulars	Details			
		Mahindra Aerostructures Private Limited (1)	Mahindra Aerospace Australia Pty Ltd (2)	Aerostaff Australia Pty Ltd (3)	Gipp Aero Investments Pty Ltd (4)
1.	Name of the subsidiary				
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016
3(a)	Reporting currency	Rupees	AUD	AUD	AUD
3(b)	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable	AUD=Rs. 49.10	AUD=Rs. 49.10	AUD=Rs. 49.10
4.	Share capital	16,036.00	22,359.40	2,430.45	3,445.48
5.	Reserves & surplus	(12,984.17)	(12,969.02)	(2,715.97)	6,045.64
6.	Total assets	18,720.22	21,569.66	455.03	9,499.14
7.	Total Liabilities	18,720.22	21,569.66	455.03	9,499.14
8.	Investments	-	9,220.49	-	9,498.90
9.	Turnover	763.92	507.61	977.77	-
10.	Profit/(Loss) before taxation	(5,226.63)	(13,473.34)	(106.06)	(9,678.28)
11.	Provision for taxation	-	-	-	-
12.	Profit/(Loss) after taxation	(5,226.63)	(13,473.34)	(106.06)	(9,678.28)
13.	Proposed Dividend	-	-	-	-
14.	% of shareholding	100%	100%	100%	75.10%
15.	Performance of the Company during the financial year 2014-2015	(4,376.31)	524.42	(221.17)	(4.55)

**Rs. in Lakhs**

Sr. No.	Particulars	Details				
		Gipps Aero Pty Ltd (5)	Airvan Flight Services Pty Ltd (6)	GA8 Airvan Pty Ltd (7)	GA200 Pty Ltd (8)	Nomad TC Pty Ltd (9)
1.	Name of the subsidiary					
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2016
3 (a)	Reporting currency	AUD	AUD	AUD	AUD	AUD
3 (b)	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	AUD=Rs.49.10	AUD=Rs.49.10	AUD=Rs.49.10	AUD=Rs.49.10	AUD=Rs.49.10
4.	Share capital	-	-	-	-	5.55
5.	Reserves & surplus	(3,858.89)	(1.89)	(1.89)	(1.89)	(8.25)
6.	Total assets	22,434.34	-	-	-	-

Rs. in Lakhs

Sr. No.	Particulars	Details				
		Gipps Aero Pty Ltd (5)	Airvan Flight Services Pty Ltd (6)	GA8 Airvan Pty Ltd (7)	GA200 Pty Ltd (8)	Nomad TC Pty Ltd (9)
1.	Name of the subsidiary					
7.	Total Liabilities	22,434.34	-	-	-	-
8.	Investments	-	-	-	-	-
9.	Turnover	4,897.03	-	-	-	-
10.	Profit/(Loss) before taxation	(6,959.57)	(1.89)	(1.89)	(1.89)	(2.70)
11.	Provision for taxation	-	-	-	-	-
12.	Profit/(Loss) after taxation	(6,959.57)	(1.89)	(1.89)	(1.89)	(2.70)
13.	Proposed Dividend	-	-	-	-	-
14.	% of shareholding	75.10%	75.10%	75.10%	75.10%	75.10%
15.	Performance of the Company during the financial year 2014-2015	(4,122.10)	-	-	-	-

Rs. in Lakhs

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Airvan10 Pty Ltd (10)
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31 <sup>st</sup> March 2016
3.(a)	Reporting currency	AUD
3.(b)	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	AUD=Rs. 49.10
4.	Share capital	-
5.	Reserves & surplus	(1.89)
6.	Total assets	-
7.	Total Liabilities	-
8.	Investments	-
9.	Turnover	-
10.	Profit/(Loss) before taxation	(1.89)
11.	Provision for taxation	-
12.	Profit/(Loss) after taxation	(1.89)
13.	Proposed Dividend	-
14.	% of shareholding	75.10%
15.	Performance of the Company during the financial year 2014-2015	-

**Notes:** The following information shall be furnished at the end of the statement.

- Names of subsidiaries which are yet to commence operations: NIL
- Names of subsidiaries which have been liquidated or sold during the year: NIL

Part "B" Associates and Joint Ventures: None

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

### **POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL**

#### **Purpose**

This Policy sets out the approach to compensation of Directors and Key Managerial Personnel in Mahindra Aerospace Private Limited.

#### **Policy Statement**

Our compensation philosophy strives to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in business.

In order to effectively implement this, our compensation structure is developed through external benchmarking as appropriate, with relevant players across the industry we operate in.

#### **Non-Executive Including Independent Directors**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

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

The terms of remuneration of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Company Secretary (CS) shall be determined by the Board and revised, from time to time, either by any Director or such other person as may be authorised by the Board. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### **Employees**

We follow a differential approach based on industry benchmarking and statutory requirement, depending upon the level in the organization i.e for all employees from Technician to Senior Management Band, we benchmark with competition from the same industry.

We have a CTC (Cost to Company) concept. In Managerial and Senior Managerial band starting from Grade M3 and above CTC includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Appreciation Rights and/or Stock Options to Employees and Directors (other than Independent Directors) in accordance with any Scheme of the Company and subject to compliance of the applicable statutes and regulations.

### **POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

#### **DEFINITIONS**

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Aerospace Private Limited

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.



## I. APPOINTMENT OF DIRECTORS:

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman/Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

### Removal of Directors

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### Senior Management Personnel

The NRC shall identify persons who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

## II. SUCCESSION PLANNING:

### Purpose:

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a laddered approach.

### Policy Statement:

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

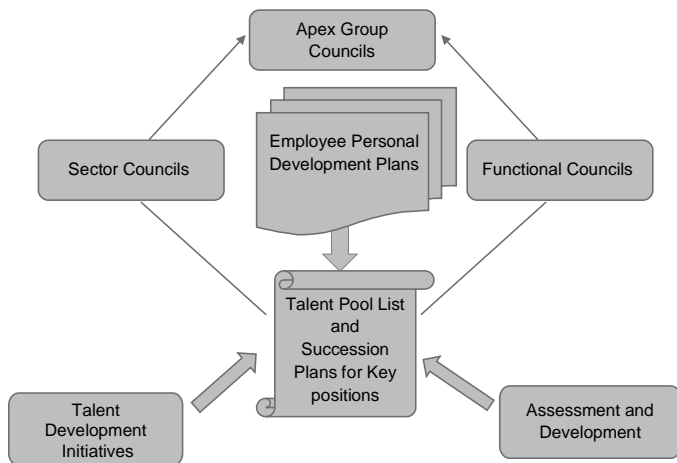
The framework lays down an architecture and processes to address these questions using the **3E** approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system

which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector / Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

For and on behalf of the Board

**Mr. S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016****Report of the Secretarial Auditors**

Form No. MR-3

**SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,  
The Members,  
Mahindra Aerospace Private Limited  
Mumbai

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the applicable provisions of:

- (i) The Companies Act, 1956 (the Old Act) and the rules made thereunder;
- (ii) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment; and
- (iv) As confirmed by the management, there are no other laws specifically applicable in relation to the business of the Company.

Other major Statutes, Acts, Laws, Rules, Regulations, Guidelines and Standards etc., as applicable to the Company are given below:

- (i) Labour Laws and other incidental laws related to employees and labour appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
- (ii) Acts as prescribed under Direct Tax and Indirect Tax;
- (iii) Land revenues Act;
- (iv) Labour Welfare Act; and
- (v) Such other Local laws etc. as may be applicable in respect of the office of the Company.

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

1. Secretarial Standards issued by The Institute of Company Secretaries of India, w.e.f. July 1, 2015; and
2. The Company is an unlisted Company and therefore compliance with listing agreement is not applicable.

During the period under review the Company has complied with the provisions of the Act, Old Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

**We further report that** during the audit period the Company has undertaken following major corporate events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above:

1. On September 2, 2015, the members at the Annual General Meeting of the Company, inter-alia, approved increase in the Authorised Share Capital of the Company from Rs. 250 crores to Rs. 275 crores, thereby altering the Memorandum of Association of the Company; and

2. On March 4, 2016, the Board approved the investment in subsidiaries viz. M/s. Mahindra Aerospace Australia Pty Limited not exceeding AUD 104.8 million and M/s. Mahindra Aerostructures Private Limited not exceeding Rs. 352 crores.

**For M Siroya and Company  
Company Secretaries**

**Mukesh Siroya  
Proprietor  
FCS No.: 5682  
CP No.: 4157**

Date: 17<sup>th</sup> May, 2016  
Place: Mumbai

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

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## ANNEXURE A

To,  
The Members,  
Mahindra Aerospace Private Limited  
Mumbai

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company
4. Wherever required, we have obtained the Management's representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of the procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For M Siroya and Company  
Company Secretaries**

**Mukesh Siroya  
Proprietor  
FCS No.: 5682  
CP No.: 4157**

Date: 17<sup>th</sup> May, 2016  
Place: Mumbai

**ANNEXURE IV TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**PARTICULARS AS PER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY****(a) the steps taken or impact on conservation of energy:**

Though the activities/operations of the Company are not power intensive, necessary measures are taken to contain and bring about saving in power consumption, wherever practicable.

(b) the steps taken by the company for utilizing alternate sources of energy: **NIL**

(c) the capital investment on energy conservation equipments: **NIL**

**B. TECHNOLOGY ABSORPTION**

i) the efforts made towards technology absorption: **Not Applicable**

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: **Not Applicable**

iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – **Not Applicable**

(a) the details of technology imported

(b) the year of import

(c) whether the technology been fully absorbed

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof

iv) the expenditure incurred on Research and Development: **NIL**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

	<b>(Rupees in Lakhs)</b>	
	<b>For the Financial Year Ended 31<sup>st</sup> March, 2016</b>	For the Financial Year Ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange earned	<b>NIL</b>	485.11
Total Foreign Exchange used	<b>412.50</b>	3,683.12

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016



**ANNEXURE V TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**  
**FORM NO. AOC-2**  
**(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis. : Nil
2. Details of material contracts or arrangements or transactions at Arm's length basis.

Sr. No.	Name(s) of the related party & nature of relationship	Nature of Transaction	Duration of the transaction	Salient terms of the transaction, including the value if any	Date of approval by the Board	Amount paid as advances, if any	
1.	Mahindra & Mahindra Ltd Holding Company	Services Received	1st April, 2015 to 31st, March, 2016	Allocation of corporate cost At actuals and based on the time spent by respective personnel	92.85	N.A.	Nil
2.	Mahindra Aerostructures Pvt Limited Subsidiary Company	Services Rendered	1st April, 2015 to 31st March, 2016.	Resource support services rendered – On cost Plus basis	18.04	N.A.	Nil
		Lease taken	For a period of 5 years commencing from 10th July, 2014.	Payment of rent – At prevailing market rate	7.62	N.A.	Nil
		Services rendered	1st April, 2015 to 31st March, 2016.	Cost sharing of personnel & establishment cost. – At Actuals	236.42	N.A.	Nil
3.	Gippsaero Pty Ltd Subsidiary	Services rendered	1st April, 2015 to 31st March, 2016.	Aircraft design services at market rates	83.79	N.A.	Nil
		Services rendered	1st April, 2015 to 31st March, 2016.	Cost sharing of personnel & Establishment cost – At actuals.	88.91	N.A.	Nil
4.	Mahindra Integrated Business Solutions Pvt Ltd Fellow Subsidiary	Services Received	1st April, 2015 to 31st March, 2016.	Payroll processing service received – at market rates	0.96	N.A.	Nil

- Note: for the purpose of materiality, the following criteria have been considered.
- 10% of turnover of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for sale, purchase, or supply of any goods or materials.
- 10% of net worth of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for selling or otherwise disposing of or buying property of any kind.
- 10% of the net worth of the Company or 10% of turnover of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for leasing of property of any kind.
- 10% of turnover of the Company or Rs. fifty crores, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for rendering of services.

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE VI TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016****Form No. MGT-9****Extract of Annual Return****as on the financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	<b>CIN:-</b>	U63033MH2008PTC179520
ii)	<b>Registration Date</b>	28/02/2008
iii)	<b>Name of the Company</b>	Mahindra Aerospace Private Limited
iv)	<b>Category/Sub-Category of the Company</b>	Company limited by shares/Non-Government Indian Company
v)	<b>Address of the Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai 400 018. Tel No. 022 24901441 Fax No. 022 24975081
vi)	<b>Whether listed Company (Yes/No)</b>	No
vii)	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

<b>Sr. No</b>	<b>Name and Description of main product/services</b>	<b>NIC Code of the Product/ service</b>	<b>% to total turnover of the Company</b>
1.	Aircraft design services	74109	81%

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

<b>Sr. No</b>	<b>Name and Address of the Company</b>	<b>CIN/GLN</b>	<b>Holding/Subsidiary Associate</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1.	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder, Mumbai 400 001	L65990MH1945PLC004558	Holding	66.67	2(46)
2.	Mahindra Aerostructures Private Limited Mahindra Towers, P. K. Kurne, Chowk, Worli, Mumbai 400 018	U35122MH2011PTC212744	Subsidiary	100	2(87)
3.	Mahindra Aerospace Australia Pty Ltd C/- Pitcher Partners, Level 19, 15 William Street, Melbourne VIC 3000	ACN 142 078 564	Subsidiary	100	2(87)
4.	Aerostaff Australia Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ABN 81 007 374 790	Subsidiary	100	2(87)
5.	Gipp Aero Investments Pty Ltd Latrobe Valley Airfield Pty Ltd, 75 Airfield Road, Traralgon Vic 3844	ACN 003 007 009	Subsidiary	75.10	2(87)
6.	Gippsaero Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844 Latrobe Valley Airfield Pty Ltd, 75 Airfield Road, Traralgon VIC 3844	ABN 33 140 764 138	Subsidiary	75.10	2(87)

Sr. No	Name and Address of the Company	CIN/GLN	Holding/Subsidiary Associate	% of shares held	Applicable Section
7.	Airvan Flight Services Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ACN 124 404 986	Subsidiary	75.10	2(87)
8.	GA 8 Airvan Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ACN 119 523 830	Subsidiary	75.10	2(87)
9.	GA 200 Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ACN 119 523 821	Subsidiary	75.10	2(87)
10.	Nomad TC Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ACN 127 459 625	Subsidiary	75.10	2(87)
11.	Airvan 10 Pty Ltd C/- Gippsaero Pty Ltd Latrobe Regional Airport, Airfield Road, Traralgon VIC 3844	ACN 609 777 273	Subsidiary	75.10	2(87)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i. Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	15,35,34,824	15,35,34,824	66.67	-	15,35,34,824	15,35,34,824	66.67	-
e) Bank/FI	-	-	-	-	-	-	-	-	-
f) Any Other...	-	-	-	-	-	-	-	-	-
<b>Sub-Total-A(1):-</b>		<b>15,35,34,824</b>	<b>15,35,34,824</b>	<b>66.67</b>	-	<b>15,35,34,824</b>	<b>15,35,34,824</b>	<b>66.67</b>	-
<b>2. Foreign</b>									
a) NRIs	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Others....	-	-	-	-	-	-	-	-	-
<b>Sub Total-A(2):-</b>	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A)=(A)(1) + (A)(2)		<b>15,35,34,824</b>	<b>15,35,34,824</b>	<b>66.67</b>	-	<b>15,35,34,824</b>	<b>15,35,34,824</b>	<b>66.67</b>	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	–	–	–	–	–	–	–	–	–
b) Banks/FI	–	–	–	–	–	–	–	–	–
c) Central Govt.	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIs	–	–	–	–	–	–	–	–	–
h) Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
i) Others (Specify)	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B(1):-</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institutions</b>									
a. Bodies Corp.	–	–	–	–	–	–	–	–	–
(i) Indian		5,64,92,031	5,64,92,031	24.53	–	5,64,92,031	5,64,92,031	24.53	–
(ii) Overseas		2,02,67,270	2,02,67,270	8.80	–	2,02,67,270	2,02,67,270	8.80	–
b. Individual	–	–	–	–	–	–	–	–	–
(i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh	–	–	–	–	–	–	–	–	–
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	–	–	–	–	–	–	–	–	–
c. Other (Specify)	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B(2):-</b>	–	<b>7,67,59,301</b>	<b>7,67,59,301</b>	<b>33.33</b>	–	<b>7,67,59,301</b>	<b>7,67,59,301</b>	<b>33.33</b>	–
Total Public Shareholding (B)=(B)(1)+(B)(2)	–	–	–	–	–	–	–	–	–
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>		<b>23,02,94,125</b>	<b>23,02,94,125</b>	<b>100.00</b>	–	<b>23,02,94,125</b>	<b>23,02,94,125</b>	<b>100.00</b>	–



**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mahindra & Mahindra Limited	153,534,823	66.67	NIL	153,534,823	66.67	NIL	-
2	Mr. Hemant Luthra as nominee of Mahindra & Mahindra Limited*	1	0.00	NIL	-	-	NIL	-
3	Mr. S. P. Shukla as nominee of Mahindra and Mahindra Limited.	-	-	NIL	1	-	NIL	-
	<b>Total</b>	<b>153,534,824</b>	<b>66.67</b>	<b>NIL</b>	<b>153,534,824</b>	<b>66.67</b>	<b>NIL</b>	<b>-</b>

\* Incorporated with Mr. Hemant Luthra as nominee of Mahindra and Mahindra Limited as statutorily required for the purpose of minimum number of members.

**iii. Change in Promoters' Shareholding (please specify, if there is no change):**

No Change in Promoters' Shareholding

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year				
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	15,35,34,824	66.67		
	At the end of the year (or on the date of separation, if separated during the year)			15,35,34,824	66.67

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

Sr. No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Kotak Mahindra Trusteeship Services Limited (Trustee of Kotak India Growth Fund II)				
	At the beginning of the year	5,54,78,722	24.09		
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)				
	At the end of the year (or on the date of separation, if separated during the year)			5,54,78,722	24.09

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Kotak India Private Equity Fund				
	At the beginning of the year	2,02,67,270	8.80		
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)				
	At the end of the year (or on the date of separation, if separated during the year)	–	–	2,02,67,270	8.80

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Kotak Investment Advisors Limited				
	At the beginning of the year	10,13,309	0.44	–	–
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)				
	At the end of the year (or on the date of separation, if separated during the year)	–	–	10,13,309	0.44

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Mr. S P Shukla, Director, as nominee of Mahindra and Mahindra Limited				
	At the beginning of the year	–	–	–	–
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.): Transfer 4.3.2016	–	–	1	–
	At the end of the year	–	–	1	–

**V. Indebtedness:**

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

(Rs. in Lakhs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year (01.04.2015)</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i + ii + iii)</b>	Nil	Nil	Nil	Nil

(Rs. in Lakhs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Change in Indebtedness during the financial year</b>				
• Addition	–	–	–	–
• Reduction	–	–	–	–
Net change	NIL	NIL	NIL	NIL
<b>Indebtedness at the end of the financial year 31.03.2016</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i + ii + iii)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

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

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Mr. Arvind K. Mehra Whole-time Director (1.4.2015–31.03.2016)	Total Amount
1.	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	60.00	60.00
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	–
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission		
	– As % of Profit		
	– Others, specify	–	–
5.	Others, please specify	–	–
	<b>Total (A)</b>	<b>60.00</b>	<b>60.00</b>
	Ceiling as per the Act	Rs. 84 Lakhs based on effective capital in accordance with Schedule V to the Companies Act, 2013	

**B. Remuneration of other directors:**

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors		Total Amount
	Mrs. Rajyalakshmi Rao Meka	Dr. Devi Singh	
1. Independent Directors	1.30	1.10	2.40
• Fee for attending board/committee meetings			
• Commission	Nil	Nil	Nil
• Others, please specify	Nil	Nil	Nil
<b>Total (1)</b>	<b>1.30</b>	<b>1.10</b>	<b>2.40</b>
2. Other Non-Executive Directors			
• Fee for attending board/committee meetings	Nil	Nil	Nil
• Commission	Nil	Nil	Nil
• Others, please specify			
<b>Total (2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Total B = (1+2)</b>	<b>1.30</b>	<b>1.10</b>	<b>2.40</b>
Total Managerial Remuneration			<b>62.40</b>
Ceiling as per the Act	–	–	Rs. 1 Lakh per meeting as per Companies Act, 2013

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:**

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Key Managerial Personnel		Total
		Ajay Mantry, CFO	Yashesh Bhatt Company Secretary	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	37.52	–	37.52
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.55	–	0.55
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
	– As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify	–	1.53	1.53
	<b>Total</b>	<b>38.07</b>	<b>1.53</b>	<b>39.60</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

**A. Company**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

**B. Directors**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

**C. Other Officers in Default**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

### To the Members of MAHINDRA AEROSPACE PRIVATE LIMITED

#### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Mahindra Aerospace Private Limited ("the Company")**, which comprise the balance sheet as at 31<sup>st</sup> March, 2016, and the statements of profit and loss and cash flow for the period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016, and a summary of the significant accounting policies and other explanatory information.

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

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. 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 there under.
5. 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.
6. 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.

7. 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

8. 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 31<sup>st</sup> March, 2016, and its loss and cash flows for the year ended on that date.

#### Emphasis of Matter

9. We draw attention to Note no. 22 of the financial statements wherein management has detailed the status of the commercial launch of the prototype developed of the 5 seater aircraft jointly with NAL on which Rs. 2098.63 lakhs have been incurred in respect of which the approvals from Government and other statutory authorities is pending/delayed but will not impact the technical or commercial feasibility of the project. Being a technical matter we have relied on such representation.

Our opinion is not qualified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 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 it appears from our examination of those books;

- c. The Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. The matter described in the paragraph 9 under Emphasis of Matter, in our opinion, may impact the operations of the Company;
- e. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II;
- g. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- h. 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 to the financial statements.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. The Company did not have any derivative contracts.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Viswanadh VNSS Kuchi**  
Partner  
Membership No. 210789

Dated: 17<sup>th</sup> May 2016  
Place: Bangalore

**ANNEXURE I TO THE INDEPENDENT AUDITORS’ REPORT**

(Referred to in paragraph 10 under “Report on other legal and regulatory requirements” of our report of even date on the financial statements for the year ended on 31<sup>st</sup> March, 2016 of Mahindra Aero Space Private Limited.

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) As per our verification of books of accounts, company does not have immovable properties.
2. As per our verification of books of accounts, company does not carry any Inventory.
3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the Register, maintained Under Section 189 of the Companies Act, 2013.
4. In respect of loans, investments, guarantees, and security, provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 73 to 76 the Act, and the rules framed thereunder.
6. As informed to us maintenance of cost records Under Section 148(1) of the Companies Act, 2013 is not applicable to the Company.
7. (a) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees’ State Insurance, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable Provident Fund, Employees’ State Insurance, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable
- (c.) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service –tax, duty of excise, duty of customs, value

added tax, and cess which have not been deposited on account of any dispute except the followings

Statute	Nature of dues	Forum where dispute is pending	Period to which relates	Amount Involved (Rs in lacs)
Service Tax	Service Tax	Commissioner of Service Tax	2011-12	98.96

8. Based on the records examined by us and according to the information and explanations given to us, the Company has not taken loans or borrowings from any financial institution or bank as at the Balance Sheet date.
9. In our opinion and according to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans which are to be applied for the purpose for which those were raised.
10. Based on audit procedures performed and as per the information and explanations given to us by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.
11. The provisions of Section 197 read with Schedule V to the Companies Act are not applicable to the company.
12. The Company is not a ‘Nidhi Company’, therefore, clause 3(xii) of the Companies (Auditor’s Report) Order, 2016 is not applicable to the Company.
13. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Order is not applicable to the company.
15. During the year the company has not entered into any non-cash transactions with directors or persons connected with him.
16. In our opinion the company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm’s Registration Number 105102W

**Viswanadh VNSS Kuchi**  
Partner  
Membership No. 210789

Dated: 17<sup>th</sup> May 2016  
Place: Bangalore

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA AEROSPACE PRIVATE LIMITED

### Report on the Internal Financial Control sunder 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 **Mahindra Aerospace Private Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

#### 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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

**For B. K. Khare & Co.**

Chartered Accountants  
Firm's Registration Number 105102W

**Viswanadh VNSS Kuchi**

Partner  
Membership Number: 210789

Dated: 17<sup>th</sup> May 2016

Place: Bangalore



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

Particulars	Note	Rupees	
		As at March 31, 2016	As at March 31, 2015
<b>I. Equity and Liabilities</b>			
<b>1. Shareholders' Funds</b>			
(i) Share Capital	3	2,352,941,250	2,352,941,250
(ii) Reserves and Surplus	4	595,121,878	1,995,932,225
		<u>2,948,063,128</u>	<u>4,348,873,475</u>
<b>2. Non-Current liabilities</b>			
(ii) Long term provisions	5	47,356	935,732
		<u>47,356</u>	<u>935,732</u>
<b>3. Current liabilities</b>			
(i) Trade payables	6	23,879,009	14,277,352
(ii) Other current liabilities	7	926,872	4,222,223
(iii) Short term Provisions	8	32,200	175,527
		<u>24,838,081</u>	<u>18,675,102</u>
<b>Total.....</b>		<u><u>2,972,948,565</u></u>	<u><u>4,368,484,309</u></u>
<b>II. Assets</b>			
<b>Non-current assets</b>			
<b>1. (a) Fixed Assets</b>	9		
(i) Tangible assets		205,467	554,177
(ii) Intangible assets		148,956	293,546
(iii) Capital work in progress		27,463,063	27,463,063
(iv) Intangible assets under development		209,863,011	209,863,011
		<u>237,680,497</u>	<u>238,173,797</u>
<b>(b) Non-current Investments</b>	10	2,515,593,690	3,869,162,545
<b>(c) Long term loans and advances</b>	11	11,686,753	10,573,376
<b>(d) Other non current asset</b>	12	-	50,123,524
		<u>2,764,960,940</u>	<u>4,168,033,242</u>
<b>2. Current assets</b>			
(i) Current Investments	10	37,417,312	8,193,144
(ii) Trade receivables	13	14,629,063	6,503,847
(iii) Cash and Bank balances	14	53,461,684	96,827,018
(iv) Short term loans and advances	15	97,413,050	84,436,873
(v) Other current assets	16	5,066,516	4,490,185
		<u>207,987,625</u>	<u>200,451,067</u>
<b>Total.....</b>		<u><u>2,972,948,565</u></u>	<u><u>4,368,484,309</u></u>

See accompanying notes forming part of the financial statements

As per our report of even date

For **B. K. Khare & Co.**

Chartered Accountants

(Registration No. 105102W)

**Viswanadh Kuchi**

Partner

M. No. 210789

Mumbai, Dated : 17<sup>th</sup> May 2016

For and on behalf of the Board of Directors

**Mr. Sudhir Yagnik**

Director

Mumbai, Dated : 17<sup>th</sup> May 2016**Mr. Arvind Mehra**

Director

**Mr. Yashesh Bhatt**

Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	Note	Rupees	
		Year ended March 31, 2016	Year ended March 31, 2015
<b>I. Income from Operations</b>	17	<b>9,628,800</b>	14,863,421
Other Income	18	<b>20,637,465</b>	17,018,462
<b>Total Revenue</b>		<b>30,266,265</b>	31,881,883
<b>II. Expenditure:</b>			
Employee benefits expense	19	<b>6,434,051</b>	10,488,221
Finance cost	20	–	569,728
Depreciation and amortisation expense	9C	<b>493,300</b>	692,107
Other expenses	21	<b>1,422,070,374</b>	32,304,438
		<b>1,428,997,725</b>	44,054,494
<b>III. Profit/(loss) before tax</b>		<b>(1,398,731,460)</b>	(12,172,611)
<b>IV. Less: Tax expense</b>			
– Current tax		<b>2,450,000</b>	–
– Tax of Earlier Years		<b>(371,113)</b>	507,492
<b>VII. Profit/(Loss) for the period</b>		<b>(1,400,810,347)</b>	(12,680,103)
<b>VIII. Basic and Diluted Earnings Per Share [Refer Note No. 29]</b>		<b>(6.08)</b>	(0.06)

See accompanying notes forming part of the financial statements

As per our report of even date  
For **B. K. Khare & Co.**  
Chartered Accountants  
(Registration No. 105102W)

**Viswanadh Kuchi**  
Partner  
M. No. 210789

Mumbai, Dated : 17<sup>th</sup> May 2016

For and on behalf of the Board of Directors

**Mr. Sudhir Yagnik**  
Director

Mumbai, Dated : 17<sup>th</sup> May 2016

**Mr. Arvind Mehra**  
Director

**Mr. Yashesh Bhatt**  
Company Secretary

**CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>Rupees For the year ended March 31, 2015</b>
<b>A. Cash flow from operating activities</b>		
Net Profit/(Loss) before extraordinary items and tax	<b>(1,398,731,460)</b>	(12,172,611)
<i>Adjustments for:</i>		
Depreciation and amortisation	<b>493,300</b>	692,107
Finance costs	-	569,728
Interest income	<b>(7,219,767)</b>	(10,618,763)
Net (gain)/loss on sale of investment	<b>(654,902)</b>	(2,625,810)
Provision for diminution in value of Long term investments	<b>1,391,752,855</b>	-
Provision for Doubtful service tax receivables	<b>16,178,768</b>	-
Provision for Doubtful advances others	<b>821,221</b>	-
Liabilities/provisions no longer required written back	<b>(382,503)</b>	(3,393,524)
Net unrealised exchange (gain)/loss	<b>(3,033,728)</b>	773,885
	<b>1,397,955,244</b>	(14,602,377)
Operating profit/(loss) before working capital changes	<b>(776,216)</b>	(26,774,988)
<i>Changes in working capital:</i>		
<i>Adjustments for (increase)/decrease in operating assets:</i>		
Trade receivables	<b>(7,416,428)</b>	12,424,898
Short-term loans and advances	<b>(27,097,627)</b>	(37,868,574)
Long-term loans and advances	-	-
<i>Adjustments for increase/(decrease) in operating liabilities:</i>		
Trade payables	<b>9,601,657</b>	1,860,489
Other current liabilities	<b>(2,912,848)</b>	1,792,116
Short-term provisions	<b>(143,327)</b>	57,802
Long-term provisions	<b>(888,376)</b>	185,426
	<b>(28,856,949)</b>	(21,547,843)
Cash generated from operations	<b>(29,633,165)</b>	(48,322,831)
Net income tax (paid)/refunds	<b>(3,192,264)</b>	(3,173,996)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>(32,825,429)</b>	(51,496,827)
<b>B. Cash flow from investing activities</b>		
Capital expenditure on fixed assets, including capital advances	-	-
Proceeds from sale of fixed assets	-	13,178
Current investments not considered as cash and cash equivalents		
- Purchased	<b>(100,500,000)</b>	(293,300,000)
- Proceeds from sale	<b>71,930,734</b>	314,504,384
Purchase of long-term investments in subsidiaries	<b>(38,184,000)</b>	(900,328,100)
Non current margin money deposits	<b>44,683,500</b>	13,879,500
Inter corporate deposit given	-	(1,762,123)
Inter corporate deposit received back	-	11,382,458
Interest received		
- from Bank deposits	<b>11,529,861</b>	4,494,763
- from others	-	1,441,002
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(10,539,905)</b>	(849,674,938)

**CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016 (CONTINUED)**

<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>Rupees For the year ended March 31, 2015</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares	-	923,288,194
Proceeds from other short-term borrowings	-	30,000,000
Repayment of other short-term borrowings	-	(30,000,000)
Finance cost	-	(569,728)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>-</b>	<b>922,718,466</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>(43,365,334)</b>	<b>21,546,701</b>
Cash and cash equivalents at the beginning of the year	<b>96,827,018</b>	<b>75,280,317</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>53,461,684</b>	<b>96,827,018</b>
See accompanying notes forming part of the financial statements		

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For and on behalf of the Board of Directors

For **B. K. Khare & Co.**  
Chartered Accountants  
(Registration No. 105102W)

**Mr. Sudhir Yagnik**  
Director

**Mr. Arvind Mehra**  
Director

**Viswanadh Kuchi**  
Partner  
M. No. 210789

**Mr. Yashesh Bhatt**  
Company Secretary

Mumbai, Dated : 17<sup>th</sup> May 2016

Mumbai, Dated : 17<sup>th</sup> May 2016

## Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2016

### 1. Company Overview:

Mahindra Aerospace Private Limited (the 'Company') was incorporated on 28<sup>th</sup> February, 2008 with an objective of exploring various opportunities available in the Aerospace Sector. Presently the Company is engaged in design and development of 5 seat aircraft in technical collaboration with National Aerospace Laboratories (NAL). Also the company is exporting design services.

### 2. Significant Accounting Policies:

#### A. Basis for preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Company (Accounts) Rules, 2014. The Financial Statements have been prepared on accrual basis based on the historical cost.

All assets and liabilities have been classified as current and non – current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule III of the Companies Act, 2013. Based on the nature of services/operations, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities

#### B. Use of estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### C. Cash flow statement:

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

#### D. Fixed Assets:

Tangible Fixed Assets:

- All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- Exchange difference arising on payment of liabilities for purchase of fixed assets in foreign currency and year end conversion of such liabilities are charged/credited to the Statement of Profit and Loss.
- When an asset is scrapped or otherwise disposed of, the cost and related depreciation are removed from the books of accounts and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.
- Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and estimated net realizable value and are disclosed separately in the financial statements as current assets.

Intangible Assets:

- All intangible assets comprising of computer software are initially measured at cost and amortized so as to reflect the pattern in which the assets' economic benefits are consumed or license period whichever is lower.

#### E. Depreciation:

- The Company has provided for depreciation using straight line method over the useful life of the assets as prescribed under part C of Schedule II of the Companies Act, 2013 except in the case of following assets which are depreciated based on the Company's usage pattern supported by technical assessment.
- Assets costing less than Rs. 5000/- are fully depreciated in the period of purchase.

#### F. Investments:

Investments that are readily realizable and are 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 long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

#### G. Employee Benefits:

- Defined Contribution Plans:

Company's contributions paid/payable during the year to Provident Fund are charged to the Statement of Profit and Loss on accrual basis

- Gratuity:

Liabilities with regard to the gratuity benefit payable in future are determined by actuarial valuation at each balance sheet date using the projected unit credit method and contributions are made to employee gratuity fund managed by Life Insurance Corporation of India. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the Statement of profit and loss in the period in which they arise.

- Leave encashment/compensated absences:

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The liabilities provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

#### H. Foreign Currency Transactions:

- The Company's reporting currency is Indian Rupee (INR). Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.
- As at the Balance Sheet date non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- In the case of monetary assets and liabilities denominated in foreign currency, the exchange rate prevalent on the Balance Sheet date is applied to restate such assets and liabilities. Exchange differences arising on restatement of foreign currency assets and liabilities are recognized as income or expenditure in Statement of Profit and Loss.
- Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of an underlying asset/liability, are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on forward exchange contracts are recognised as an expense/income over the life of the contract.

**I. Revenue Recognition:**

a. Income from Services:

In contracts involving the rendering of services, revenue is recognized pro-rata over the period of contract as and when services are rendered.

b. Interest:

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable

**J. Taxes on income:**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses shall be recognized only when there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**K. Provisions and Contingencies:**

a. Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

b. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

**L. Leases:**

a. Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease period.

b. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease period.

**M. Borrowing costs:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

**N. Segment Reporting:**

The Company is operating in a single segment viz. designing and commercial production of aircraft and providing related support services and hence no separate disclosure is made under Accounting Standard (AS) 17, Segment Reporting.

**O. Earnings per Share:**

a. Basic earnings' per share is computed by dividing net income by the weighted average number of equity shares outstanding during the period.

b. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued

on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares). Diluted potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

**P. Impairment of assets:**

Management periodically, but at least annually, assesses using external and internal indicators whether there is an indication that an asset may be impaired. Impairment occurs where the carrying amount exceeds the present value of future cash flows expected to arise from the continuing use of the asset or its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net present value or sale price as determined above.

**3. Share Capital:**

Particulars	March 31, 2016		March 31, 2015	
	Nos	Amount	Nos	Amount
<b>1. Authorised:</b> (Equity shares of Rs. 10 each)	<b>260,000,000</b>	<b>2,600,000,000</b>	235,000,000	2,350,000,000
5% Non Cumulative Compulsorily Convertible Preference Shares of Rs.10 each	15,000,000	150,000,000	15,000,000.00	150,000,000.00
<b>Total</b> .....	<b>275,000,000</b>	<b>2,750,000,000</b>	250,000,000	2,500,000,000
<b>2. Issued and Subscribed:</b>				
Equity shares:				
Opening Balance	230,294,125	2,302,941,250	185,539,690	1,855,396,900
Add: Issued during the year	-	-	44,754,435	447,544,350
Closing Balance	<b>230,294,125</b>	<b>2,302,941,250</b>	230,294,125	2,302,941,250
5% Non Cumulative Compulsorily Convertible Preference Shares:				
Opening Balance	5,000,000	50,000,000	-	-
Add: Issued during the year	-	-	5,000,000	50,000,000
Closing Balance	<b>5,000,000</b>	<b>50,000,000</b>	5,000,000	50,000,000
<b>Total</b> .....	<b>235,294,125</b>	<b>2,352,941,250</b>	235,294,125	2,352,941,250

**Additional information:**

- 1) Out of the total equity shares, 153,534,824 (2015: 153,534,824) equity shares are held by Mahindra and Mahindra Ltd., the holding company, Including shares held jointly with nominees.
- 2) Entire 5,000,000 shares of 5% Non Cumulative Compulsorily Convertible Preference Shares is held by Mahindra and Mahindra Ltd, the holding company.
- 3) Details of shareholders holding more than 5% equity shares in the Company.

Name of the Shareholder	March 31, 2016		March 31, 2015		Particulars	Rupees	
	Nos	%	Nos	%		March 31, 2016	March 31, 2015
Mahindra and Mahindra Limited	153,534,824	66.67%	153,534,824	66.67%	2. Deficit in Statement of Profit and Loss		
Kotak Mahindra Trustee Limited (Trustee of Kotak India Growth Fund II)	55,478,722	24.09%	55,478,722	24.09%	Opening balance	(94,320,849)	(81,640,746)
Kotak India Private Equity Fund	20,267,270	8.80%	20,267,270	8.80%	Add : Loss for the year	(1,400,810,347)	(12,680,103)
					<b>Total</b> .....	<b>(1,495,131,196)</b>	<b>(94,320,849)</b>
						<b>595,121,878</b>	<b>1,995,932,225</b>
4) Rights, preferences and restrictions attached to shares:					5. Long term provisions:		
a) Equity Shares:					Particulars	March 31, 2016	March 31, 2015
The company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.					Provision for Employee benefits		
					Provision for gratuity	(143,892)	525,668
					Provision for compensated absences	191,248	410,064
					<b>Total</b> .....	<b>47,356</b>	<b>935,732</b>
b) 5% Non-Cumulative Compulsorily Convertible Preference shares:					6. Trade Payables:		
50,00,000, 5% Non-Cumulative Compulsorily Convertible Preference shares (NCCCPS) of Rs. 10 each were issued in March 2015 to the holding Company, Mahindra & Mahindra Ltd. The NCCCPS holders will not entitled to any of the rights and privileges available to the members of the company including the right to receive notices of or to attend and vote at General Meetings or to receive annual reports of the company. The NCCCPS holders shall not have the rights of participation in surplus assets and profits, on winding up which may remain after the entire capital has been repaid. The NCCCPS of Rs. 10 each shall have a preferential right to payment of dividend and repayment, in the case of winding up or repayment of capital. The NCCCPS are convertible in to equity shares within a period of 3 years at a price to be determined as per terms of the issue.					Particulars	March 31, 2016	March 31, 2015
					Trade Payables		
					Dues to related party		
					Mahindra & Mahindra Ltd	19,500,570	9,948,365
					Mahindra Integrated Business Solutions Ltd	25,185	17,997
					Trade Payables - Others	4,353,254	4,310,990
					<b>Total</b> .....	<b>23,879,009</b>	<b>14,277,352</b>
4. Reserves and Surplus:					7. Other Current Liabilities:		
					Particulars	March 31, 2016	March 31, 2015
					1. Statutory dues	919,379	4,114,730
					2. Other payables	7,493	107,493
					<b>Total</b> .....	<b>926,872</b>	<b>4,222,223</b>
					8. Short term Provisions:		
					Particulars	March 31, 2016	March 31, 2015
					1. Provision for compensated absences	32,200	52,070
					2. Provision for gratuity	-	123,457
					<b>Total</b> .....	<b>32,200</b>	<b>175,527</b>

9. Fixed Assets:

A : Tangible Assets

Particulars	Gross Block (At Cost)				Depreciation				Net Block		
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	As at April 1, 2015	For the year	Deletions	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015	
Plant and Equipment	505,822	-	-	505,822	483,338	-	-	483,338	22,484	22,484	
Furniture and Fittings	17,275	-	-	17,275	17,270	-	-	17,270	5	5	
Vehicles	1,283,500	-	-	1,283,500	810,540	320,875	-	1,131,415	152,085	472,960	
Office Equipments	528,198	-	-	528,198	488,439	18,726	-	507,165	21,033	39,759	
Computers	150,804	-	-	150,804	131,835	9,109	-	140,944	9,860	18,969	
<b>Total</b> .....	2,485,599	-	-	2,485,599	1,931,422	348,710	-	2,280,132	205,467	554,177	
Previous Year	2,485,598	-	-	2,485,598	1,531,318	400,103	-	1,931,421	554,177	954,280	

**B : Intangible Assets**

Particulars	Gross Block (At Cost)				Amortization				Net Block		
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	As at April 1, 2015	For the year	Deletions	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015	
Software Expenditure	7,620,643	—	—	<b>7,620,643</b>	7,327,097	144,590	—	<b>7,471,687</b>	148,956	293,546	
<b>Total .....</b>	7,620,643	—	—	<b>7,620,643</b>	7,327,097	144,590	—	<b>7,471,687</b>	148,956	293,546	
Previous Year	7,620,643	—	—	<b>7,620,643</b>	7,035,093	292,004	—	<b>7,327,097</b>	293,546	585,550	

**C : Depreciation and Amortization Expense**

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Depreciation on tangible Assets	<b>348,710</b>	400,103
Amortization on intangible Assets	<b>144,590</b>	292,004
<b>Depreciation and Amortization Expense</b>	<b>493,300</b>	692,107

**Note:**

1. Movable fixed assets (present and future) are hypothecated to AXIS Bank Limited for the SBLC facilities sanctioned.

**10. Current & Non-Current Investments:**

Particulars	Rupees			
	March 31, 2016		March 31, 2015	
	Non Current	Current	Non Current	Current
<b>Non-Current Investments</b> (At Cost, unless otherwise specified):				
<b>Long Term Investments</b>				
<b>Shares</b> (Trade and fully paid-up unless otherwise specified)				
<b>Unquoted:</b>				
Equity Shares in wholly owned subsidiaries				
Mahindra Aerospace Australia PTY Ltd [4,55,38,500 (2015: 4,47,38,500) Shares of AU \$ 1 each]	<b>2,303,746,545</b>	—	2,265,562,545	—
Less: Provision for Diminution in value of investments	<b>(1,391,752,855)</b>	—	—	—
	<b>911,993,690</b>	—	2,265,562,545	—
Mahindra Aero-structures Pvt Ltd [160,360,000 (2015: 160,360,000) Equity Shares of Rs. 10 each]	<b>1,603,600,000</b>	—	1,603,600,000	—
	<b>2,515,593,690</b>	—	3,869,162,545	—
<b>Current Investments</b> (At Cost, unless otherwise specified):				
<b>Other Investments:</b>				
<b>Units: Non Trade</b>				
<b>Unquoted:</b>				
ICICI Prudential Liquid Plan - Regular Growth [88,244 (2015:19,581) units]	<b>19,184,634</b>	—	—	<b>4,024,782</b>
Axis Liquid Fund Direct - Growth [11,199 (2015:2,711) units]	—	<b>37,417,312</b>	—	8,193,144
	<b>2,515,593,690</b>	<b>37,417,312</b>	3,869,162,545	8,193,144
<b>Total .....</b>	<b>2,553,011,002</b>	—	3,877,355,689	—

Notes: 1. Aggregate Net Asset value of Mutual Funds - Rs. 385,23,188 (2015: Rs. 82,49,137)

2. 4,42,50,500 Shares of Mahindra Aerospace Australia Pty Ltd pledged as Security to Axis Bank Ltd for the SBLC facilities sanctioned

**11. Long-Term Loans & Advances:**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
<b>1. Security deposits</b>		
– Unsecured, Considered Good	<b>5,000</b>	5,000
<b>2. Other loans and advances</b>		
– TDS Receivables (Net of Provision for taxation)	<b>11,681,753</b>	10,568,376
<b>Total .....</b>	<b>11,686,753</b>	10,573,376
<b>12. Other Non current assets:</b>		
		Rupees
<b>Particulars</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
1. Margin money deposits	—	44,683,500
2. Interest accrued on deposits	—	5,440,024
<b>Total .....</b>	<b>—</b>	<b>50,123,524</b>
<b>13. Trade Receivable:</b>		
		Rupees
<b>Particulars</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Trade Receivables outstanding for more than six months</b>		
Unsecured, considered good		
Due from related party		
Gipps Aero Pty Ltd	<b>7,352,268</b>	—
Outstanding less than six months		
Gipps Aero Pty Ltd	<b>7,276,795</b>	6,503,847
<b>Total .....</b>	<b>14,629,063</b>	6,503,847
<b>14. Cash &amp; Bank balances:</b>		
		Rupees
<b>Particulars</b>	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>1. Cash &amp; Cash Equivalents</b>		
Cash on hand	<b>13,853</b>	3,078
	<b>13,853</b>	3,078
<b>2. Balances with Scheduled Banks</b>		
On Current account	<b>2,390,558</b>	2,485,101
On Fixed Deposits	—	50,000,000
In earmarked accounts		
Margin money deposits	<b>51,057,273</b>	44,338,839
	<b>53,447,831</b>	96,823,940
<b>Total .....</b>	<b>53,461,684</b>	96,827,018



15. Short-term loans & advances:

Particulars	Rupees	
	March 31, 2016	March 31, 2015
<b>Other loans and advances</b>		
Unsecured, considered good		
Service tax receivables	16,178,768	16,518,688
Less: Provision for doubtful receivables	(16,178,768)	–
	–	16,518,688
Dues from subsidiaries [Refer Note No 28]	95,436,758	62,429,662
Security deposits	720,000	720,000
Others	2,077,513	4,768,523
Less: Provision for doubtful advances	(821,221)	–
	1,256,292	4,768,523
<b>Total</b>	<b>97,413,050</b>	<b>84,436,873</b>

16. Other Current Assets:

Particulars	Rupees	
	March 31, 2016	March 31, 2015
1. Interest accrued on deposits	5,066,516	3,936,586
2. Others	–	553,599
<b>Total</b>	<b>5,066,516</b>	<b>4,490,185</b>

17. Income from Operations:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Interest from services</b>		
Engineering services	7,824,996	14,426,453
Resource support services	1,803,804	436,968
<b>Total</b>	<b>9,628,800</b>	<b>14,863,421</b>

18. Other Income:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>1. Interest income</b>		
On Bank deposits	7,219,767	9,177,761
On Inter corporate deposits & others	–	1,441,002
	7,219,767	10,618,763
<b>2. Gain/(loss) on sale of other investments, net</b>		
	654,902	2,625,810
<b>3. Liabilities written back to the extent no longer required</b>		
	382,503	3,393,524
<b>4. Other miscellaneous income [Refer Note No. 26]</b>		
	9,017,373	380,365
<b>5. Gain on foreign exchange translation, net</b>		
	3,362,920	–
<b>Total</b>	<b>20,637,465</b>	<b>17,018,462</b>

19. Employee benefit expenses:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
1. Salaries, wages, bonus, etc	5,445,378	8,430,658
2. Contribution to provident funds	534,406	597,435
3. Gratuity expense	–	301,690
4. Staff welfare	454,267	1,158,438
<b>Total</b>	<b>6,434,051</b>	<b>10,488,221</b>

20. Finance cost:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
1. Interest on short term borrowings	–	569,728
<b>Total</b>	<b>–</b>	<b>569,728</b>

21. Other expenses:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
1. Rates and taxes	1,955,924	4,876,592
2. Electricity	–	212,707
3. Insurance	255,346	169,683
4. Rent	763,426	2,115,075
5. Directors Sitting Fees	241,200	–
6. Professional and consultancy charges	1,285,512	11,911,030
7. Travelling and conveyance expenses	6,629,826	1,458,066
8. Communication expenses	52,311	221,560
9. Business promotion expenses	30,000	36,903
10. Auditors' remuneration	1,035,990	1,278,398
11. Loss on foreign exchange translation, net	–	7,239,753
12. Software & IT expenses	856,787	1,759,717
13. Provision for service tax receivables	16,178,768	–
14. Provision for Doubtful advances others	821,221	–
15. Provision for diminution in value of Long term investments	1,391,752,855	–
16. Miscellaneous expenses	211,208	1,024,954
<b>Total</b>	<b>1,422,070,374</b>	<b>32,304,438</b>

Notes:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
Auditors' remuneration includes payment to auditors -		
– Statutory audit	250,000	250,000
– Consolidation	200,000	200,000
– Taxation matters	60,000	70,000
– Attestation services	62,240	55,000
– For other services	460,000	675,000
– For reimbursement of expenses	3,750	28,398
<b>Total</b>	<b>1,035,990</b>	<b>1,278,398</b>

**Additional Disclosures**

**22. NM5 Project:**

During November 2008, erstwhile M/S. Plexion Technologies India Pvt. Ltd., which was later on merged with Mahindra Engineering Services Limited (MESL), had entered into a Collaboration Agreement with Council of Scientific Industrial Research (CSIR), represented by National Aerospace Laboratories (NAL) for Joint Development, Commercial Production and Marketing of a 4-Seater Aircraft (**NM 5 Project**). By virtue of a Deed of Assignment dated 28<sup>th</sup> May, 2008, signed between MESL, the Company and Council of Scientific Industrial Research (CSIR), the rights, obligations and benefits of MESL under the said Collaboration Agreement was assigned to the Company by MESL and duly affirmed by CSIR. As per the Collaboration Agreement, the Company jointly owns the Intellectual Property Rights arising from joint development of the aircraft. Such Intellectual Property Rights arising from joint development of the aircraft will be a jointly held intangible asset.

The Company has built a prototype of the aircraft which has carried out a successful test flight. The Company is in the process of obtaining the required certification.

The Company had so far incurred an expenditure of Rs. 20,98.63 Lakhs (till 2015: Rs. 20,98.63 Lakhs) towards the design & development and building one prototype aircraft.

Techno-commercial feasibility has been established and therefore this asset is being carried in the books of accounts. On receipt of certification, which would enable the Company to commence commercial sale, these assets would be depreciated/amortized.

**23. Contingent Liabilities:**

- a. Corporate Guarantees issued in respect of borrowings availed by subsidiary companies and others – Rs. 104,00.00 Lakhs (2015: Rs. 104,00.00 Lakhs):
- b. Guarantee given to Banks in consideration of the Standby Letter of Credit (SBLC) opened by them in favor of certain overseas banks as security for loan granted by such overseas banks to the Australian subsidiaries of the Company – Rs. 2,411.10 Lakhs (2015: Rs. 9,075 Lakhs) [equivalent to AUD 4.75 mn (2015: AUD 18.75 mn)].
- c. Service tax matter of Rs. 98.96 lakhs (2015: Rs. 98.96 lakhs).

**24. Investment in Subsidiary company:**

During the year the Company has invested Rs. 381.84 lakhs (2015: 3,618.29 lakhs) in its wholly owned subsidiary Mahindra Aerospace Australia Pty. Limited (MAAPL) which in turn has invested in various downstream subsidiaries. The subsidiary companies have been incurring losses and are dependent on financial support from the Company. Such investments are, long term and strategic in nature and management based on future business plans and independent valuation of the subsidiaries determined that no provision for diminution other than temporary in the value of these investments is required at 31<sup>st</sup> March, 2016.

**25. Impairment:**

During the year, the company's wholly owned subsidiary, M/s. Mahindra Aerospace Australia Pty Ltd, Australia, had impaired its investments in step down subsidiaries to the extent of AUD 27.421 Mn. Consequently, the Company's investment in Mahindra Aerospace Australia Pty Ltd is impaired by an amount of Rs. 13917.52 Lakhs. (2015: NIL)

**26. TDS Refund:**

During the year, the overseas subsidiary M/s. Gippsaero Pty Ltd, Australia, has remitted Rs. 90.17 Lakhs (2015: Rs. NIL) [equivalent to AUD 182,897 (2015: AUD NIL)] towards refund of withholding tax deducted on the services rendered by the Company since FY 2011. These amounts were charged off to the statement of Profit and Loss in earlier years as the Company could not take credit for the same.

**27. Employee Benefits.**

**Defined Benefit Plans.**

**a. Gratuity Liability.**

The Gratuity liability under defined benefit plan as on 31.3.2016 is Rs. 10.29 Lakhs (2015: Rs. 16.58 Lakhs)

Particulars	Rupees Lakhs	
	2015-16	2014-15
(i) Reconciliation of opening and closing balances of the present value of gratuity liability.		
Opening gratuity liability	16.58	12.67
Service cost	1.67	3.46
Interest cost	1.18	0.98
Actuarial gains and losses on liability	(5.20)	(0.53)
Benefits paid	(3.94)	–
Closing gratuity liability	10.29	16.58
(ii) Reconciliation of the opening and closing balances of the fair value of the plan asset.		
Opening Value of Plan Assets	10.09	6.39
Difference in Opening Balance	3.00	(0.01)
Expected return on plan assets	0.89	0.86
Actuarial gains and losses	1.69	0.02
Contribution by the employer	0.00	2.81
Benefits paid	(3.94)	–
Closing fair value of plan assets	11.73	10.09
(iii) Reconciliation of the present value of the gratuity liability and the fair value of the plan assets to the assets and liabilities recognized in the balance sheet:		
Fair value of plan asset	11.73	10.09
Liability recognized in the balance sheet	1.44	6.49
Plan liability	10.29	16.58
(iv) Total expense recognized in statement of Profit and loss.		
Service cost	1.67	3.46
Interest cost on gratuity liability	1.18	0.98
Expected return on plan assets	(0.89)	(0.86)
Net actuarial gains and losses recognized in the year	1.69	(0.56)
Payable to Mahindra Aerostructures Private Limited for past services of transferred employees.	5.45	–
Net gratuity expense charged under the head 'Personnel Costs'	0.00	3.02
Actual return on plan assets	2.59	0.89
(v) The major categories of plan asset as percentage of Total plan		
The insurer managed funds	100%	100%
(vi) Principal actuarial assumptions used in determining gratuity liability as at the balance sheet date are:		
Discount rate	8.10%	7.73%
Expected return on plan assets for the year under report	8.00%	8.00%
Any other material actuarial assumption (to specify)		
Salary Increase	10%	10%
Attrition rate	5%	5%
Retirement age	60	60
Interest rate	8.10%	7.73%

	2015-16	2014-15	2013-14	2012-13
(vii) Experience Adjustments				
Defined Benefit Obligation at the end of the year	10.29	16.58	12.67	15.33
Plant asset at the end of the period	11.73	10.09	6.39	8.51
Funded status	1.44	6.49	6.28	6.82
Experience adjustments on plan liabilities	(5.20)	(0.53)	0.78	(0.32)
Experience adjustments on plant assets	(1.69)	0.03	0.01	0.04

**Note:** In the absence of detailed information regarding plan asset which is funded with insurance company, the composition of each major category of plan asset, the percentage or amount for each category to the fair value of plan assets and details of experience adjustments prior to 2012-13 have not been disclosed.

**b. Leave Encashment**

Employees are entitled to accumulation of leave which can be encashed at the time of retirement or termination. The leave encashment benefit scheme is not funded. Hence, there are no plan assets attributable to the obligation. The Leave encashment liability under defined benefit plan as on 31.3.2016 is Rs. 2.23 Lakhs (2015: Rs. 4.62 Lakhs).

**c. Defined Contribution Plans**

Amount recognized as an expense and included in the schedule "Contribution to Provident and Other Funds" of Personnel Expenses Rs. 3.87 Lakhs (2015: Rs. 5.97 Lakhs).

**28. Related Party Disclosure:**

**a. Name of the Related party and nature of relationship where control exists:**

S.No.	Name of the party	Nature of Relationship
1.	Mahindra & Mahindra Ltd.	Holding Company
2.	Mahindra Aerostructures Pvt. Ltd.	Subsidiary
3.	Mahindra Aerospace Australia Pty Ltd	Subsidiary
4.	Aerostaff Australia Pty Ltd	Step Down Subsidiary
5.	Gipp Aero Investments Pty Ltd	Step Down Subsidiary
6.	Gipps Aero Pty Ltd	Step Down Subsidiary
7.	Airvan Flight Services Pty Ltd	Step Down Subsidiary
8.	GA 8 Airvan Pty Ltd	Step Down Subsidiary
9.	GA 200 Pty Ltd	Step Down Subsidiary
10.	Nomad TC Pty Ltd	Step Down Subsidiary
11.	Airvan 10 Pty Ltd	Step Down Subsidiary

**b. Key Management Personnel:**

S.No.	Name of the Person	Nature of Relationship
1.	Mr. Arvind Kumar Mehra	CEO & Executive Director
2.	Mr. Ajay Mantry	CFO

**c. Related Party transactions are as under:**

Rupees Lakhs

Name of the Related Party	Nexus	Nature of Transactions	Amount of Transactions		Receivable/ Payable	
			2015-16	2014-15	2015-16	2014-15
Mahindra & Mahindra Ltd	Holding	Services Received	85.96	106	(195.00)	(99.48)
Mahindra & Mahindra Ltd	Holding	Reimbursement of Expenses paid	6.89	1.79		
Mahindra & Mahindra Ltd	Holding	Advances Received	-	1	-	(1)
Mahindra & Mahindra Ltd	Holding	Preference share capital	-	500		
Mahindra & Mahindra Ltd	Holding	Capital contribution received	-	5830.3		
Mahindra Aerostructures	Subsidiary	Services Received	-	1.64		
Mahindra Aerostructures	Subsidiary	Sale of goods/Services	18.04	20.02		
Mahindra Aerostructures	Subsidiary	Rent Paid	7.62	5.23	169.31	
Mahindra Aerostructures	Subsidiary	Reimbursement of expenses received	236.42	336.91	-	23.34
Mahindra Aerostructures	Subsidiary	Reimbursement of expenses paid	76.11	318.49		
Mahindra Aerostructures	Subsidiary	Investment in Equity	-	5385		
Mahindra Aerostructures	Subsidiary	Rent Deposit Paid	-	7.2	7.2	7.2
Mahindra Aerostructures	Subsidiary	Refund of Rent Deposit	-	26.81		
Mahindra Aerospace Australia Pty Ltd	Subsidiary	Reimbursement of expenses received	54.97	103.57	97.38	40.45
Mahindra Aerospace Australia Pty Ltd	Subsidiary	Investment in Equity	381.84	3618.28		
GippsAero Pty Ltd	Step Down Subsidiary	Services Rendered	83.79	138.73	146.29	65.04
GippsAero Pty Ltd	Step Down Subsidiary	Reimbursement of expenses received	88.91	581.05	687.67	560.51
Mahindra Integrated Business Solutions Pvt Ltd.	Fellow Subsidiary	Services Received	0.96	0.96	(0.25)	(0.18)
Mr. Arvind Kumar Mehra	KMP	Remuneration	60.00	50.55		
Mr. T. Srinivasan	KMP	Remuneration	-	25.28		
Mr. Ajay Kumar Mantry	KMP	Remuneration	48.96	18.18		

**29. Earnings Per Share:**

Particulars	Rupees Lakhs	
	2015-16	2014-15
Loss as per statement of Profit and Loss	(14008.10)	(126.80)
Weighted Average No. of Equity Shares outstanding during the year	23,029,4,125	21,15,57,526
Basic Earnings Per Share (Rs.)	(6.08)	(0.06)
Diluted Earnings Per Share (Rs.)	(6.08)	(0.06)

The Company having incurred losses, the effect of conversion of NCCCPs being anti-dilutive, basic and diluted EPS are the same.

**30. CIF Value of imports during the year is Rs. NIL (2015: Rs. NIL)**

**31. Expenditure in Foreign Currency**

Particulars	Rupees Lakhs	
	2015-16	2014-15
Travel	26.09	37.98
Professional and Consultancy Fee	4.58	19.80
Others	-	-

**32. Earnings in Foreign Exchange**

Particulars	Rupees Lakhs	
	2015-16	2014-15
Export of Services	83.79	138.73

**33. Unhedged Foreign Currency exposure:**

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	2015-16		2014-15	
	Rupees Lakhs	Foreign Currency	Rupees Lakhs	Foreign Currency
Receivables	931.35	1,834,982 AUD	666.00	1,376,029 AUD
Payable for consultancy	-	-	0.16	AUD 333

**34.** Deferred tax asset on the business loss amounting to Rs. 93.92 Lakhs (2015: Rs.126.73 Lakhs) is not recognized in view of absence of virtual certainty of future profits as required by Accounting Standard (AS) 22, *Accounting for taxes on Income*

**35.** There are no micro and small enterprises to which the Company owes dues, which are outstanding for more than 45 days as at 31<sup>st</sup> March, 2016. This information as required under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This information has been relied upon by the Auditor.

**36.** Previous year figures have been reclassified wherever necessary to conform to the current year classification.

For and on behalf of the Board of Directors

For **B. K. Khare & Co.**  
Chartered Accountants  
(Registration No. 105102W)

**Viswanadh Kuchi**  
Partner  
M. No. 210789

Mumbai, Dated : 17<sup>th</sup> May 2016

**Mr. Sudhir Yagnik**  
Director

**Mr. Arvind Mehra**  
Director

**Mr. Yashesh Bhatt**  
Company Secretary

Mumbai, Dated : 17<sup>th</sup> May 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Sixth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL RESULTS AND STATE OF COMPANY'S AFFAIRS

Particulars	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Revenue	763.92	195.63
Profit/(Loss) before Interest, Depreciation and Tax	(2,883.47)	(2,441.19)
Less: Depreciation	1,142.86	973.93
Profit/(Loss) before Interest and Tax	(4,026.33)	(3,415.12)
Less: Interest Expense	1,200.30	961.19
Profit/(Loss) before Tax	(5,226.63)	(4,376.31)
Provision for Tax	-	-
Profit/(Loss) for the year	(5,226.63)	(4,376.31)
Profit/(Loss) brought forward from earlier years	(7,757.54)	(3,381.23)
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life	-	-
Profit/(Loss) carried to Balance Sheet	(12,984.17)	(7,757.54)
Net Worth	3,051.83	8,278.46

No material changes and commitments have occurred after the closure of financial year under review till the date of this report which would affect the financial position of the Company.

#### Operations

During the year, your Company signed contracts with Tier 1 companies of Airbus located at Germany & UK and started supplying the components for a variety of aircraft programs. These contracts are expected to reach peak volumes over the next 18-24 months in a phased manner. The Company is pursuing various opportunities both in India and abroad which are expected to yield results in the coming years.

#### Dividend

In view of the continuing losses, your Directors do not recommend dividend for the year under review.

#### Share Capital

During the year under review, the Authorized Share Capital of the Company was increased from Rs. 170,00,00,000/- divided into 17,00,00,000 Equity Shares of the face value Rs. 10/- each to Rs. 200,00,00,000 divided into 20,00,00,000 Equity Shares of the face value Rs. 10/- each and to Rs. 275,00,00,000 divided into 27,50,00,000 Equity Shares of the face value Rs. 10/- each by creating a total of 10,50,00,000 additional Equity Shares of Rs. 10/- each.

The paid up share capital of the Company stood at Rs. 160,36,00,000/- as at the end of the year under review.

#### Board of Directors

The composition of Board of Directors of the Company is as under:

Sl. No.	Name of the Director	Designation	Executive/ Non Executive	Independent/ Non Independent
1	Mr. Shriprakash Shukla (DIN:00007418)	Chairman	Non-Executive	Non Independent
2	Mr. Sudhir Yagnik (DIN:07340019)	Director	Non-Executive	Non Independent
3	Mr. Arvind Kumar Mehra (DIN:01039769)	Director	Non-Executive	Non Independent
4	Mr. R. Laxman (DIN:03033960)	Director	Non-Executive	Non Independent
5	Mrs. Rajyalakshmi Rao Meka (DIN:00009420)	Director	Non-Executive	Independent
6	Rear Admiral Sanjiv Kapoor AVSM (Retd.) (DIN:07138582)	Director	Non-Executive	Independent
7	Dr. Krishnamurthy Karthik (DIN:07138582)	Whole Time Director	Executive	Non Independent

Mr. Arvind Kumar Mehra (DIN:01039769) Director, retires by rotation and being eligible offers himself for reappointment.

Mr. Sudhir Yagnik (DIN:07340019) was appointed as Additional Director on 27<sup>th</sup> November, 2015 and holds office upto the ensuing Annual General Meeting only.

Your Company has received notice from a member intimating its intention to propose, at the ensuing Annual General Meeting, the appointment of Mr. Sudhir Yagnik as Director liable to retire by rotation.

The appointment of Dr. Karthik Krishnamurthy as Whole Time Director with effect from 23<sup>rd</sup> March, 2015 was approved by the members at their Annual General Meeting held on 2<sup>nd</sup> September, 2015.

Mr. Sanjay Joglekar (DIN: 00209394) resigned as Director with effect from 7<sup>th</sup> October, 2015. Your Board takes this opportunity to thank Mr. Sanjay Joglekar for his valuable Services to the Company as Director during his association with the Company.

Your Company has received declarations from Mrs. Rajyalakshmi Rao Meka and Rear Admiral Sanjiv Kapoor AVSM (Retd.) to the effect that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

#### Meetings of the Board of Directors and Annual General Meeting

Your Board of Directors met Four times during the year under review i.e. on 21<sup>st</sup> May, 2015, 2<sup>nd</sup> September, 2015, 27<sup>th</sup> November, 2015 and 4<sup>th</sup> March, 2016.

5<sup>th</sup> Annual General Meeting of the shareholders was held on 2<sup>nd</sup> September, 2015.

The attendance at the meetings of the Board was as under:-

Name of Directors	No. of meetings attended
Mr. S. P. Shukla	4
Mr. Sudhir Yagnik *	2
Mr. Arvind Mehra	4
Dr. Karthik Krishnamurthy	3
Mr. R. Laxman	4
Mrs. Rajyalakshmi Rao Meka	4
Rear Admiral Sanjiv Kapoor AVSM (Retd.)	2
Mr. Sanjay Joglekar@	2

\*Appointed with effect from 27<sup>th</sup> November, 2015.

@Resigned with effect from 7<sup>th</sup> October, 2015.

#### Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received from operating management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;

- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013 the Board carried out an annual evaluation of performance of its own, its committees and individual Directors including independent directors. Questionnaires/Feedback templates for annual evaluation were circulated to each Board member and duly filled in questionnaires/responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation at the meeting of the Board held on 17<sup>th</sup> May, 2016.

#### Codes of Conduct

Your Company has, adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company's ethos.

Your Company has for the year under review, received declarations from the Board Members and Senior Management Personnel and employees affirming compliance with respective Code of Conduct.

#### Key Managerial Personnel (KMP)

Key Managerial Personnel of the Company are Dr. Krishnamurthy Karthik – Whole Time Director and Mr. Yashesh Bhatt - Company Secretary.

Mr. T. Subrahmanya Sarma – Chief Financial Officer resigned as Chief Financial Officer with effect from the closure of business hours of the date of this report.

#### Meeting of Independent Directors

The Independent Directors of the Company met on 27<sup>th</sup> November, 2015 without the presence of the Chairman or Executive Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**Committees of the Board:****Audit Committee**

The Committee was reconstituted on 27<sup>th</sup> November, 2015 pursuant to the resignation of Mr. Sanjay Joglekar as director of the company and the appointment of Mr. Sudhir Yagnik as Director.

The Committee now consists of Mrs. Rajyalakshmi Rao Meka, Independent Director, Rear Admiral Sanjiv Kapoor AVSM (Retd.), Independent Director and Mr. Sudhir Yagnik.

Mrs. Rajyalakshmi Rao Meka is the Chairman of the Audit Committee.

The Committee met three times during the year under review i.e, on 21<sup>st</sup> May, 2015, 27<sup>th</sup> November, 2015 and 4<sup>th</sup> March, 2016 and complied with the terms of reference assigned to the Committee from time to time.

The attendance at the meetings of the Audit Committee was as under:-

Name of Directors	No. of meetings attended
Mr. Sudhir Yagnik *	2
Mrs. Rajyalakshmi Rao Meka	3
Rear Admiral Sanjiv Kapoor AVSM (Retd.)	2
Mr. Sanjay Joglekar@	1

\*Appointed with effect from 27<sup>th</sup> November, 2015.

@Resigned with effect from 7<sup>th</sup> October, 2015.

**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of Rear Admiral Sanjiv Kapoor AVSM (Retd.), Independent Director, Mrs. Rajyalakshmi Rao Meka, Independent Director, Mr. S P Shukla and Mr. Arvind Mehra. Rear Admiral Sanjiv Kapoor AVSM (Retd.) is the Chairman of the Nomination and Remuneration Committee.

The Committee met three times during the year under review i.e. on 21<sup>st</sup> May, 2015, 2<sup>nd</sup> September, 2015 and 27<sup>th</sup> November, 2015.

The attendance at the meetings of the Nomination Remuneration Committee was as under:-

Name of Directors	No. of meetings attended
Mr. S. P. Shukla	3
Mr. Arvind Mehra	3
Mrs. Rajyalakshmi Rao Meka	3
Rear Admiral Sanjiv Kapoor AVSM (Retd.)	1

The Committee members at their meeting held on 17<sup>th</sup> May, 2016 carried out an evaluation of the performance of individual directors through a structured questionnaire process.

**Policy for Remuneration of Directors, Key Managerial Personnel, and other Employees and Criteria for appointment/removal of Directors and Senior Management Personnel**

In line with the principles of transparency and consistency and upon recommendation of Nomination and Remuneration Committee, your Board has approved policies for the remuneration of Directors, Key Managerial Personnel and other employees and appointment/removal of Directors and Senior Management Personnel.

These policies are furnished as Annexure I and form part of this Report.

**Risk Management Policy**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

**Vigil Mechanism**

The Vigil Mechanism, as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder, is implemented through the Company's Whistleblower Policy to enable the Directors and employees of the Company to report genuine concerns.

The mechanism, as established, provides for adequate safeguards against victimization of employees and directors who avail vigil mechanism and an easy access to the Chairperson of the Audit Committee.

**The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder.

**Statutory Auditors & Audit Report**

Messrs. B. K. Khare & Co., Chartered Accountants, (ICAI Registration Number 105102W) retire as Auditors of your Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members are requested to appoint Auditors from the conclusion of forthcoming Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

As required under the provisions of section 139 of the Companies Act, 2013, your Company has obtained a written consent and certificate from the above Auditors to the effect that their reappointment, if made, would be in conformity with the conditions and criteria specified therein.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

**Secretarial Auditor**

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed M/s. M Siroya & Co, a firm of Practicing Company Secretaries, as the Secretarial Auditor of your Company for the financial year ended 31<sup>st</sup> March 2016.

The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March 2016, issued by the secretarial auditor, pursuant to the aforesaid provisions, is provided as Annexure II and forms part of this report.

The Secretarial Auditor's Report does not contain any qualification, reservation or advance remark.

**Reporting on Frauds by Auditors**

During the year under review, the Statutory Auditors and Secretarial Auditors had 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 and Rules made thereunder, details of which are required to be furnished in this report.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of The Companies (Accounts) Rules, 2014 are given as Annexure III to this Report.

### **Corporate Social Responsibility**

The provisions relating to Corporate Social Responsibility were not applicable to your Company for the year under review.

### **Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013**

During the year under review, Your Company had not made any investment or given loans/guarantees particulars in respect of which are required to be given under section 186 of the Companies Act, 2013.

### **Public Deposits and Loans/Advances**

Your Company had not accepted any deposits from the public, or its employees, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review and there was no amount which qualified as deposit outstanding as on the date of balance sheet.

Your Company had not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulation 34(3) and 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with Schedule V thereto applicable to ultimate Parent Company Mahindra and Mahindra Limited.

### **Particulars of Transactions with Related Parties**

All the contracts/arrangements/transactions entered, during the year under review, with related parties referred to in sub section 1 of Section 188 of Companies Act, 2013, and Rules made thereunder, were carried out in ordinary course of business and on arm's length basis.

Particulars of material contracts or arrangements or transactions with related parties, required to be furnished in terms of Section 134 of Companies Act, 2013 are furnished in form AOC – 2 as Annexure IV and the same forms part of this Report.

### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as Annexure V and forms part of this report.

### **Internal Financial Controls**

Your Company has an adequate system of internal controls and monitoring procedures as well as internal financial controls on financial statements commensurate with the size and the nature of its business. The internal control system is supplemented by

documented policies, guidelines and procedures. Besides the Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee. The Internal Audit function submits detailed reports periodically to the management and the Audit Committee. The Audit Committee reviews these reports with the operating management with a view to provide oversight of the internal control systems.

### **Safety, Health and Environmental Performance**

Your Company's commitment towards safety, health and environment is being continuously enhanced and persons working at all locations are given adequate training on safety and health. The requirements relating to various environmental legislations and environment protection have been duly complied with by your Company.

### **Sustainability**

Your Company continues with its journey on sustainable development with conscious efforts to minimize the environmental impact caused by its operations and simultaneously taking responsibility to enable communities to Rise without losing focus on economic performance.

### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Particulars of employees, since the provisions of Section 197(12) of the Companies Act, 2013 and the Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, are not applicable to an unlisted Company.

### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016



## ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### POLICY FOR REMUNERATION OF DIRECTORS KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

#### Purpose

This Policy sets out the approach to compensation of Directors and Key Managerial Personnel in Mahindra Aerostructures Private Limited.

#### Policy Statement

Our compensation philosophy strives to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in business.

In order to effectively implement this, our compensation structure is developed through external benchmarking as appropriate, with relevant players across the industry we operate in.

#### Non-Executive Including Independent Directors

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

#### Key Managerial Personnel (KMPs)

The terms of remuneration of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Company Secretary (CS) shall be determined by the Board and may be revised, from time to time, either by any Director or such other person as may be authorised by the Board. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### Employees

We follow a position and level based approach for compensation benchmarking with companies in the steel/ steel service centre and related engineering industries.

We have a CTC (Cost to Company) concept which includes a fixed component (guaranteed pay) and a variable component (performance pay). The percentage of the variable component increases with increasing hierarchy levels as employees at higher positions have a greater impact and influence on the company's overall business result. CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for new employees other than KMPs and senior management will be decided by HR, and approved by the Managing Director, based on factors such as relevant job experience, last compensation drawn, skill-set of the selected candidate, internal equity and related parameters.

The Company may also grant Stock Appreciation Rights and/ or Stock Options to Employees and Directors (other than Independent Directors) in accordance with any Scheme of the Company and subject to compliance of the applicable statutes and regulations.

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Aerostructures Private Limited

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

## I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman/ Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

### Removal of Directors

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### Senior Management Personnel

The NRC shall identify persons who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

## II. SUCCESSION PLANNING:

### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

### Policy Statement

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

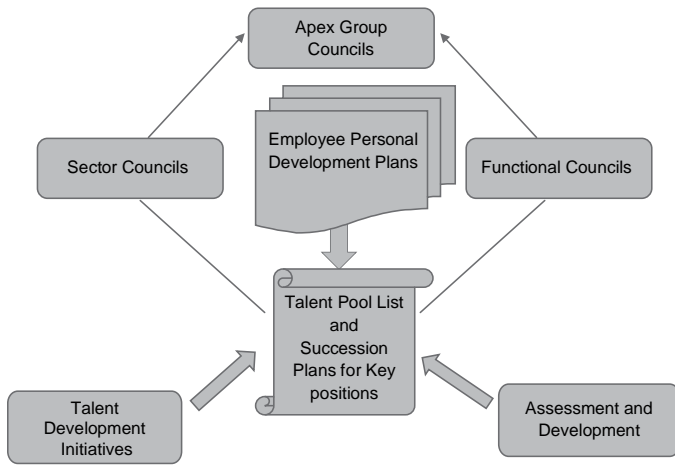
- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

The framework lays down an architecture and processes to address these questions using the **3E** approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016 - Report of the Secretarial Auditors

Form No. MR-3

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

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

To,  
The Members,  
Mahindra Aerostructures Private Limited  
Mumbai

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the applicable provisions of:

- (i) The Companies Act, 1956 (the Old Act) and the rules made thereunder; and
- (ii) The Companies Act, 2013 (the Act) and the rules made thereunder.
- (iii) The SEBI Act and/or Rules/Regulations made thereunder, Depositories Act and FEMA are not applicable to the Company and
- (iv) As confirmed by the management, there are no other laws specifically applicable in relation to the business of the Company.

Other major Statutes, Acts, Laws, Rules, Regulations, Guidelines and Standards etc., as applicable to the Company are given below:

- (i) Labour Laws and other incidental laws related to employees and labour appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;

- (ii) Acts as prescribed under Direct Tax and Indirect Tax;
- (iii) Land revenues Act;
- (iv) Labour Welfare Act; and
- (v) Such other Local laws etc. as may be applicable in respect of office and factory premises of the Company.

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

1. Secretarial Standards issued by The Institute of Company Secretaries of India, w.e.f. July 1, 2015; and
2. The Company is an unlisted Company and therefore compliance with listing agreement is not applicable.

During the period under review the Company has complied with the provisions of the Act, Old Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

**We further report that** during the audit period the Company has undertaken following major corporate events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above:

1. On 2<sup>nd</sup> September, 2015, the members approved the appointment of Dr. Karthik Krishnamurthy as Whole-time Director of the Company for a period of 2 years w.e.f. 23<sup>rd</sup> March, 2015.

2. On 2<sup>nd</sup> September, 2015, the members at the Annual General Meeting of the Company approved increase in the Authorised Share Capital of the Company from Rs. 170 crores to Rs. 200 crores, thereby altering the Memorandum of Association of the Company.
3. On 4<sup>th</sup> March, 2016, the Board approved the issue and offer of 7,50,00,000 equity shares of Rs. 10/- for cash at par on Rights basis to the existing shareholders of the Company.
4. On 4<sup>th</sup> March, 2016, the members at the Extra-Ordinary General Meeting approved increase in the Authorised Share Capital of the Company from Rs. 200 crores to Rs. 275 crores, thereby altering the Memorandum of Association of the Company.

**For M Siroya and Company  
Company Secretaries**

**Mukesh Siroya  
Proprietor  
FCS No.: 5682  
CP No.: 4157**

Date: May 17, 2016  
Place: Mumbai

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

**‘Annexure A’**

To,  
The Members,  
Mahindra Aerostructures Private Limited  
Mumbai

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management's representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of the procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For M Siroya and Company  
Company Secretaries**

**Mukesh Siroya  
Proprietor  
FCS No.: 5682  
CP No.: 4157**

Date: May 17, 2016  
Place: Mumbai

**ANNEXURE III TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**PARTICULARS AS PER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY**

(a) **the steps taken or impact on conservation of energy:**

Though the activities/operations of the Company are not power intensive, necessary measures are taken to contain and bring about saving in power consumption, wherever practicable.

(b) the steps taken by the company for utilizing alternate sources of energy: NIL

(c) the capital investment on energy conservation equipments: NIL

**B. TECHNOLOGY ABSORPTION**

i) the efforts made towards technology absorption: Various employees of the Company have been trained on-site on the quality and manufacturing process.

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: The major benefit derived is setting up of robust quality systems

iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –

(a)	the details of technology imported	:	<ul style="list-style-type: none"> <li>• Support for preparation of business plan, project layout, capital expenditure to planning</li> <li>• Support in purchase of equipment by providing specifications etc.</li> <li>• Training manuals, procedures and processes</li> <li>• Quality system documentation</li> <li>• In-plant quality documentation</li> <li>• Production and engineering documentation</li> </ul>
(b)	the year of import	:	2013 & 2014
(c)	whether the technology been fully absorbed	:	Yes
(d)	if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	:	Not Applicable

iv) the expenditure incurred on Research and Development : NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

**(Rupees in Lakhs)**

	<b>For the Financial Year Ended 31<sup>st</sup> March, 2016</b>	For the Financial Year Ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange earned	<b>128.78</b>	22.72
Total Foreign Exchange used	<b>712.74</b>	649.86

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE IV TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016****FORM NO. AOC -2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis : Nil
2. Details of material contracts or arrangements or transactions at Arm's length basis.

Sr. No.	Name(s) of the related party & nature of relationship		Nature of transaction	Duration of the transaction	Salient terms of the transaction, including the value if any		Date of approval by the Board	Amount paid as advances, if any
1	Mahindra & Mahindra Limited	Ultimate Holding Company	Services received	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Allocation of corporate cost At actuals and based on the time spent by respective personnel	135.45	N.A.	–
2	Mahindra Aerospace Pvt Limited	Holding Company	Services received	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Resource support services on Cost plus basis	18.04	N.A	–
			Lease rentals received	For a period of Five years commencing from 10 <sup>th</sup> July 2014	At prevailing market rate	7.62		
			Services Received	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Allocation of corporate cost At actuals and based on the time spent by respective personnel	236.42		
3	Bristle Cone Ltd	Fellow Subsidiary	Services received	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	SAP implementation	9.48	N.A	–
4	Gippsaero Pty Ltd	Fellow Subsidiary	Sale of components	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	At Market rates	56.15	N.A	–
			Services Rendered	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	Resource support services on Cost plus basis	3.06		
			Purchase of components	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	on Cost plus basis	51.04		
5	Mahindra Integrated Business Solutions Pvt Ltd	Fellow Subsidiary	Services received	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	Payroll processing & other outsourcing services at market rates	3.06	N.A	–
6	Lords freight India Pvt ltd	Fellow Subsidiary	Logistics services received	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	Logistics services at market rates	14.26	N.A	–
7	Mahindra Logistics Limited	Fellow Subsidiary	Services Received	1 <sup>st</sup> Apr 15 to 31 <sup>st</sup> Mar 16	Resource support services on Cost plus basis	13.27	N.A	–

- Note: for the purpose of materiality, the following criteria have been considered.
- 10% of turnover of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for sale, purchase, or supply of any goods or materials.

- 10% of net worth of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for selling or otherwise disposing of or buying property of any kind.
- 10% of the net worth of the Company or 10% of turnover of the Company or Rs. one hundred crore, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for leasing of property of any kind.
- 10% of turnover of the Company or Rs. fifty crores, whichever is lower is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for rendering of services.

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016



**ANNEXURE V TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN  
as on the financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN:-	U35122MH2011PTC212744
ii)	Registration Date	27/01/2011
iii)	Name of the Company	Mahindra Aerostructures Private Limited
iv)	Category/Sub-Category of the Company	Company limited by shares/Non-Government Indian Company
v)	Address of the Registered office and contact details	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018 Tel. No.022 2490 1441, Fax No. 022 2497 5081
vi)	Whether listed Company (Yes/No)	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	None

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

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

Sl. No.	Name and Description of main product/services	NIC Code of the Product/service	% to total turnover of the Company
1	Manufacture of aerospace components & assemblies	30305	99%

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

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ASSOCIATE	% of shares held	Applicable Section
1.	Mahindra Aerospace Private Limited, Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018.	U63033MH2008PTC179520	Holding Company	100	2(46)
2.	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder Mumbai 400001	L65990MH1945PLC004558	Ultimate Holding Company	–	2(46)

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

**(i) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt.	–	–	–	–	–	–	–	–	–
c) State Govt.	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	160,360,000	160,360,000	100	–	160,360,000	160,360,000	100	0
e) Banks/FI	–	–	–	–	–	–	–	–	–
f) Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-total (A)(1):-</b>	–	160,360,000	160,360,000	100	–	160,360,000	160,360,000	100	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	–
b) Other – Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	–	–	–	–	–	–	–	–	–
d) Banks/FI	–	–	–	–	–	–	–	–	–
e) Any Others	–	–	–	–	–	–	–	–	–
<b>Sub-total (A)(2):-</b>	–	–	–	–	–	–	–	–	–
<b>Total shareholding of Promoter (A)=(A)(1) + (A)(2)</b>	–	160,360,000	160,360,000	100	–	160,360,000	160,360,000	100	0
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	–	–	–	–	–	–	–	–	–
b) Banks/FI	–	–	–	–	–	–	–	–	–
c) Central Govt.	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIs	–	–	–	–	–	–	–	–	–
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i) Others (specify)	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(1):-</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institutions</b>									
a) Body Corp. (i) Indian (ii) Overseas	–	–	–	–	–	–	–	–	–
b) Individual	–	–	–	–	–	–	–	–	–
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	–
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(2):-</b>	–	–	–	–	–	–	–	–	–
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	–	–	–	–	–	–	–	–	–
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	–	160,360,000	160,360,000	100	–	160,360,000	160,360,000	100	–

**(ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Aerospace Private Limited	160,359,999	100	0	160,359,999	100	0	0
2	Mr. Sanjay Joglekar (As nominee of Mahindra Aerospace Private Limited)	1	0	0	0	0	0	0
3	Mr. S P Shukla (As nominee of Mahindra Aerospace Private Limited)*	0	0	0	1	0	0	0
	<b>Total</b>	<b>160,360,000</b>	<b>100</b>	<b>0</b>	<b>160,360,000</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* jointly held with Mahindra Aerospace Private Limited for the purpose of compliance with the statutory provisions of Companies Act with regard to minimum number of members.

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)** There is no change in the shareholding pattern during the year 2015-16.

Sl. No.	Mahindra Aerospace Private Limited	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	1,603,60,000	100	1,603,60,000	100
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.):	–	–	–	–
	At the end of the year(or on the date of separation, if separated during the year)	1,603,60,000	100	1,603,60,000	100

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

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

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	Mr. S P Shukla Director, ( as a nominee of Mahindra Aerospace Private Limited				
	At the beginning of the year	0	0	0	0
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc):				
	Transfer on 4 <sup>th</sup> March, 2016 - 1	0	0	1	0
	At the end of the year	-	-	1	0

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: Rs. in Lakhs

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
i) Principal Amount	8180.66	-	-	8180.66
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	85.10	-	-	85.10
<b>Total (i+ii+iii)</b>	<b>8265.76</b>	<b>-</b>	<b>-</b>	<b>8265.76</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	10500.00	-	10500.00
• Reduction	913.68	4500.00	-	5413.68
<b>Net change</b>	<b>(913.68)</b>	<b>6000.00</b>	<b>-</b>	<b>5086.32</b>
<b>Indebtedness at the end of the financial year - 31-03-2016</b>				
i) Principal Amount	7266.98	6000.00	-	13266.98
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	78.10	-	-	78.10
<b>Total (i+ii+iii)</b>	<b>7345.08</b>	<b>6000.00</b>	<b>-</b>	<b>13345.08</b>

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

Sl. No.	Particulars of Remuneration	Dr. Karthik Krishnamurthy Whole-time Director	Total Amount
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	44.54	44.54
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.40	0.40
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission – As % of Profit – Others, specify	–	–
5.	Others, please specify	–	–
	Total (A)	44.94	44.94
	Ceiling as per the Act	Rs. 1.20 Crores p.a. as per Schedule V to the Companies Act, 2013.	

**B. Remuneration to other directors:**
**Rs. in Lakhs**

Particulars of Remuneration	Name of Directors		Total Amount
	Mrs. Rajyalakshmi Rao Meka (ID)	Rear Admiral Sanjiv Kapoor AVSM (Retd.) (ID)	
Independent Directors	1.40	0.70	2.10
• Fee for attending board/committee meetings	–	–	–
• Commission	–	–	–
• Others, please specify	–	–	–
<b>Total (1)</b>	<b>1.40</b>	<b>0.70</b>	<b>2.10</b>
Other Non-Executive Directors	–	–	–
• Fee for attending board/committee meetings	–	–	–
• Commission	–	–	–
• Others, please specify	–	–	–
<b>Total (2)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total B = (1+2)</b>	<b>1.40</b>	<b>0.70</b>	<b>2.10</b>
Total Managerial Remuneration	–	–	2.10
Over all Ceiling as per the Act			Rs. 1 lakh per meeting in accordance with Companies Act, 2013.

**C. Remuneration to key managerial personnel other than MD/Manager/WTD:**

**Rs. in Lakhs**

Sl. No.	Particulars of Remuneration	Mr. Subrahmanya Sarma, Chief Financial Officer	Mr. Yashesh Bhat, Company Secretary	Total Amount
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	36.82	-	36.82
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.03	-	0.03
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-
5.	Others, please specify - Fees	-	1.53	1.53
	<b>Total</b>	<b>36.85</b>	<b>1.53</b>	<b>38.38</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

**A. Company**

	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)
	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-

**B. Directors**

	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)
	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-

**C. Other Officers in Default**

	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)
	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-

For and on behalf of the Board

**S. P. Shukla**  
Chairman

Mumbai, 17<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Mahindra Aerostructures Private Limited

#### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Mahindra Aerostructures Private Limited ("the Company")**, which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

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

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. 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 there under.
5. 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.
6. 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.

7. 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

8. 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 March 31, 2016, and its loss and cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II

- f. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 27 to the financial statements.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. The Company did not have any derivative contracts.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Viswanadh Kuchi**  
Partner  
Membership No. 210789

Bangalore, 17<sup>th</sup> May 2016



**ANNEXURE I TO THE INDEPENDENT AUDITORS' REPORT**

(Referred to in paragraph 9 under "Report on other legal and regulatory requirements" of our report of even date on the financial statements for the year ended on March 31, 2016 of Mahindra Aero structuresPrivate Limited

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The title deeds of immovable properties are held in the name of the company
2. Physical verification of inventory has been conducted at reasonable intervals by the management and the material discrepancies found between book stock and physical count have been properly dealt with in the books of account.
3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the Register, maintained Under Section 189 of the Companies Act, 2013.
4. In respect of loans, investments, guarantees, and security, provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 73 to 76 the Act, and the rules framed thereunder
6. As informed to us maintenance of cost records Under Section 148(1) of the Companies Act, 2013 is not prescribed to the Company.
7. (a) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it.
- (c) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax,

service-tax, duty of excise, duty of customs, value added tax, and cess which have not been deposited on account of any dispute except the followings

Statute	Nature of Dues	Forum where Dispute is pending	Period to which relates	Amount Involved (Rs. lakhs)
Customs Duty	Customs duty & Penalty (excluding interest)	Appeal is pending with the CESTAT	2014-15	2598.85
Customs Duty	Customs duty (excluding interest)	Matter is pending with Joint commissioner of customs	2014-15	41.36

8. Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank as at the Balance Sheet date.
9. In our opinion and according to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans which are to be applied for the purpose for which those were raised.
10. Based on audit procedures performed and as per the information and explanations given to us by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.
11. The provisions of section 197 read with Schedule V to the Companies Act are not applicable to the company
12. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company
13. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Act, where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Order is not applicable to the company
15. During the year the company has not entered into any non-cash transactions with directors or persons connected with him.
16. In our opinion the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Viswanadh Kuchi**  
Partner  
Membership No. 210789

Bangalore, 17<sup>th</sup> May 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA AEROSTRUCTURES PRIVATE LIMITED**

### **Report on the Internal Financial Control sunder 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 **Mahindra Aerostructures Private Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Viswanadh Kuchi**  
Partner  
Membership No. 210789

Bangalore, 17<sup>th</sup> May 2016

## BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note	Rupees	
		As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS:</b>			
(i) Share capital .....	3	1,603,600,000	1,603,600,000
(ii) Reserves and surplus .....	4	(1,298,416,902)	(775,754,176)
		<b>305,183,098</b>	<b>827,845,824</b>
<b>2 Non-current liabilities</b>			
(i) Long term borrowings .....	5	617,400,512	726,698,544
(iii) Long term provisions .....	6	2,320,959	2,207,686
(iii) Other long term liabilities.....		79,052,721	–
		<b>698,774,192</b>	<b>728,906,230</b>
<b>3 Current liabilities</b>			
(i) Short term borrowings.....	7	600,000,000	–
(ii) Trade payables.....	8	143,136,574	163,736,695
(iii) Other current liabilities.....	9	123,102,930	184,665,072
(iv) Short term provisions.....	10	1,825,202	386,583
		<b>868,064,706</b>	<b>348,788,350</b>
<b>Total .....</b>		<b>1,872,021,996</b>	<b>1,905,540,404</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
<b>1 (a) Fixed Assets</b>	11		
(i) Tangible assets .....		1,335,155,214	1,396,846,566
(ii) Intangible assets.....		9,527,957	12,665,506
(iii) Capital work in progress .....		108,664,633	109,633,742
		<b>1,453,347,804</b>	<b>1,519,145,814</b>
<b>(b) Long term loans and advances.....</b>	12	<b>216,053,362</b>	<b>122,195,260</b>
<b>(c) Other non current assets .....</b>	13	<b>4,411,998</b>	<b>5,514,998</b>
		<b>1,673,813,164</b>	<b>1,646,856,072</b>
<b>2 Current assets</b>			
(i) Current Investments.....	14	–	106,387,573
(ii) Inventories .....	15	67,109,749	22,492,669
(iii) Trade Receivables.....	16	45,154,905	5,962,868
(iv) Cash and bank balances.....	17	54,909,563	38,907,794
(v) Short term loans and advances.....	18	26,692,396	82,977,355
(vi) Other current assets .....	19	4,342,219	1,956,073
		<b>198,208,832</b>	<b>258,684,332</b>
<b>Total .....</b>		<b>1,872,021,996</b>	<b>1,905,540,404</b>

See accompanying notes forming part of the financial statements

As per our report of even date  
**For B. K. Khare & Co.**  
Chartered Accountants  
(Registration No. 105102W)

**Mr. Viswanadh Kuchi**  
Partner  
M. No. 210789

Mumbai, Dated: 17<sup>th</sup> May 2016

For and on behalf of the Board of Directors  
**For Mahindra Aerostructures Private Ltd.**

**Dr. Karthik Krishnamurthy**    **Mr. Arvind Mehra**  
Director                                  Director  
**Mr. T. Subrahmanya Sarma**    **Mr. Yashesh Bhatt**  
CFO    Company Secretary

Mumbai, Dated: 17<sup>th</sup> May 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	Note	Rupees	
		Year ended March 31, 2016	Year ended March 31, 2015
I. Income from operations	20	70,397,205	8,142,674
II. Other income .....	21	5,994,428	11,420,908
III. <b>Total Revenue</b> .....		<b>76,391,633</b>	<b>19,563,582</b>
IV. <b>EXPENDITURE:</b>			
Cost of Materials Consumed .....	22	22,304,122	2,665,052
(Increase)/decrease in inventories .....	23	(16,150,375)	(2,831,536)
Employee benefits expense .....	24	154,020,294	104,660,355
Finance cost .....	25	120,029,672	96,119,023
Depreciation and amortisation expense .....	11C	114,286,415	97,393,362
Other expenses .....	26	204,564,231	159,188,087
		<b>599,054,359</b>	<b>457,194,343</b>
V. <b>Profit (Loss) before tax</b> .....		<b>(522,662,726)</b>	<b>(437,630,761)</b>
VI. <b>Less: Tax expense</b> .....			
– Current tax .....		–	–
– Deferred tax .....		–	–
VII. <b>Profit (Loss) for the period</b> .....		<b>(522,662,726)</b>	<b>(437,630,761)</b>
VIII. Basic and diluted Earnings Per Share [Refer Note No. 31] .....		<b>(3.26)</b>	<b>(3.21)</b>

See accompanying notes forming part of the financial statements

As per our report of even date  
**For B. K. Khare & Co.**  
Chartered Accountants  
(Registration No. 105102W)

**Mr. Viswanadh Kuchi**  
Partner  
M. No. 210789

Mumbai, Dated: 17<sup>th</sup> May 2016

For and on behalf of the Board of Directors  
**For Mahindra Aerostructures Private Ltd.**

**Dr. Karthik Krishnamurthy**    **Mr. Arvind Mehra**  
Director                                      Director  
**Mr. T. Subrahmanya Sarma**    **Mr. Yashesh Bhatt**  
CFO    Company Secretary

Mumbai, Dated: 17<sup>th</sup> May 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	Rupees	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash flow from operating activities</b>		
Net Profit/(Loss) before extraordinary items and tax .....	(522,662,726)	(437,630,761)
<i>Adjustments for:</i>		
Depreciation and amortisation .....	114,286,415	97,393,362
Finance costs.....	120,029,672	96,119,023
Interest income .....	(886,035)	(2,834,306)
Provision for doubtful loans & advances.....	1,180,950	-
Net unrealised exchange (gain)/loss .....	6,609,722	656,737
Net: (gain)/loss on sale of investments .....	(4,302,580)	(5,842,858)
	<u>236,918,144</u>	<u>185,491,958</u>
Operating profit/(loss) before working capital changes.....	(285,744,582)	(252,138,803)
<i>Changes in working capital:</i>		
<i>Adjustments for (increase)/decrease in operating assets:</i>		
Inventories.....	(44,617,080)	(23,583,402)
Trade receivables.....	(39,192,037)	(5,962,868)
Short-term loans and advances.....	55,104,009	(17,404,277)
Long-term loans and advances .....	(91,534,026)	4,820,790
Other current assets .....	(2,587,184)	(658,880)
<i>Adjustments for increase/(decrease) in operating liabilities:</i>		
Trade payables .....	42,672,463	(19,389,023)
Other current liabilities.....	(78,792,607)	77,688,723
Other long term liabilities .....	79,052,721	-
Short-term provisions .....	1,438,619	254,543
Long-term provisions.....	113,273	1,195,672
	<u>(78,341,850)</u>	<u>16,961,278</u>
Cash generated from operations .....	(364,086,431)	(235,177,525)
Net income tax (paid)/refunds .....	(1,221,076)	(3,525,922)
<b>Net cash flow from/(used in) operating activities (A)</b>	<u>(365,307,507)</u>	<u>(238,703,447)</u>
<b>B. Cash flow from investing activities</b>		
Capital expenditure on fixed assets, including capital advances.....	(118,370,711)	(205,092,880)
Interest received .....	1,087,073	2,627,846
Current investments		
– Purchased.....	(89,500,000)	(542,159,144)
– Proceeds from sale .....	200,190,152	485,295,534
	<u>(6,593,486)</u>	<u>(259,328,644)</u>
<b>Net cash flow from/(used in) investing activities (B)</b> .....	<u>(6,593,486)</u>	<u>(259,328,644)</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016 (CONTINUED)**

Particulars	Rupees	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares.....	-	538,500,000
Proceeds from borrowings (net).....	<b>1,050,000,000</b>	112,188,800
Loan repayment.....	<b>(541,367,821)</b>	(27,731,800)
Inter Corporate Deposit Received.....	-	-
Inter Corporate Deposit Repaid.....	-	-
Finance cost.....	<b>(120,729,418)</b>	(97,321,713)
<b>Net cash flow from/(used in) financing activities (C) .....</b>	<b>387,902,761</b>	525,635,287
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C).....</b>	<b>16,001,768</b>	27,603,196
Cash and cash equivalents at the beginning of the year.....	<b>38,907,794</b>	11,304,598
<b>Cash and cash equivalents at the end of the year.....</b>	<b>54,909,562</b>	38,907,794

See accompanying notes forming part of the financial statements

As per our report of even date  
**For B. K. Khare & Co.**  
 Chartered Accountants  
 (Registration No. 105102W)

**Mr. Viswanadh Kuchi**  
 Partner  
 M. No. 210789

Mumbai, Dated: 17<sup>th</sup> May 2016

For and on behalf of the Board of Directors  
**For Mahindra Aerostructures Private Ltd.**

<b>Dr. Karthik Krishnamurthy</b> Director	<b>Mr. Arvind Mehra</b> Director
<b>Mr. T. Subrahmanya Sarma</b> CFO	<b>Mr. Yashesh Bhatt</b> Company Secretary

Mumbai, Dated: 17<sup>th</sup> May 2016

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

### 1. Company Overview:

Mahindra Aerostructures Private Limited (the 'Company') was incorporated on 27<sup>th</sup> January, 2011 with an objective of manufacturing and sale of aircraft components, assemblies and Aerostructures.

### 2. Significant Accounting Policies:

#### A. Basis for preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Company (Accounts) Rules, 2014. The Financial Statements have been prepared on accrual basis based on the historical cost.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule III of the Companies Act, 2013. Based on the nature of services/operations, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities

#### B. Use of estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### C. Cash flow statement:

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

#### D. Fixed Assets:

##### a. Tangible Fixed Assets:

- i. All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- ii. Exchange difference arising on payment of liabilities for purchase of fixed assets in foreign currency and year end conversion of such liabilities are charged/credited to the Statement of Profit and Loss.
- iii. When an asset is scrapped or otherwise disposed of, the cost and related depreciation are removed from the books of accounts and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.
- iv. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and estimated net realizable value and are disclosed separately in the financial statements as current assets

##### b. Intangible Assets

All intangible assets comprising of computer software are initially measured at cost and amortized so as to reflect the pattern in which the assets' economic benefits are consumed or license period whichever is lower.

#### E. Depreciation

- i. The Company has provided for depreciation using straight line method over the useful life of the assets as prescribed under part C of Schedule II of the Companies Act, 2013 except in the case of following assets which are depreciated based on the Company's usage pattern supported by technical assessment.

Asset Type	Useful Life
Buildings – Roads, Compound Wall	5 Years
Certain Plant & Machinery	2 Yrs, 5 Yrs, 10 Yrs, 15 Yrs
Production & Assembly Tools	3 Years
Vehicles	5 Years

- ii. Assets costing less than Rs. 5000/- are fully depreciated in the period of purchase.
- iii. Capital assets (customer specific tools), the ownership of which does not vest with the company are depreciated over the estimated period of their utility.
- iv. Capital Work-in-Progress includes the cost of assets that are not ready for intended use at the Balance sheet date.

#### F. Investments

Investments that are readily realizable and are 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 long term investments. Current investments are carried at cost or market value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

#### G. Inventories:

Inventories are stated at lower of cost or net realizable value, net of necessary provision for obsolescence. Cost of raw materials, stores & spares and packing materials are determined on weighted average basis. Cost of finished goods and work in progress comprises raw material, direct labour, other direct cost and related production overheads.

#### H. Employee Benefits

##### a. Defined Contribution Plans:

Company's contributions paid/payable during the year to Provident Fund are charged to the Statement of Profit and Loss on accrual basis

##### b. Gratuity:

Liabilities with regard to the gratuity benefit payable in future are determined by actuarial valuation at each balance sheet date using the projected unit credit method and contributed to employee gratuity fund managed by Life Insurance Corporation of India. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the Statement of profit and loss in the period in which they arise.

c. Leave encashment/compensated absences –

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The liabilities provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

**I. Foreign Currency Transactions:**

- a. The Company's reporting currency is Indian Rupee (INR). Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.
- b. As at the Balance Sheet date non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- c. In the case of monetary assets and liabilities denominated in foreign currency, the exchange rate prevalent on the Balance Sheet date is applied to restate such assets and liabilities. Exchange differences arising on restatement of foreign currency assets and liabilities are recognized as income or expenditure in the statement of Profit and Loss.
- d. Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of an underlying asset/liability, are recognized in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on forward exchange contracts are recognized as an expense/income over the life of the contract.

**J. Revenue Recognition**

- a. Domestic sales are recognized at the point of dispatch/delivery of goods to the customers as per terms of the contract, when the significant risks and rewards of ownership passes to the customers and are stated at net of value added tax and excise duty.
- b. Export sales are recognized as per the terms of contract, when the significant risks and rewards of ownership passes to the customers.
- c. Income from NRC charges for Toolings etc., is recognized based on the contractual terms with the customers.
- d. Revenue from service is recognized on rendering of services.
- e. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f. Income from duty drawback under scheme of All India brand rate is recognized on actual basis.

**K. Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses

shall be recognized only when there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**L. Provisions and Contingencies**

- a. Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.
- b. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

**M. Leases:**

- a. Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease period
- b. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease period.

**N. Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

**O. Segment Reporting**

The company is operating under single segment being manufacture and sale of aircraft component and assemblies and hence disclosures under Accounting Standard 17, Segment Reporting are not applicable to the Company.

**P. Earnings per Share**

- a. Basic earnings' per share is computed by dividing net income by the weighted average number of common stock outstanding during the period.
- b. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares). Diluted potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

**Q. Impairment of assets**

Management periodically, but at least annually, assesses using external and internal indicators whether there is an indication that an asset may be impaired. Impairment occurs where the carrying amount exceeds the present value of future cash flows expected to arise from the continuing use of the asset or its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net present value or sale price as determined above.



**Note 3 - Share capital**

Particulars	Rupees			
	March 31, 2016		March 31, 2015	
	Nos	Amount	Nos	Amount
<b>1 Authorised:</b>	<b>275,000,000</b>	<b>2,750,000,000</b>	170,000,000	1,700,000,000
(Equity Shares of Rs. 10 each)				
Total .....	<u>275,000,000</u>	<u>2,750,000,000</u>	<u>170,000,000</u>	<u>1,700,000,000</u>
<b>2 Issued and subscribed:</b>				
<b>Equity: (Equity shares of Rs. 10 each)</b>				
Opening balance	160,360,000	1,603,600,000	106,510,000	1,065,100,000
Add: Issued during the year	-	-	53,850,000	538,500,000
<b>Closing balance</b>	<u>160,360,000</u>	<u>1,603,600,000</u>	<u>160,360,000</u>	<u>1,603,600,000</u>
Total .....	<u>160,360,000</u>	<u>1,603,600,000</u>	<u>160,360,000</u>	<u>1,603,600,000</u>

**Additional information:**

- Out of the above 160,360,000 (2015: 160,360,000) shares are held by Mahindra Aerospace Private Ltd., the holding company, including shares held jointly with nominees
- Details of shareholders holding more than 5% shares in the Company

Name of the Shareholder	March 31, 2016		March 31, 2015	
	Nos	%	Nos	%
Mahindra Aerospace Private Limited	160,360,000	100.00%	160,360,000	100.00%

- Rights, preferences and restrictions attached to equity shares:  
The company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
- The Share Subscription Agreement entered with M/s. Aerometallic Company S.A.U, Spain (AMC) on 6th February 2013 according to which, M/s. AMC will subscribe to 15% equity stake in the Company after satisfactory completion of certain 'Conditions Precedent', was cancelled by the parties on 26th April 2016

**Note 4 - Reserves and surplus**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
Deficit in statement of profit and loss		
Opening balance	(775,754,176)	(338,123,415)
Add: Loss for the year	(522,662,726)	(437,630,761)
Total .....	<u>(1,298,416,902)</u>	<u>(775,754,176)</u>

**Note 5 - Long term borrowings**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
<b>Secured</b>		
Rupee term loans from banks	617,400,512	726,600,512
Vehicle loan from bank	-	98,032
Total .....	<u>617,400,512</u>	<u>726,698,544</u>

**Note:**

- The Term Loan is secured by:
  - First charge by way of equitable mortgage of the immovable property comprising leasehold land with building and other structures (existing and to be constructed)
  - First charge by way of hypothecation of (a) entire current assets, present and future, including stocks of rawmaterials, semi finished goods, finished goods, stores, spares, bookdebts and other current assets and (b) all the movable fixed assets present and future
  - The loan is guaranteed by Mahindra Aerospace Private limited, the holding Company
- Repayment Terms and Interest  
The Term Loan carries interest of base rate + 1.85% p.a. The Loan is repayable in 23 quarterly installments from November 2014
- Vehicle Loan is Secured by hypothecation of Vehicle and is repayable over 36 months and carries

**Note 6 - Long term provisions**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
Provision for employee benefits		
Provision for gratuity	-	750,753
Provision for compensated absences	2,320,959	1,456,933
Total .....	<u>2,320,959</u>	<u>2,207,686</u>

**Note 7 - Short term borrowings**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
Unsecured loan from Banks	600,000,000	-
Total .....	<u>600,000,000</u>	<u>-</u>

**Note 8 - Trade payables**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
1 Payables - Micro & small enterprises [Refer Note No.41]	585,473	3,711,987
2 Payables - Other than micro & small enterprises	56,980,028	41,330,198
3 Payables to related parties [Refer Note No.30]	55,733,005	18,974,136
4 Capital creditors	29,838,068	99,720,374
Total .....	<u>143,136,574</u>	<u>163,736,695</u>

**Note 9 - Other current liabilities**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
1 Current maturity of long term liabilities	109,298,032	91,367,821
2 Interest accrued	7,809,709	8,509,455
3 Statutory dues	5,165,270	83,970,980
4 Security Deposits	720,000	720,000
5 Other payables	109,919	96,816
<b>Total</b>	<b>123,102,930</b>	<b>184,665,072</b>

**Note 10 - Short term provisions**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
Provision for employee benefits		
Provision for gratuity	1,233,061	152,743
Provision for compensated absences	592,141	233,840
<b>Total</b>	<b>1,825,202</b>	<b>386,583</b>

**Note 11 - Fixed Assets:**

**A : Tangible Assets**

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	As at April 1, 2015	For the year	Deletions	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
	Factory Building	640,292,659	6,484,942		646,777,601	23,726,768	24,805,574		48,532,342	598,245,259
Plant & Machinery	665,693,162	29,447,233		695,140,395	48,308,523	60,915,868		109,224,391	585,916,004	617,384,639
Electrical Installation	127,668,923	686,028	-	128,354,951	11,862,717	12,172,822	-	24,035,539	104,319,412	115,806,206
Furniture and Fittings	17,931,871	5,008,833		22,940,704	1,749,340	2,005,896		3,755,236	19,185,468	16,182,531
Vehicles	5,963,414	-	-	5,963,414	1,078,953	1,265,479		2,344,432	3,618,982	4,884,461
Office Equipments	18,412,313	682,828	-	19,095,141	3,928,620	3,856,713		7,785,333	11,309,808	14,483,693
Computers	15,862,679	4,716,159	-	20,578,838	4,323,534	3,695,023		8,018,557	12,560,281	11,539,145
<b>Total</b>	<b>1,491,825,021</b>	<b>47,026,022</b>	<b>-</b>	<b>1,538,851,043</b>	<b>94,978,455</b>	<b>108,717,374</b>	<b>-</b>	<b>203,695,829</b>	<b>1,335,155,214</b>	<b>1,396,846,566</b>
Previous Year	10,513,119	1,481,311,903	-	1,491,825,022	2,035,394	92,943,062	-	94,978,456	1,396,846,566	8,477,725

**B : Intangible Assets**

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	As at April 1, 2015	For the year	Deletions	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
	Software Expenditure	21,177,032	2,431,492	-	23,608,524	8,511,526	5,569,041	-	14,080,567	9,527,957
<b>Total</b>	<b>21,177,032</b>	<b>2,431,491.86</b>	<b>-</b>	<b>23,608,524</b>	<b>8,511,526</b>	<b>5,569,041</b>	<b>-</b>	<b>14,080,567</b>	<b>9,527,957</b>	<b>12,665,506</b>
Previous Year	7,975,646	13,201,386	-	21,177,032	4,061,226	4,450,300	-	8,511,526	12,665,506	3,914,420

**C : Depreciation and Amortization Expense**

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Depreciation on tangible Assets	108,717,374	92,943,062
Amortization on intangible Assets	5,569,041	4,450,300
<b>Depreciation and Amortization Expense</b>	<b>114,286,415</b>	<b>97,393,362</b>

**Note:**

- Charge by way of equitable mortgage of the immovable property comprising land with building and other structures (existing and to be constructed) is created in favor of AXIS Bank Limited for the Term Loan availed by the Company
- Movable fixed assets (present and future) are hypothecated to AXIS Bank Limited for the Term Loan availed by the Company & also for the SBLC facilities sanctioned to M/s. Mahindra Aerospace Private Limited, the Holding Company

**Note 12 - Long term loans & advances**

Particulars	Rupees	
	March 31, 2016	March 31, 2015
<b>1 Security deposits</b>		
Unsecured, considered good	4,266,187	3,771,000
	<b>4,266,187</b>	<b>3,771,000</b>
<b>2 Other loans and advances</b>		
Unsecured, considered good		
Consideration paid for lease land [Refer Note No.36]	87,051,200	87,051,200
TDS receivable	4,847,092	3,626,016
Deposit lying with Government Authorities [Refer Note No.31]	27,747,044	27,747,044
Excise duty, service tax, VAT receivable	92,141,839	-
	<b>211,787,175</b>	<b>118,424,260</b>
<b>Total</b>	<b>216,053,362</b>	<b>122,195,260</b>

**Note 13- Other non current assets**

Particulars	March 31, 2016	Rupees
		March 31, 2015
<b>Unamortised expenses</b>		
Unamortized portion of finance charges	4,411,998	5,514,998
Total.....	<u>4,411,998</u>	<u>5,514,998</u>

**Note 14 - Current & Non current investments:**

Particulars	March 31, 2016	Rupees
		March 31, 2015
	<b>Current</b>	<b>Current</b>

Investments (At Cost, unless otherwise specified):

**Investment in mutual funds (other than trade)**

**Units:**

Unquoted		
ICICI Prudential liquid plan - Growth [NIL (2015:176,987)] units	–	35,680,751
Axis liquid fund institutional plan - Growth [NIL (2015:23,624) units]	–	35,655,243
Kotak Floater Short Term [NIL (2015:15,784) units]	–	35,051,580
Total.....	<u>–</u>	<u>106,387,573</u>

Note: Aggregate net asset value of mutual funds - Rs. NIL (2015: Rs. 109,389,126)

**Note 15 - Inventories**

Particulars	March 31, 2016	Rupees
		March 31, 2015
Raw Materials	43,751,094	16,457,404
Work-in-progress	9,103,251	1,733,971
Job work in progress	49,474	–
Finished Goods	9,829,186	1,097,565
Stores and Spares	4,376,744	3,203,729
Total.....	<u>67,109,749</u>	<u>22,492,669</u>

**Note 16 - Trade Receivables**

Particulars	March 31, 2016	Rupees
		March 31, 2015
Trade Receivable outstanding for less than six months from the date they are due for payment:		
Unsecured considered good		
From related parties [Refer Note No.30]	3,704,742	–
From others	62,922	–
Less than Six Months		
Others - Unsecured, considered good		
From related parties	3,415,660	3,823,491
From others	37,971,581	2,139,377
Total.....	<u>45,154,905</u>	<u>5,962,868</u>

**Note 17 - Cash & Bank balances**

Particulars	March 31, 2016	Rupees
		March 31, 2015
<b>1 Cash &amp; Cash Equivalents</b>		
Cash on hand	2,885	31,486
	<u>2,885</u>	<u>31,486</u>
<b>2 Balances with Scheduled Banks</b>		
On Current account	49,850,946	13,311,345
On Margin Money deposits	40,000	–
On Fixed Deposits	5,015,732	25,564,963
	<u>54,906,678</u>	<u>38,876,308</u>
Total.....	<u>54,909,563</u>	<u>38,907,794</u>

**Note 18 - Short-term Loans & Advances**

Particulars	March 31, 2016	Rupees
		March 31, 2015
<b>Loans and advances</b>		
Unsecured, considered good		
Excise duty, service tax, VAT receivable	12,476,715	70,587,590
Security deposits	641,900	541,900
Prepaid expenses	6,401,806	2,576,334
Receivable from Related Party [Refer Note No.30]	2,968,102	2,105,605
Employee advances	93,990	2,046,709
Advance to suppliers	5,290,834	5,119,217
Provision for doubtful loans and advances	(1,180,951)	–
Total.....	<u>26,692,396</u>	<u>82,977,355</u>

**Note 19 - Other current assets**

Particulars	March 31, 2016	Rupees
		March 31, 2015
Interest accrued on fixed deposits	5,422	206,460
NRC charges to be billed [Refer Note No. 38]	4,336,797	1,090,733
Others	–	658,880
	<u>4,342,219</u>	<u>1,956,073</u>

**Note 20 - Income from Operations**

Particulars	Year Ended March 31, 2016	Rupees
		Year Ended March 31, 2015
Sale of Components & Assemblies	20,332,844	4,286,529
Income from Services:		
Job work charges	44,981,313	2,090,171
Resource Support Services	149,687	364,113
NRC charges for Toolings	4,643,941	1,401,861
Duty Drawback	289,420	–
Total.....	<u>70,397,205</u>	<u>8,142,674</u>

**Note 21 - Other Income**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
1 Interest income on bank deposit	886,035	2,834,306
2 Gain/(loss) on sale of investments, net	4,302,580	5,842,858
3 Rental Income	761,806	522,581
4 Provision no longer required	-	653,812
5 Other income	44,007	1,567,351
Total .....	<u>5,994,428</u>	<u>11,420,908</u>

**Note 22 - Cost of material consumed**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
Inventory at the beginning of the year	16,457,404	-
Add: Purchases (Net)	49,597,812	19,122,456
	<u>66,055,216</u>	<u>19,122,456</u>
Less Inventory at the end of the period	43,751,094	16,457,404
Total .....	<u>22,304,122</u>	<u>2,665,052</u>
Material consumed comprises:		
Aluminium alloy Sheet Metals	14,272,089	2,810,418
Paints	7,308,506	540,344
Others	723,527	141,971
Total .....	<u>22,304,122</u>	<u>3,492,733</u>

**Note 23 - Changes in Inventories of Finished goods and Work-in-progress**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
Stock at the beginning of the year	-	-
Work-in-progress	1,733,971	-
Job work-in-progress	-	-
Finished goods	1,097,565	-
	<u>2,831,536</u>	<u>-</u>
Less Inventory at the end of the period	-	-
Work-in-progress	9,103,251	1,733,971
Job work-in-progress	49,474	-
Finished goods	9,829,186	1,097,565
	<u>18,981,911</u>	<u>2,831,536</u>
Net (increase)/decrease .....	<u>(16,150,375)</u>	<u>(2,831,536)</u>

**Note 24 - Employee Benefit Expenses**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
1 Salaries, wages, bonus, etc	130,175,885	87,723,456
2 Contribution to provident fund	4,577,644	3,038,650
3 Gratuity expense	1,522,647	1,172,978
4 Staff welfare	17,744,118	12,725,271
Total .....	<u>154,020,294</u>	<u>104,660,355</u>

**Note 25 - Finance Cost**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
1 Interest on Term Loan	91,536,393	90,087,711
2 Other interest costs	26,758,248	92,339
3 Finance charges	1,735,031	5,938,973
Total .....	<u>120,029,672</u>	<u>96,119,023</u>

**Note 26 - Other Expenses**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
1 Stores, Tools & consumables	16,928,311	5,949,256
2 Rates and taxes	9,828,947	3,164,437
3 Power & fuel	23,416,588	14,776,839
4 Insurance	2,678,186	1,387,972
5 Rent	3,964,472	2,376,680
6 Repairs to Machinery	8,900,655	7,963,833
7 Repairs- Others	4,350,155	3,007,666
8 Directors sitting fee	211,050	-
9 Professional and consultancy charges	44,978,198	39,981,088
10 Travelling and conveyance expenses	25,122,225	31,704,895
11 Communication expenses	2,030,178	1,500,345
12 Business promotion expenses	21,511,884	20,031,711
13 Freight Outwards	1,217,727	891,287
14 Exchange Loss (Net)	6,490,917	974,669
15 Staff recruitment expenses	2,162,363	3,604,662
16 Auditors' remuneration	978,709	865,141
17 Software & IT expenses	13,044,778	6,217,190
18 Office and admin expenses	9,320,721	8,985,531
19 Testing & Calibration charges	2,635,883	1,963,739
20 Printing & Stationery	1,854,709	1,174,202
21 Provision for doubtful loans & advances	1,180,950	-
22 Miscellaneous expenses	1,756,625	2,666,944
Total .....	<u>204,564,231</u>	<u>159,188,087</u>

**Notes:**

Particulars	Rupees	
	Year Ended March 31, 2016	Year Ended March 31, 2015
Auditors' remuneration includes payment to auditors -		
- Statutory audit	400,000	400,000
- Taxation matters	60,000	275,000
- Attestation services	215,152	170,000
- Other services	300,000	-
- Reimbursement of expenses	3,557	20,141
Total .....	<u>978,709</u>	<u>865,141</u>

**27. Contingent Liabilities**

- Corporate Guarantees issued in respect of SBLC facilities availed by the holding company - Rs. 2,411 Lakhs (2015: 9,075 Lakhs) [equivalent to AUD 4.75mn (2015: AUD 18.75 mn)]
- Bank Guarantees given to customers Rs. 0.40 Lakhs (2015: Nil)

- c. Bank Guarantees given to customs authorities for import of capital goods under EPCG license Rs. 277 Lakhs (2015: Rs. 277 Lakhs)

[The Company had imported certain capital equipment under the Export Promotion Capital Goods Scheme (EPCG). Accordingly, the Company undertook an export obligation of Rs. 3,415.88 Lakhs (2015: Rs. 3,415.88 Lakhs) within 8 years and of Rs. 974.99 Lakhs (2015: Rs. 974.99 Lakhs) within 6 years starting from the financial year 2012-13]. During the year, the company has met an export obligation of Rs. 191.42 Lakhs (2015: 10.33 Lakhs) against EPCG license.

- d. Customs duty & penalty of Rs. 2598.85 Lakhs along with the applicable interest payable (2015: 2,598.85 Lakhs) against the order issued by the Commissioner of Customs in the matter of import of certain pre owned equipment. The Company has filed an appeal and the same is pending with the CESTAT.
- e. Customs duty of Rs. 41.36 Lakhs along with the applicable interest (2015: Rs. 41.36 Lakhs) payable against the Demand Cum show cause notice issued by the Directorate of Revenue Intelligence in the matter of certain imports relating to installation of certain equipment, for which the company has submitted reply and the same is pending with Joint Commissioner of Customs.

Statute	Nature of Dues	Forum where Dispute is pending	Period to which relates	Amount Involved (Rs. Lakhs)
Customs Duty	Customs duty & Penalty (excluding interest)	Appeal is pending with the CESTAT	2014-15	2598.85
Customs Duty	Customs duty (excluding interest)	Matter is pending with Joint commissioner of customs	2014-15	41.36
f.	Demand from Karnataka Industrial Area Development Board (KIADB) towards incremental cost for providing water supply			Rs. 276 Lakhs (2015: Rs. 276 Lakhs)
g.	Claims not acknowledged as debt			Rs. NIL (2015: Rs. 124.40 Lakhs)

28. The estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. 81.60 Lakhs (2015: Rs. 57.23 Lakhs)

## 29. Employee Benefits

### Defined Benefit Plans

- a. Gratuity Liability

The Gratuity liability under defined benefit plan as on 31.3.2016 is Rs. 39.14 Lakhs (2015: Rs. 20.71 Lakhs)

	Rupees Lakhs	
Particulars	2015-16	2014-15
(i) Reconciliation of opening and closing balances of the present value of gratuity liability.		
Opening gratuity liability	20.71	8.46
Service cost	18.22	12.30
Interest cost	1.63	0.66
Actuarial gains and losses on liability	(5.88)	(0.71)
Transfer of employees from Mahindra Aerospace Private Limited	5.45	-
Benefits paid	(0.99)	-
Closing gratuity liability	39.14	20.71
(ii) Reconciliation of the opening and closing balances of the fair value of the plan asset (being an eligible insurance policy)		
Opening Value of Plan Assets	11.68	1.60
Expected return on plan assets	1.54	0.51
Actuarial gains and losses	(1.81)	0.02
Contribution by the employer	16.39	9.55
Benefits paid	(0.99)	-
Closing fair value of plan assets	26.81	11.68

	Rupees Lakhs	
Particulars	2015-16	2014-15
(iii) Reconciliation of the present value of the gratuity liability and the fair value of the plan assets to the assets and liabilities recognized in the balance sheet:		
Fair value of plan asset	26.81	11.68
Liability recognized in the balance sheet	12.33	9.03
Plan liability	39.14	20.71
(iv) Total expense recognized in the Profit and loss Account:		
Service cost	18.22	12.30
Interest cost on gratuity liability	1.63	0.66
Expected return on plan assets	(1.54)	(0.51)
Net actuarial gains and losses recognized in the year	(4.07)	(0.72)
Net gratuity expense charged under the head 'Personnel Costs'	14.24	11.73
Actual return on plan assets	(0.27)	0.53
(v) The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:		
The Insurer managed fund	100%	100%
(vi) Return on Plan Assets		
The overall expected rate of return on assets is determined based on	8.00%	8.00%
(vii) Principal actuarial assumptions used in determining gratuity liability as at the balance sheet date are:		
Discount rate	8.08%	7.81%
Any other material actuarial assumption (to specify)		
Salary Increase	10%	10%
Attrition rate	7.5%	5%
Retirement age	60	60
Interest Rate	8.08%	7.81%

(viii) Experience Adjustments:	2015-16	2014-15	2013-14	2012-13
Defined Benefit Obligation at the end of the year	39.14	20.71	8.46	5.10
Plant asset at the end of the period	26.81	11.68	1.60	3.35
Funded status	17.78	9.03	6.86	1.75
Experience adjustments on plan liabilities	(0.43)	(0.71)	0.43	(0.48)
Experience adjustments on plant assets	(1.81)	0.02	0.01	0.01

**Note:** In the absence of detailed information regarding plan asset which is funded with insurance company, the composition of each major category of plan asset, the percentage or amount for each category to the fair value of plan assets and details of experience adjustments prior to 2012-13 have not been disclosed.

- b) Leave Encashment

Employees are entitled to accumulation of leave which can be encashed at the time of retirement or termination. The leave encashment benefit scheme is not funded. Hence, there are no plan assets attributable to the obligation. The Leave encashment liability under the scheme as on 31.3.2016 is Rs. 29.13 Lakhs (2015: Rs. 16.90 Lakhs).

**Defined Contribution Plans –**

Amount recognized as an expense and included in the schedule “Contribution to Provident and Other Funds” of Personnel Expenses Rs. 45.78 Lakhs (2015: Rs. 30.39 Lakhs).

**30. Related Party Disclosure**

(i) Name of the related party and nature of relationship where control exists:

S.No.	Name of Related Party Company	Nature of Relationship
1.	Mahindra & Mahindra Limited	Ultimate holding company
2.	Mahindra Aerospace Pvt. Ltd	Holding company

(ii) other parties with whom transaction have taken place during the year:

S.No.	Name of Related Party Company	Nature of Relationship
1.	Gipps Aero Pty Ltd.	Fellow Subsidiary
2.	Mahindra Integrated Business solution Pvt Ltd	Associate company
3.	Bristlecone India Ltd.	Associate company
4.	Lords Freight (India) Pvt Ltd	Associate company
5.	Mahindra Logistics Limited	Associate company
<b>Key Managerial Personnel</b>		
1.	Mr. Narendra Narayan Shabhag (upto 22 <sup>nd</sup> March 2015)	Whole-time Director
2.	Dr. Karthik Krishnamuthy ((From 23 <sup>rd</sup> March 2015)	Whole-time Director
3.	Mr. T. Subrahmanya Sarma	CFO

(iii) Related Party transactions are as under:

Name of the Related Party	Description of Relationship	Nature of Transactions	Amount of Transactions	Rupees Lakhs	
				Payable	Receivable
Mahindra & Mahindra Ltd	Ultimate Holding Company	Services Received	89.91 (30.34)		
		Reimbursement of Expenses paid	45.54 (250.68)	302.36 (160.95)	
Mahindra Aerospace Pvt Ltd	Holding Company	Services/ Material Received	18.04 (20.02)		– (–)
		Services rendered	– (1.64)		
		Rent Received	7.62 (5.23)		
		Reimbursement of Expenses paid	236.42 (336.91)	169.31 (23.34)	
		Reimbursement of Expenses received	76.11 (318.49)		
		Capital Contribution	– (5,385.00)		
		Rent Deposit received	– (7.20)	7.20 (7.20)	

Name of the Related Party	Description of Relationship	Nature of Transactions	Amount of Transactions	Rupees Lakhs	
				Amount outstanding at the end of the year	
		Rent deposit received back	– (26.81)		
Mahindra Integrated Business Solutions Pvt Ltd.	Associate Company	Services Received	3.06 (1.41)	1.58 (0.32)	
Gipps Aero Pty Ltd.	Fellow Subsidiary	Services Rendered	3.06 (2.08)		3.15 (2.08)
		Reimbursement of Expenses Paid	20.18 (–)	20.18 (–)	
		Reimbursement of Expenses Received	29.05 (21.06)		29.68 (21.06)
		Sale of Goods	56.15 (56.88)		68.05 (36.16)
		Purchase of Goods	51.04 (–)	51.04 (–)	
Bristlecone India Ltd.	Associate Company	Software Expenditure	9.48 (74.65)		
		Reimbursement of Expenses paid	– (0.55)		
Lords Freight (India) Pvt Ltd.	Associate Company	Freight Expenses paid	14.26 (24.43)	1.95 (5.13)	
Mahindra Logistics Ltd.	Associate Company	Services Received	13.27 (–)	13.82 (–)	
Mr. Narendra N Shanbag	Director	Remuneration (Upto 22 <sup>nd</sup> March 2015)	– (43.08)		
Dr. Karthik Krishnamoorthy	Director	Remuneration (Effective from 23 <sup>rd</sup> March 2015)	46.97 (0.83)		
Mr. T. Subrahmanya Sarma	CFO	Remuneration	37.96 (34.69)		

**Note:-** Figures in brackets are in respect of the corresponding previous year.

**31. Earnings Per Share**

Particulars	Rupees Lakhs	
	2015-16	2014-15
Loss as per statement Profit and Loss	(5,226.63)	(4,376.31)
Weighted Average No. of Equity Shares outstanding during the year	16,03,60,000	13,65,36,712
Basic Earnings Per Share (Rs.)	(3.26)	(3.21)
Diluted Earnings Per Share (Rs.)	(3.26)	(3.21)

**32.** CIF value of Imports Rs. 539.26 Lakhs (2015: Rs. 205.71 Lakhs)

**33.** Sale of components and sub-assemblies Rs. 2.03 Crs (2015: 42.86 Lakhs)

**34.** Value of Imported and indigenous Raw material consumed:

Particulars	2015-16	2014-15
Raw material, Components imported	142.72	26.61
Others	80.32	8.32
<b>Total</b>	<b>223.04</b>	<b>34.93</b>

35. FOB Value of exports Rs. 191.42 Lakhs (2015: Rs. 35.30 Lakhs)  
 36. Expenditure in Foreign Currency

Particulars	Rupees Lakhs	
	2015-16	2014-15
Travel	80.29	97.33
Professional and Consultancy Fee	64.99	241.40
Technology transfer fee and support	-	1,592.32
Others	163.87	10.10

37. The Company entered into a lease-cum-sale agreement for a period of 10 years with KIADB for 20 acres of land allotted in Narasapura Industrial area, Kolar District, Karnataka, for the setting up of aerospace component manufacturing facility. The title of the land will be transferred to the Company during the currency of the lease term or at the end of 10 year or extended period, if any, after fulfilling all conditions stipulated in the said Agreement.

During the year ended March 31, 2012, the company incurred Rs. 870.51 Lakhs towards allotment consideration and other related expenses in connection with the said lease-cum-sale agreement. The said amount is disclosed under the head Long term Loans and advances as the title of the land is yet to be transferred to the Company. This amount will be included in the tangible assets as and when the title of the land is transferred to the Company.

38. During the years ended March 31, 2013 and March 31, 2014, the Directorate of Revenue Intelligence initiated investigation of certain imports made by the Company. During the investigation, the company paid Rs. 309.50 Lakhs (2015: Rs. 309.50 Lakhs). Out of this total amount paid an amount of Rs. 32.03 lakhs was charged off in the year ended March 31, 2013 and the balance amount was grouped as Deposits lying with Government Authorities.

39. The Company incurs certain 'non-recurring cost' towards tooling, proving the first articles and other efforts before starting serial production of a part. In certain cases, the Company invoices these 'non-recurring costs' once the first article is approved.

During the current year, the Company spent Rs. 43.37 lakhs (2015: Rs. 10.91 lakhs) towards the 'non-recurring cost', which will be billed to customers after approval of first articles.

40. The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading and speculative purposes.

As on 31<sup>st</sup> March 2016, there are no outstanding Forward Exchange Contracts entered into by the Company (2015: NIL)

**41. Unhedged Foreign Currency exposure**

The yearend foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	2015-16		2014-15	
	Rupees Lakhs	Foreign currency	Rupees Lakhs	Foreign currency
Payable for capital goods	9.29	USD 14,000	-	-
Payable for Raw materials	7.56	AUD 14,897	12.81	USD 20,562
	3.41	EUR 28.85	-	-
	56.26	GBP 4,553	-	-
		USD 30,297	-	-
		USD 84,800	-	-
Payable for services	0.94	EUR 39.95	39.95	GBP 42,734
	32.79	1,260	0.22	42,734
	1,054.04	GBP 34,439	1,009.36	EUR 320
		USD 15,88,720		USD 1,622,764
Receivable	32.83	AUD 23.13	23.13	AUD 47,796
	225.39	64,686	36.94	USD 59,378
		USD 339,732		USD 59,378

42. Deferred tax asset on the business loss amounting to Rs. 3,799.01 Lakhs (2015: Rs. 2,240.72 Lakhs) is not recognized in view of absence of virtual certainty of future profits as required by Accounting Standard (AS) 22, *Accounting for taxes on Income*.

43. The information as required under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This information has been relied upon by the Auditors. The disclosures relating to Micro, Small and Medium Enterprises as at March 31, 2016 are as under:

S.No	Particulars	Rupees Lakhs	
		2015-16	2014-15
A	The principal amount remaining unpaid to supplier as at the end of the year	5.85	31.41
B	The interest due thereon remaining unpaid to supplier as at the end of the year	-	0.13
C	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	1.03	5.58
D	The amount of interest accrued during the year and remaining unpaid at the end of the year	6.74	5.71

43. Previous year figures have been regrouped/reclassified, to conform to the current year disclosure.

As per our report of even date  
**For B. K. Khare & Co.**  
 Chartered Accountants  
 (Registration No. 105102W)

**Mr. Viswanadh Kuchi**  
 Partner  
 M. No. 210789

Mumbai, Dated: 17<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**Dr. Karthik Krishnamurthy** Director  
**Mr. Arvind Mehra** Director  
**Mr. T. Subrahmanya Sarma** CFO  
**Mr. Yashesh Bhatt** Company Secretary

Mumbai, Dated: 17<sup>th</sup> May, 2016

## DIRECTORS' REPORT

The directors present their report together with the financial report of Aerostaff Australia Pty Ltd for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

Keith Douglas

Ajay Mantry (appointed 27 November 2015)

Shriprakash Shukla (resigned 31 March 2016)

Arvind Mehra (resigned 30 March 2016)

Sanjay Joglekar (resigned 7 October 2015)

Nikhil Sohoni (resigned 30 March 2016)

Laxman Ramnarayan (resigned 30 March 2016)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$216,017 (Rs 10,606,435), (2015: \$450,443, Rs 22,116,750).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was aircraft sheet metal manufacture and assembly.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising from performance of their duties as directors.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

Keith Douglas  
Director

Ajay Mantry  
Director

Dated this 13<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Keith Douglas  
Director

Ajay Mantry  
Director

Dated this 13<sup>th</sup> day of May, 2016



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROSTAFF AUSTRALIA PTY LTD**

We have audited the accompanying financial report, being a special purpose financial report of Aerostaff Australia Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### **Directors' Responsibility for the Financial Report**

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### **Opinion**

In our opinion, the financial report of Aerostaff Australia Pty Ltd presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance and its cash flows for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Aerostaff Australia Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**

Partner

Date: 24<sup>th</sup> May, 2016

**PITCHER PARTNERS**

Melbourne

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue and other income</b>					
Sales revenue .....	3	1,981,664	97,299,702	2,374,190	116,572,729
Other revenue .....	3	9,724	477,448	11,605	569,806
		<u>1,991,388</u>	<u>97,777,150</u>	<u>2,385,795</u>	<u>117,142,535</u>
<b>Less: expenses</b>					
Cost of sales .....	4	(1,329,482)	(65,277,566)	(1,661,312)	(81,570,419)
Administration expenses .....		(504,921)	(24,791,621)	(680,534)	(33,414,219)
Occupancy expenses .....		(63,391)	(3,112,498)	(99,215)	(4,871,457)
Finance costs .....	4	(55,288)	(2,714,641)	(53,889)	(2,645,950)
Depreciation .....	4	(41,034)	(2,014,769)	(47,885)	(2,351,154)
Other expenses .....		(213,289)	(10,472,490)	(293,403)	(14,406,086)
		<u>(2,207,405)</u>	<u>(108,383,585)</u>	<u>(2,836,238)</u>	<u>(139,259,285)</u>
<b>Loss before income tax expense .....</b>		<b>(216,017)</b>	<b>(10,606,435)</b>	<b>(450,443)</b>	<b>(22,116,750)</b>
Income tax expense .....		–	–	–	–
<b>Net loss from continuing operations .....</b>		<b>(216,017)</b>	<b>(10,606,435)</b>	<b>(450,443)</b>	<b>(22,116,750)</b>
<b>Other comprehensive income for the year ...</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive loss .....</b>		<b>(216,017)</b>	<b>(10,606,435)</b>	<b>(450,443)</b>	<b>(22,116,750)</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current assets</b>					
Cash and cash equivalents.....	5	11,107	545,354	1,075	52,783
Receivables.....	6	223,054	10,951,951	694,035	34,077,119
Inventories.....	7	482,311	23,681,470	344,625	16,921,088
Other assets.....	8	3,671	180,247	4,001	196,450
<b>Total current assets</b> .....		<u>720,143</u>	<u>35,359,022</u>	<u>1,043,736</u>	<u>51,247,440</u>
<b>Non-current assets</b>					
Plant and equipment.....	9	206,595	10,143,815	206,550	10,141,605
<b>Total non-current assets</b> .....		<u>206,595</u>	<u>10,143,815</u>	<u>206,550</u>	<u>10,141,605</u>
<b>Total assets</b> .....		<u>926,738</u>	<u>45,502,837</u>	<u>1,250,286</u>	<u>61,389,045</u>
<b>Current liabilities</b>					
Payables.....	10	334,354	16,416,782	422,617	20,750,497
Borrowings.....	11	–	–	4,011	196,940
Provisions.....	12	64,150	3,149,765	74,039	3,635,315
<b>Total current liabilities</b> .....		<u>398,504</u>	<u>19,566,547</u>	<u>500,667</u>	<u>24,582,752</u>
<b>Non-current liabilities</b>					
Payables.....	10	1,106,000	54,304,600	1,106,000	54,304,600
Provisions.....	12	3,746	183,929	9,114	447,497
<b>Total non-current liabilities</b> .....		<u>1,109,746</u>	<u>54,488,529</u>	<u>1,115,114</u>	<u>54,752,097</u>
<b>Total liabilities</b> .....		<u>1,508,250</u>	<u>74,055,076</u>	<u>1,615,781</u>	<u>79,334,849</u>
<b>Net assets</b> .....		<u>(581,512)</u>	<u>(28,552,239)</u>	<u>(365,495)</u>	<u>(17,945,804)</u>
<b>Equity</b>					
Share capital.....	13	4,950,004	243,045,196	2,250,004	110,475,196
Reserves.....	14	–	–	2,700,000	132,570,000
Accumulated losses .....	15	(5,531,516)	(271,597,435)	(5,315,499)	(260,991,000)
<b>Total equity</b> .....		<u>(581,512)</u>	<u>(28,552,239)</u>	<u>(365,495)</u>	<u>(17,945,804)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

Australian dollars	Contributed equity	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
<b>Balance as at 1 April 2014</b> .....	2,250,004	1,200,000	(4,865,056)	(1,415,052)
Loss for the year.....	-	-	(450,443)	(450,443)
<b>Total comprehensive income for the year</b> .....	-	-	(450,443)	(450,443)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	-	1,500,000	-	1,500,000
<b>Total transactions with owners in their capacity as owners</b> .....	-	1,500,000	-	1,500,000
<b>Balance as at 31 March 2015</b> .....	<u>2,250,004</u>	<u>2,700,000</u>	<u>(5,315,499)</u>	<u>(365,495)</u>
<b>Balance as at 1 April 2015</b> .....	2,250,004	2,700,000	(5,315,499)	(365,495)
Loss for the year .....	-	-	(216,017)	(216,017)
<b>Total comprehensive income for the year</b> .....	-	-	(216,017)	(216,017)
Transfers.....	2,700,000	(2,700,000)	-	-
<b>Transactions with owners in their capacity as owners:</b>				
<b>Total transactions with owners in their capacity as owners</b> .....	-	-	-	-
<b>Balance as at 31 March 2016</b> .....	<u><u>4,950,004</u></u>	<u><u>-</u></u>	<u><u>(5,531,516)</u></u>	<u><u>(581,512)</u></u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

Indian rupees	Contributed equity	Reserves	Accumulated losses	Total equity
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at 1 April 2014</b> .....	110,475,196	58,920,000	(238,874,250)	(69,479,054)
Loss for the year.....	-	-	(22,116,750)	(22,116,750)
<b>Total comprehensive income for the year</b> .....	-	-	(22,116,750)	(22,116,750)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	-	73,650,000	-	73,650,000
<b>Total transactions with owners in their capacity as owners</b> .....	-	73,650,000	-	73,650,000
<b>Balance as at 31 March 2015</b> .....	<u>110,475,196</u>	<u>132,570,000</u>	<u>(260,991,000)</u>	<u>(17,945,804)</u>
<b>Balance as at 1 April 2015</b> .....	110,475,196	132,570,000	(260,991,000)	(17,945,804)
Loss for the year .....	-	-	(10,606,435)	(10,606,435)
<b>Total comprehensive income for the year</b> .....	-	-	(10,606,435)	(10,606,435)
Transfers.....	132,570,000	(132,570,000)	-	-
<b>Transactions with owners in their capacity as owners:</b>				
<b>Total transactions with owners in their capacity as owners</b> .....	-	-	-	-
<b>Balance as at 31 March 2016</b> .....	<u>243,045,196</u>	<u>-</u>	<u>(271,597,435)</u>	<u>(28,552,239)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Cash flow from operating activities</b>				
Receipts from customers .....	2,190,527	107,554,876	2,982,105	146,421,356
Payments to suppliers and employees .....	(2,551,098)	(125,258,912)	(2,850,513)	(139,960,188)
Finance costs.....	(55,288)	(2,714,641)	(53,889)	(2,645,950)
<b>Net cash provided by operating activities .....</b>	<b>(415,859)</b>	<b>(20,418,677)</b>	<b>77,703</b>	<b>3,815,218</b>
<b>Cash flow from investing activities</b>				
Proceeds from sale of plant and equipment.....	-	-	59,551	2,923,954
Payment for plant and equipment .....	(41,079)	(2,016,979)	(77,362)	(3,798,474)
<b>Net cash used in investing activities .....</b>	<b>(41,079)</b>	<b>(2,016,979)</b>	<b>(17,811)</b>	<b>(874,520)</b>
<b>Cash flow from financing activities</b>				
Payment received for shares not yet issued .....	-	-	1,500,000	73,650,000
Net repayments of borrowings .....	(4,011)	(196,940)	(105,392)	(5,174,747)
Loans from parent, associated and director related entities.....	470,981	23,125,167	(1,613,879)	(79,241,459)
<b>Net cash used in financing activities .....</b>	<b>466,970</b>	<b>22,928,227</b>	<b>(219,271)</b>	<b>(10,766,206)</b>
<b>Reconciliation of cash</b>				
Cash at beginning of the financial year.....	1,075	52,783	160,454	7,878,291
Net increase/(decrease) in cash held.....	10,032	492,571	(159,379)	(7,825,508)
<b>Cash at end of financial year .....</b>	<b>11,107</b>	<b>545,354</b>	<b>1,075</b>	<b>52,783</b>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Aerostaff Australia Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 7:	Financial Instruments: Disclosures
AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 112:	Income Taxes
AASB 124:	Related Party Disclosures

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

##### Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$216,017 (Rs: 8,379,357) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$581,512 (Rs: 26,325,161).

The company is dependent on the ongoing financial support at of its ultimate parent entity to meet its financial obligations 31 March 2016. At this time, the directors believe that the ongoing financial support of the ultimate parent entity will be continued.

#### (c) Foreign currency translations and balances

##### Functional and presentation currency

The financial statements of the entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. For disclosure purposes at year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs 49.10 = AUD\$1.00 as advised by the ultimate parent entity.

##### Transactions and Balances

Transactions in foreign currencies of the company are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary items is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on the settlement or re-statement are recognised as revenues and expenses for the financial year.

#### (d) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

#### (e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### (f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity. Inventories include raw materials, work in progress and finished goods.

#### (h) Work in progress

Work in progress is valued at cost, which includes both variable and fixed costs relating to specific items, and those costs that are attributable to the WIP activity in general that can be allocated on a reasonable basis.

#### (i) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

##### Plant and equipment

Plant and equipment is measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

##### Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	4%	Diminishing value
Plant and equipment at cost	10-40%	Diminishing value
Motor vehicles at cost	22.5%	Diminishing value
Office equipment at cost	10-50%	Diminishing value

**(j) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

**(k) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**Finance leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

**Operating leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

**(l) Employee benefits****(i) Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**(ii) Long-term employee benefit obligations**

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

**(m) Borrowing costs**

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset are capitalised until the asset is ready for its intended use or sale.

**(n) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(o) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2016**

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

**AASB 9 Financial Instruments**

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

The effective date is annual reporting periods beginning on or after 1 January 2018.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

Step 1: Identify the contracts with the customer;

Step 2: Identify the separate performance obligations;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price; and

Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

**NOTE 3: REVENUE AND OTHER INCOME**

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
Sale of goods	1,981,664	97,299,702	2,374,190	116,572,729
Other revenue	9,724	477,448	11,605	569,806
	<u>1,991,388</u>	<u>97,777,150</u>	<u>2,385,795</u>	<u>117,142,535</u>



**NOTE 4: OPERATING LOSS**

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
Losses before income tax has been determined after:				
Cost of sales				
– Purchases/materials used	355,588	17,459,371	199,559	9,798,347
– Direct labour costs	1,162,086	57,058,423	1,065,661	52,323,955
– Closing inventory	(188,192)	(9,240,227)	396,092	19,448,117
	<u>1,329,482</u>	<u>65,277,567</u>	<u>1,661,312</u>	<u>81,570,419</u>
Finance costs	55,288	2,714,641	53,889	2,645,950
Depreciation	41,034	2,014,769	47,885	2,351,154
Bad and doubtful debts	–	–	16,790	824,389
Impairment of inventory	50,844	2,496,440	24,283	1,192,295
Indirect employee benefit expenses	397,652	19,524,713	552,733	27,139,190
Loss on disposal of non current assets	–	–	15,909	781,132

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash at bank	<u>11,107</u>	<u>545,354</u>	<u>1,075</u>	<u>52,783</u>
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**NOTE 6: RECEIVABLES****CURRENT**

Amounts receivable from:

– GippsAero Pty Ltd	<u>223,054</u>	<u>10,951,951</u>	<u>694,035</u>	<u>34,077,119</u>
	<u>223,054</u>	<u>10,951,951</u>	<u>694,035</u>	<u>34,077,119</u>

**NOTE 7: INVENTORIES****CURRENT***At cost*

Raw materials	57,432	2,819,911	29,140	1,430,774
Work in progress	475,723	23,357,999	339,768	16,682,609
Impairment provision	(50,844)	(2,496,440)	(24,283)	(1,192,295)
	<u>482,311</u>	<u>23,681,470</u>	<u>344,625</u>	<u>16,921,088</u>

**NOTE 8: OTHER ASSETS****CURRENT**

Prepayments	2,956	145,140	3,286	161,343
Other current assets	715	35,107	715	35,107
	<u>3,671</u>	<u>180,247</u>	<u>4,001</u>	<u>196,450</u>

**NOTE 9: PLANT AND EQUIPMENT****Leasehold improvements**

At cost	102,057	5,010,999	62,457	3,066,639
Accumulated depreciation	(16,050)	(788,055)	(11,968)	(587,629)
	<u>86,007</u>	<u>4,222,944</u>	<u>50,489</u>	<u>2,479,010</u>

**Plant and equipment**

Plant and equipment at cost	1,256,743	61,706,081	1,256,743	61,706,081
Accumulated depreciation	(1,162,670)	(57,087,097)	(1,141,032)	(56,024,671)
	<u>94,073</u>	<u>4,618,984</u>	<u>115,711</u>	<u>5,681,410</u>

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
Motor vehicles at cost	20,000	982,000	20,000	982,000
Accumulated depreciation	(13,238)	(649,986)	(11,214)	(550,607)
	<u>6,762</u>	<u>332,014</u>	<u>8,786</u>	<u>431,393</u>
Office equipment at cost	259,497	12,741,303	258,020	12,668,782
Accumulated depreciation	(239,744)	(11,771,430)	(226,456)	(11,118,990)
	<u>19,753</u>	<u>969,873</u>	<u>31,564</u>	<u>1,549,792</u>
Total plant and equipment	<u>206,595</u>	<u>10,143,815</u>	<u>206,550</u>	<u>10,141,605</u>

**(a) Reconciliations***Leasehold improvements*

Opening carrying amount	50,489	2,479,010	41,452	2,035,293
Additions	39,454	1,937,191	21,005	1,031,346
Depreciation expense	(3,936)	(193,257)	(11,968)	(587,629)
Closing carrying amount	<u>86,007</u>	<u>4,222,944</u>	<u>50,489</u>	<u>2,479,010</u>

*Plant and equipment*

Opening carrying amount	115,711	5,681,410	165,094	8,106,115
Additions	–	–	22,043	1,082,311
Write offs/disposals	–	–	(50,140)	(2,461,874)
Depreciation expense	(21,638)	(1,062,426)	(21,286)	(1,045,142)
Closing carrying amount	<u>94,073</u>	<u>4,618,984</u>	<u>115,711</u>	<u>5,681,410</u>

*Motor vehicles*

Opening carrying amount	8,786	431,393	11,338	556,696
Depreciation expense	(2,024)	(99,379)	(2,552)	(125,303)
Closing carrying amount	<u>6,762</u>	<u>332,014</u>	<u>8,786</u>	<u>431,393</u>

*Office equipment*

Opening carrying amount	31,564	1,549,792	25,238	1,239,186
Additions	1,625	79,787	34,314	1,684,817
Write offs/disposals	–	–	(15,909)	(781,132)
Depreciation expense	(13,436)	(659,707)	(12,079)	(593,079)
Closing carrying amount	<u>19,753</u>	<u>969,872</u>	<u>31,564</u>	<u>1,549,792</u>

*Total plant and equipment*

Carrying amount at 1 April	206,550	10,141,605	243,122	11,937,290
Additions	41,079	2,016,978	77,362	3,798,474
Write offs/disposals	–	–	(66,049)	(3,243,006)
Depreciation expense	(41,034)	(2,014,769)	(47,885)	(2,351,153)
Carrying amount at 31 March	<u>206,595</u>	<u>10,143,814</u>	<u>206,550</u>	<u>10,141,605</u>

**NOTE 10: PAYABLES**

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
<b>CURRENT</b>				
<i>Unsecured liabilities</i>				
Trade creditors	139,760	6,862,216	180,068	8,841,339
Sundry creditors and accruals	194,594	9,554,566	242,549	11,909,158
	<u>334,354</u>	<u>16,416,782</u>	<u>422,617</u>	<u>20,750,497</u>

**NON CURRENT***Unsecured liabilities*

## Loan from associates

– Mahindra Aerospace Australia Pty Ltd

	<u>1,106,000</u>	<u>54,304,600</u>	<u>1,106,000</u>	<u>54,304,600</u>
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**NOTE 11: BORROWINGS****CURRENT***Secured liabilities*

Hire purchase liability	–	–	4,011	196,940
	<u>–</u>	<u>–</u>	<u>4,011</u>	<u>196,940</u>

**NOTE 12: PROVISIONS****CURRENT**

Employee benefits (a)	<u>64,150</u>	<u>3,149,765</u>	<u>74,039</u>	<u>3,635,315</u>
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**NON CURRENT**

Employee benefits (a)	<u>3,746</u>	<u>183,929</u>	<u>9,114</u>	<u>447,497</u>
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(a) Aggregate employee benefits liability	67,896	3,333,694	83,153	4,082,812
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**NOTE 13: SHARE CAPITAL**

## Issued and paid-up capital

4,950,010 (2015: 2,250,010)

Ordinary shares	<u>4,950,004</u>	<u>243,045,196</u>	<u>2,250,004</u>	<u>110,475,196</u>
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**NOTE 14: RESERVES**

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
General reserve	<u>–</u>	<u>–</u>	<u>2,700,000</u>	<u>132,570,000</u>

The general reserve is used to record funds received for shares not yet issued.

**NOTE 15: ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(5,315,499)	(260,991,000)	(4,865,056)	(238,874,250)
Net loss	(216,017)	(10,606,435)	(450,443)	(22,116,750)
	<u>(5,531,516)</u>	<u>(271,597,435)</u>	<u>(5,315,499)</u>	<u>(260,991,000)</u>

**NOTE 16: CAPITAL AND LEASING COMMITMENTS****(a) Hire purchase commitments**

## Payable

– not later than one year

	<u>–</u>	<u>–</u>	<u>4,080</u>	<u>200,328</u>
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Minimum hire purchase payments

	<u>–</u>	<u>–</u>	<u>4,080</u>	<u>200,328</u>
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Less future finance charges

	<u>–</u>	<u>–</u>	<u>(69)</u>	<u>(3,388)</u>
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Total hire purchase liability

	<u>–</u>	<u>–</u>	<u>4,011</u>	<u>196,940</u>
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Represented by:

Current liability

	<u>–</u>	<u>–</u>	<u>4,011</u>	<u>196,940</u>
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	<u>–</u>	<u>–</u>	<u>4,011</u>	<u>196,940</u>
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Hire purchases relate to the lease of motor vehicles.

**NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 March 2016, of the company, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 31 March 2016, of the company.

**NOTE 18: COMPANY DETAILS**

The registered office of the company is:

Aerostaff Australia Pty Ltd  
 Latrobe Regional Airport  
 43 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of Airvan Flight Service Pty Ltd (the "company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

George Morgan

Arvind Mehra

Keith Douglas

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$3,850 (2015: \$NIL).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holder of a CASA type certificate.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016.

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRVAN FLIGHT SERVICES PTY LTD**

We have audited the accompanying financial report, being a special purpose financial report of Airvan Flight Services Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income and statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### **Directors' responsibility for the financial report**

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### **Opinion**

In our opinion, the financial report of Airvan Flight Services Pty Ltd presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Airvan Flight Services Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**

Partner

Date: 24<sup>th</sup> May, 2016

**Pitcher Partners**

Melbourne

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue</b>	-	-	-	-
<b>Less: expenses</b>	-	-	-	-
Professional fees	(3,850)	(189,035)	-	-
	<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Loss before income tax expense</b>	<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>
Income tax expense	-	-	-	-
	<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Loss for the year</b>	<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b>	<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current assets</b>					
Cash and cash equivalents	2	2	98	2	98
		<u>2</u>	<u>98</u>	<u>2</u>	<u>98</u>
<b>Total current assets</b>		<b>2</b>	<b>98</b>	<b>2</b>	<b>98</b>
<b>Total assets</b>		<b>2</b>	<b>98</b>	<b>2</b>	<b>98</b>
		<u>2</u>	<u>98</u>	<u>2</u>	<u>98</u>
<b>Current liabilities</b>					
Payables	3	3,850	189,035	-	-
		<u>3,850</u>	<u>189,035</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>		<b>3,850</b>	<b>189,035</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,850</b>	<b>189,035</b>	<b>-</b>	<b>-</b>
		<u>3,850</u>	<u>189,035</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<b>(3,848)</b>	<b>(188,937)</b>	<b>2</b>	<b>98</b>
		<u>(3,848)</u>	<u>(188,937)</u>	<u>2</u>	<u>98</u>
<b>Equity</b>					
Share capital	4	2	98	2	98
Accumulated losses	5	(3,850)	(189,035)	-	-
		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<b>(3,848)</b>	<b>(188,937)</b>	<b>2</b>	<b>98</b>
		<u>(3,848)</u>	<u>(188,937)</u>	<u>2</u>	<u>98</u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Contributed equity \$	Accumulated losses \$	Total equity \$
<b>Australian Dollars</b>			
Balance as at 1 April 2014	2	–	2
Profit/(loss) for the year	–	–	–
<b>Balance as at 31 March 2015</b>	<b>2</b>	<b>–</b>	<b>2</b>
Balance as at 1 April 2015	2	–	2
Loss for the year	–	(3,850)	(3,850)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>(3,850)</b>	<b>(3,850)</b>
<b>Balance as at 31 March 2016</b>	<b>2</b>	<b>(3,850)</b>	<b>(3,848)</b>
<b>Indian Rupees</b>			
Balance as at 1 April 2014	98	–	98
Profit/(loss) for the year	–	–	–
<b>Balance as at 31 March 2015</b>	<b>98</b>	<b>–</b>	<b>98</b>
Balance as at 1 April 2015	98	–	98
Loss for the year	–	(185,035)	(185,035)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>(185,035)</b>	<b>(185,035)</b>
<b>Balance as at 31 March 2016</b>	<b>98</b>	<b>(185,035)</b>	<b>(184,937)</b>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Airvan Flight Services Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 101: Presentation of Financial Statements

AASB 112: Income Taxes

AASB 124: Related Party Disclosures

AASB 139: Financial Instruments: Recognition and Measurement

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

**(a) Basis of preparation of the financial report***Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

**(b) Going concern**

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$3,850 (Rs. 189,035) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$3,848 (Rs. 188,937).

The company is dependent on the ongoing financial support of its ultimate parent entity to meet its financial obligations at 31 March 2016. At this time, there is no reason for the directors to believe that the ongoing financial support of the ultimate parent entity will not be continued.

**(c) Foreign currency translations and balances***Functional and presentation currency*

The financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). For disclosure purposes at period end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.10 = \$1 AUD as advised by the ultimate parent entity.

**(d) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**NOTE 2: CASH AND CASH EQUIVALENTS**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
Cash on hand	2	98	2	98

**NOTE 3: PAYABLES**

## CURRENT

*Unsecured liabilities*

Sundry creditors and accruals	3,850	189,035	–	–
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**NOTE 4: SHARE CAPITAL**

## Issued and paid-up capital

2 (2015: 2) Ordinary shares	2	98	2	98
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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 5: ACCUMULATED LOSSES

	2016	2016	2015	2015
	\$	Rupees	\$	Rupees
Accumulated losses at beginning of year	-	-	-	-
Net profit	(3,850)	(189,035)	-	-
Accumulated losses at end of year	<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>

### NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2016, of the company.

### NOTE 7: COMPANY DETAILS

The registered office of the company is:

Airvan Flight Services Pty Ltd  
 Latrobe Regional Airport  
 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of the company, being the company and its controlled entity, for the period ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the period are:

George Morgan  
Arvind Mehra  
Keith Douglas

The directors have been in office since incorporation to the date of this report unless otherwise stated.

### Results

The loss of the company for the period after providing for income tax amounted to \$3,850 (2015: \$NIL).

### Review of operations

The company was incorporated on 10 December 2015. Since incorporation the company's principal activity was holder of a CASA type certificate.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial period, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the period was holder of a CASA type certificate.

No significant change in the nature of these activities occurred during the period.

### After balance date events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the period and there were no options outstanding at the end of the period.

### Indemnification of officers

During or since the end of the period, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the Board of Director

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages herein presents fairly the company's financial position as at 31 March 2016 and performance for the period ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016



## INDEPENDENT AUDITOR'S REPORT

### To The Members of Airvan 10 TC PTY LTD

We have audited the accompanying financial report, being a special purpose financial report of Airvan 10 Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income and statement of changes in equity for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### Opinion

In our opinion, the financial report of Airvan 10 Pty Ltd presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Airvan 10 Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**  
Partner

**PITCHER PARTNERS**  
Melbourne

Date: 24<sup>th</sup> May, 2016

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016**

	Note	2016 \$	2016 ₹
<b>Revenue</b> .....		-	-
<b>Less: expenses</b>			
Professional fees .....		(3,850)	(189,035)
		<u>(3,850)</u>	<u>(189,035)</u>
<b>Loss before income tax expense</b> .....		(3,850)	(189,035)
Income tax expense .....		-	-
		<u>-</u>	<u>-</u>
<b>Loss for the period</b> .....		<u>(3,850)</u>	<u>(189,035)</u>
<b>Total comprehensive loss</b> .....		<u><u>(3,850)</u></u>	<u><u>(189,035)</u></u>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 \$	2016 ₹
<b>Current assets</b>			
Cash and cash equivalents.....	2	10	491
<b>Total current assets</b> .....		<u>10</u>	<u>491</u>
<b>Total assets</b> .....		<u>10</u>	<u>491</u>
<b>Current liabilities</b>			
Payables.....	3	3,850	189,035
<b>Total current liabilities</b> .....		<u>3,850</u>	<u>189,035</u>
<b>Total liabilities</b> .....		<u>3,850</u>	<u>189,035</u>
<b>Net assets</b> .....		<u>(3,840)</u>	<u>(188,544)</u>
<b>Equity</b>			
Share capital.....	4	10	491
Accumulated losses .....	5	(3,850)	(189,035)
<b>Total equity</b> .....		<u>(3,850)</u>	<u>(188,544)</u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

Australian dollars	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance as at 10 December 2015.....	–	–	–
Loss for the period .....	–	(3,850)	(3,850)
<b>Total comprehensive income for the period .....</b>	–	(3,850)	(3,850)
<b>Transactions with owners in their capacity as owners:</b>			
Contributions.....	10	–	10
<b>Total transactions with owners in their capacity as owners .....</b>	10	–	10
<b>Balance as at 31 March 2016.....</b>	<b>10</b>	<b>(3,850)</b>	<b>(3,840)</b>
	–	–	–
	–	(189,035)	(189,035)
<b>Total comprehensive loss for the period.....</b>	–	(189,035)	(189,035)
<b>Transactions with owners in their capacity as owners:</b>			
Contributions.....	491	–	491
<b>Total transactions with owners in their capacity as owners .....</b>	491	–	491
<b>Balance as at 31 March 2016.....</b>	<b>491</b>	<b>(189,035)</b>	<b>(188,544)</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Airvan 10 TC Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 101:	Presentation of Financial Statements
AASB 112:	Income Taxes
AASB 124:	Related Party Disclosures
AASB 139:	Financial Instruments: Recognition and Measurement

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$3,850 (Rs. 189,035) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$3,840 (Rs. 188,544).

The company is dependent on the ongoing financial support of its ultimate parent entity to meet its financial obligations at 31 March 2016. At this time, there is no reason for the directors to believe that the ongoing financial support of the ultimate parent entity will not be continued.

#### (c) Foreign currency translations and balances

Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). For disclosure purposes at period end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.10 = \$1 AUD as advised by the ultimate parent entity.

#### (d) Comparatives

The company was incorporated on 10 December 2015. As a result these financial statements do not contain comparative figures and represent the period for 10 December 2015 to 31 March 2016.

### NOTE 2: CASH AND CASH EQUIVALENTS

Cash on hand	10	491
	<u>          </u>	<u>          </u>

### NOTE 3: PAYABLES

#### CURRENT

##### Unsecured liabilities

Sundry creditors and accruals	3,850	189,035
	<u>          </u>	<u>          </u>

### NOTE 4: SHARE CAPITAL

#### Issued and paid up capital

10 Ordinary shares	10	491
	<u>          </u>	<u>          </u>

### NOTE 5: ACCUMULATED LOSSES

Accumulated losses at beginning of period	-	-
Net profit	(3,850)	(189,035)
Accumulated losses at end of period	<u>(3,850)</u>	<u>(189,035)</u>

### NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2016, of the company.

### NOTE 7: COMPANY DETAILS

The registered office of the company is:

Airvan 10 TC Pty Ltd  
 Latrobe Regional Airport  
 43 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of Gipp Aero Investments Pty Ltd (the "company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

Arvind Mehra

Keith Douglas

George Morgan

Ajay Mantry (appointed 27 November 2015)

Sanjay Joglekar (resigned 7 October 2015)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$19,711,367 (Rs. 967,828,120) (2015: \$9,266, Rs. 454,961).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holding of investments in subsidiaries.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

**Ajay Mantry**

Director

**Keith Douglas**

Director

Dated this 13<sup>th</sup> day of May, 2016

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## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Ajay Mantry**

Director

**Keith Douglas**

Director

Dated this 13<sup>th</sup> day of May, 2016

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GIPP AERO INVESTMENTS PTY LTD – INDIAN STAT

We have audited the accompanying financial report, being a special purpose financial report of Gipp Aero Investments Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Opinion*

In our opinion, the financial report of Gipp Aero Investments Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

### *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**

Partner

Date: 24<sup>th</sup> May, 2016

**PITCHER PARTNERS**

Melbourne

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016**

	2016	2016	2015	2015
	\$	₹	\$	₹
<b>Less: expenses</b>				
Finance costs.....	(55)	(2,701)	(266)	(13,061)
Professional fees .....	(7,312)	(359,019)	(9,000)	(441,900)
Impairment loss .....	(19,704,000)	(967,466,400)	–	–
	<u>(19,711,367)</u>	<u>(967,828,120)</u>	<u>(9,266)</u>	<u>(454,961)</u>
<b>Loss before income tax expense.....</b>	<b>(19,711,367)</b>	<b>(967,828,120)</b>	<b>(9,266)</b>	<b>(454,961)</b>
Income tax expense .....	–	–	–	–
<b>Loss from continuing operations .....</b>	<b>(19,711,367)</b>	<b>(967,828,120)</b>	<b>(9,266)</b>	<b>(454,961)</b>
<b>Total comprehensive loss.....</b>	<b>(19,711,367)</b>	<b>(967,828,120)</b>	<b>(9,266)</b>	<b>(454,961)</b>

The accompanying notes form part of these financial statements.



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016	2016	2015	2015
		\$	₹	\$	₹
<b>Current assets</b>					
Cash and cash equivalents.....	4	483	23,715	538	26,416
<b>Total current assets</b> .....		<u>483</u>	<u>23,715</u>	<u>538</u>	<u>26,416</u>
<b>Non-current assets</b>					
Other financial assets .....	5	19,346,028	949,889,974	38,250,018	1,878,075,883
<b>Total non-current assets</b> .....		<u>19,346,028</u>	<u>949,889,974</u>	<u>38,250,018</u>	<u>1,878,075,883</u>
<b>Total assets</b> .....		<u>19,346,511</u>	<u>949,913,689</u>	<u>38,250,556</u>	<u>1,878,102,299</u>
<b>Current liabilities</b>					
Payables.....	6	16,322	801,410	9,000	441,900
<b>Total current liabilities</b> .....		<u>16,322</u>	<u>801,410</u>	<u>9,000</u>	<u>441,900</u>
<b>Total liabilities</b> .....		<u>16,322</u>	<u>801,410</u>	<u>9,000</u>	<u>441,900</u>
<b>Net assets</b> .....		<u>19,330,189</u>	<u>949,112,279</u>	<u>38,241,556</u>	<u>1,877,660,399</u>
<b>Equity</b>					
Share capital.....	7	7,017,275	344,548,203	7,017,275	344,548,203
Reserves.....	8	34,050,000	1,671,855,000	33,250,000	1,632,575,000
Accumulated losses .....	9	(21,737,086)	(1,067,290,924)	(2,025,719)	(99,462,804)
<b>Total equity</b> .....		<u>19,330,189</u>	<u>949,112,279</u>	<u>38,241,556</u>	<u>1,877,660,399</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

Australian Dollars	Contributed equity	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
<b>Balance as at 1 April 2014</b> .....	7,017,275	27,250,000	(2,016,453)	32,250,822
Loss for the year.....	—	—	(9,266)	(9,266)
<b>Total comprehensive income for the year</b> ....	—	—	(9,266)	(9,266)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	—	6,000,000	—	6,000,000
<b>Total transactions with owners in their capacity as owners</b> .....	—	6,000,000	—	6,000,000
<b>Balance as at 31 March 2015</b> .....	<u>7,017,275</u>	<u>33,250,000</u>	<u>(2,025,719)</u>	<u>38,241,556</u>
<b>Balance as at 1 April 2015</b> .....	7,017,275	33,250,000	(2,025,719)	38,241,556
Loss for the year.....	—	—	(19,711,367)	(19,711,367)
<b>Total comprehensive income for the year</b> ....	—	—	(19,711,367)	(19,711,367)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	—	800,000	—	800,000
<b>Total transactions with owners in their capacity as owners</b> .....	—	800,000	—	800,000
<b>Balance as at 31 March 2016</b> .....	<u>7,017,275</u>	<u>34,050,000</u>	<u>(21,737,086)</u>	<u>19,330,189</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

Indian Rupees	Contributed equity	Reserves	Accumulated losses	Total equity
	₹	₹	₹	₹
<b>Balance as at 1 April 2014</b> .....	344,548,203	1,337,975,000	(99,007,843)	1,583,515,360
Loss for the year.....	—	—	(454,961)	(454,961)
<b>Total comprehensive income for the year</b> ....	—	—	(454,961)	(454,961)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	—	294,600,000	—	294,600,000
<b>Total transactions with owners in their capacity as owners</b> .....	—	294,600,000	—	294,600,000
<b>Balance as at 31 March 2015</b> .....	<u>344,548,203</u>	<u>1,632,575,000</u>	<u>(99,462,804)</u>	<u>1,877,660,399</u>
<b>Balance as at 1 April 2015</b> .....	344,548,203	1,632,575,000	(99,462,804)	1,877,660,399
Loss for the year.....	—	—	(967,828,120)	(967,828,120)
<b>Total comprehensive income for the year</b> ....	—	—	(967,828,120)	(967,828,120)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions.....	—	39,280,000	—	39,280,000
<b>Total transactions with owners in their capacity as owners</b> .....	—	39,280,000	—	39,280,000
<b>Balance as at 31 March 2016</b> .....	<u><u>344,548,203</u></u>	<u><u>1,671,855,000</u></u>	<u><u>(1,067,290,924)</u></u>	<u><u>949,112,279</u></u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016**

	2016	2016	2015	2015
	\$	₹	\$	₹
<b>Cash flow from operating activities</b>				
Finance costs.....	(45)	(2,210)	(266)	(13,061)
<b>Net cash used in operating activities .....</b>	<u>(45)</u>	<u>(2,210)</u>	<u>(266)</u>	<u>(13,061)</u>
<b>Cash flow from investing activities</b>				
Payment for investments in subsidiaries .....	(800,010)	(39,280,491)	(6,000,000)	(294,600,000)
<b>Net cash used in investing activities .....</b>	<u>(800,010)</u>	<u>(39,280,491)</u>	<u>(6,000,000)</u>	<u>(294,600,000)</u>
<b>Cash flow from financing activities</b>				
Funds received from parent entity.....	800,000	39,280,000	6,000,000	294,600,000
<b>Net cash provided by financing activities ....</b>	<u>800,000</u>	<u>39,280,000</u>	<u>6,000,000</u>	<u>294,600,000</u>
<b>Reconciliation of cash</b>				
Cash at beginning of the financial year.....	538	26,416	804	39,477
Net decrease in cash held .....	(55)	(2,701)	(266)	(13,061)
<b>Cash at end of financial year .....</b>	<u><u>483</u></u>	<u><u>23,715</u></u>	<u><u>538</u></u>	<u><u>26,416</u></u>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Gipp Aero Investments Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 7:	Financial Instruments: Disclosures
AASB 10:	Consolidated Financial Statements
AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 112:	Income Taxes
AASB 124:	Related Party Disclosures
AASB 136:	Impairments of Assets

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis, which contemplated continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company incurred a loss from ordinary activities of \$19,711,367 (Rs. 967,828,120) during the year ended 31 March 2016.

The company is dependent on the ongoing financial support of the ultimate parent entity to meet its financial obligations at 31 March 2016. As at the date of signing the company has received confirmation of ongoing financial support from its ultimate parent company.

At this time, the directors believe that the ongoing financial support of the ultimate parent entity will be continued.

#### (c) Foreign currency translations and balances

##### *Functional and presentation currency*

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. For disclosure purposes at year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All Foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.10 = AUD\$1.00 as advised by the ultimate parent entity.

#### (d) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### (f) Investments in subsidiaries

Non-current investments are recorded at cost. The carrying amount of the investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

#### (g) Impairment of non financial assets

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

#### (h) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2016

The following standards and interpretations have been issued at the reporting date but are not yet effective.

#### AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

The effective date is annual reporting periods beginning on or after 1 January 2018.

#### AASB 15 Revenue from Contracts with Customers

AASB introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

Step 1: Identify the contracts with the customer;

Step 2: Identify the separate performance obligations;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price; and

Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) *Investment in Subsidiaries*

All investments in subsidiaries are assessed for impairment by evaluating whether indicators of impairment exist in relation to their carrying values.

For the purposes of impairment assessment, the investments in subsidiaries are regarded as a single cash generating unit (CGU), relating primarily to the manufacturing and sale of aircraft.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessments of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU. The recoverable amount of the CGU is based on management's projected cashflows covering a period of 10 years.

The present value of the future cashflows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3%-3.5%);
- average cost of sales growth rate between 2.8% to 4.1% (2015: -0.5%-4.1%);
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15%, (2015: 15%-17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

	2016	2016	2015	2015
	\$	₹	\$	₹

**NOTE 4: CASH AND CASH EQUIVALENTS**

Cash at bank	483	23,715	538	26,416
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**NOTE 5: OTHER FINANCIAL ASSETS**

NON CURRENT

Investments at cost:

Investment in GA8 Airvan Pty Ltd	3	147	3	147
Investment in GA200 Pty Ltd	3	147	3	147
Investment in Airvan 10 Pty Ltd	10	491	-	-
Investment in Airvan Flight Services Pty Ltd	2	98	2	98
Investment in Nomad TC Pty Ltd	5,000,000	245,500,000	5,000,000	245,500,000
Investment in GippsAero Pty Ltd	34,050,010	1,671,855,491	33,250,010	1,632,575,491
	39,050,028	1,917,356,374	38,250,018	1,878,075,883
Other investments	(19,704,000)	(967,466,400)	-	-
Total financial assets at fair value through profit and loss	19,346,028	949,889,974	38,250,018	1,878,075,883

The recoverable amount of the carrying value of investment in subsidiaries has been assessed on the basis of projected cash flows approved by management

covering a period of 10 years. The present value of the future cash flows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3%-3.5%);
- average cost of sales growth rate between;
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15% (2015: 15%-17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessment of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$19,346,028 (Rs. 949,889,974) which resulted in impairment loss recognised at 31 March 2016.

	2016	2016	2015	2015
	\$	₹	\$	₹

**NOTE 6: PAYABLES**

CURRENT

Unsecured liabilities

Amounts payable to:

- GippsAero Pty Ltd	9,000	441,900	9,000	441,900
Sundry creditors and accruals	7,322	359,510	-	-
	16,322	801,410	9,000	441,900

**NOTE 7: SHARE CAPITAL**

Issued and paid-up capital

32,247 (2015: 32,247)

Ordinary shares	7,017,275	344,548,203	7,017,275	344,548,203
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**NOTE 8: RESERVES**

General reserve	34,050,000	1,671,855,000	33,250,000	1,632,575,000
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The general reserve is used to record funds transferred from the ultimate parent to Gipp Aero Investments Pty Ltd for operational purposes which takes the form of equity.

**NOTE 9: ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(2,025,719)	(99,462,804)	(2,016,453)	(99,007,843)
Net loss for the year	(19,711,367)	(967,828,120)	(9,266)	(454,961)
	(21,737,086)	(1,067,290,924)	(2,025,719)	(99,462,804)

**NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2016, of the company.

**NOTE 11: COMPANY DETAILS**

The registered office of the company is:

Gipp Aero Investments Pty Ltd  
 Latrobe Regional Airport  
 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of GA 8 Pty Ltd (the "company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

George Morgan

Arvind Mehra

Keith Douglas

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$3,850 (2015: \$NIL).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holder of a CASA type certificate.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016

## INDEPENDENT AUDITORS' REPORT

### To the Members of GA8 Airvan Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report of GA8 Airvan Pty Ltd and controlled entities, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income and statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### Directors' responsibility for the financial report

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### Opinion

In our opinion, the financial report of GA8 Airvan Pty Ltd and controlled entities presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist GA8 Airvan Pty Ltd and controlled entities to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**

Partner

Date 24<sup>th</sup> May, 2016

**PITCHER PARTNERS**

Melbourne



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue</b>		-	-	-	-
<b>Less: expenses</b>					
Professional fees		(3,850)	(189,035)	-	-
		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Loss before income tax expense</b>		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
Income tax expense		-	-	-	-
<b>Loss for the year</b>		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive loss</b>		<u><u>(3,850)</u></u>	<u><u>(189,035)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current assets</b>					
Cash and cash equivalents		3	147	3	147
<b>Total current assets</b>		<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
<b>Total assets</b>		<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
<b>Current liabilities</b>					
Payables	2	3,850	189,035	–	–
<b>Total current liabilities</b>		<u>3,850</u>	<u>189,035</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>		<u>3,850</u>	<u>189,035</u>	<u>–</u>	<u>–</u>
<b>Net assets</b>		<u>(3,847)</u>	<u>(188,888)</u>	<u>3</u>	<u>147</u>
<b>Equity</b>					
Share capital	3	3	147	3	147
Accumulated losses	4	(3,850)	(189,035)	–	–
<b>Total equity</b>		<u>(3,847)</u>	<u>(188,888)</u>	<u>3</u>	<u>147</u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

Australian Dollars	Contributed equity	Accumulated losses	Total equity
	\$	\$	\$
<b>Balance as at 1 April 2014</b>	3	–	3
Profit/(loss) for the year	–	–	–
<b>Balance as at 31 March 2015</b>	<u>3</u>	<u>–</u>	<u>3</u>
<b>Balance as at 1 April 2015</b>	3	–	3
Loss for the year	–	(3,850)	(3,850)
<b>Total comprehensive loss for the year</b>	<u>–</u>	<u>(3,850)</u>	<u>(3,850)</u>
<b>Balance as at 31 March 2016</b>	<u><u>3</u></u>	<u><u>(3,850)</u></u>	<u><u>(3,847)</u></u>
<b>Indian rupees</b>			
<b>Balance as at 1 April 2014</b>	147	–	147
Profit/(loss) for the year	–	–	–
<b>Balance as at 31 March 2015</b>	<u>147</u>	<u>–</u>	<u>147</u>
<b>Balance as at 1 April 2015</b>	147	–	147
Loss for the year	–	(189,035)	(189,035)
<b>Total comprehensive income for the year</b>	<u>–</u>	<u>(189,035)</u>	<u>(189,035)</u>
<b>Balance as at 31 March 2016</b>	<u><u>147</u></u>	<u><u>(189,035)</u></u>	<u><u>(188,888)</u></u>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. GA8 Airvan Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 101: Presentation of Financial Statements  
 AASB 112: Income Taxes  
 AASB 124: Related Party Disclosures  
 AASB 139: Financial Instruments: Recognition and Measurement

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$3,850 (Rs. 189,035) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$3,847 (Rs. 188,888).

The company is dependent on the ongoing financial support of its ultimate parent entity to meet its financial obligations at 31 March 2016. At this time, there is no reason for the directors to believe that the ongoing financial support of the ultimate parent entity will not be continued.

#### (c) Foreign currency translations and balances

Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). For disclosure purposes at period end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.10 = \$1 AUD as advised by the ultimate parent entity.

#### (d) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### NOTE 2: PAYABLES

#### CURRENT

##### Unsecured liabilities

Sundry creditors and accruals	3,850	189,035	-	-
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### NOTE 3: SHARE CAPITAL

#### Issued and paid-up capital

3 Ordinary shares (2015: 3)	3	147	3	147
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### NOTE 4: ACCUMULATED LOSSES

Accumulated losses at beginning of year	-	-	-	-
Net profit	(3,850)	(189,035)	-	-
Accumulated losses at end of year	(3,850)	(189,035)	-	-

### NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 March 2016, of the company, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 31 March 2016, of the company.

### NOTE 6: COMPANY DETAILS

The registered office of the company is:

GA8 Airvan Pty Ltd  
 Latrobe Regional Airport  
 43 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of GA200 Pty Ltd (the "company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

George Morgan

Arvind Mehra

Keith Douglas

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$3,850 (2015: \$NIL).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holder of a CASA type certificate.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the Board of Directors

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**  
Director

**George Morgan**  
Director

Dated this 10<sup>th</sup> day of May, 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GA200 PTY LTD**

We have audited the accompanying financial report, being a special purpose financial report of GA200 Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income and statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### **Directors' responsibility for the financial report**

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### **Opinion**

In our opinion, the financial report of GA200 Pty Ltd presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist GA200 Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**  
Partner

**PITCHER PARTNERS**  
Melbourne

Date: 24<sup>th</sup> May, 2016

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue</b> .....		-	-	-	-
Less: expenses .....		-	-	-	-
Professional fees .....		(3,850)	(189,035)	-	-
		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Loss before income tax expense</b> .....		<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>
Income tax expense .....		-	-	-	-
		<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Loss for the year</b> .....		<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b> .....		<b>(3,850)</b>	<b>(189,035)</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	<b>Note</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
		<b>\$</b>	<b>Rupees</b>	<b>\$</b>	<b>Rupees</b>
<b>Current assets</b>					
Cash and cash equivalents.....		<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
<b>Total current assets</b> .....		<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
<b>Total assets</b> .....		<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
<b>Current liabilities</b>					
Payables.....	<b>2</b>	<u>3,850</u>	<u>189,035</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b> .....		<u>3,850</u>	<u>189,035</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b> .....		<u>3,850</u>	<u>189,035</u>	<u>-</u>	<u>-</u>
<b>Net liabilities</b> .....		<u>(3,847)</u>	<u>(188,888)</u>	<u>3</u>	<u>147</u>
<b>Equity</b>					
Share capital.....	<b>3</b>	<u>3</u>	<u>147</u>	<u>3</u>	<u>147</u>
Accumulated losses .....	<b>4</b>	<u>(3,850)</u>	<u>(189,035)</u>	<u>-</u>	<u>-</u>
<b>Total equity</b> .....		<u>(3,847)</u>	<u>(188,888)</u>	<u>3</u>	<u>147</u>

The accompanying notes form part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Contributed equity \$	Accumulated losses \$	Total equity \$
<b>Australian Dollars</b>			
Balance as at 1 April 2014.....	3	–	3
Profit/(loss) for the year.....	–	–	–
Balance as at 31 March 2015.....	<u>3</u>	<u>–</u>	<u>3</u>
Balance as at 1 April 2015.....	3	–	3
Loss for the year.....	–	(3,850)	(3,850)
<b>Total comprehensive loss for the year</b>	<u>–</u>	<u>(3,850)</u>	<u>(3,850)</u>
Balance as at 31 March 2016.....	<u>3</u>	<u>(3,850)</u>	<u>(3,847)</u>
<b>Indian rupees</b>			
Balance as at 1 April 2014.....	147	–	147
Profit/(loss) for the year.....	–	–	–
Balance as at 31 March 2015.....	<u>147</u>	<u>–</u>	<u>147</u>
Balance as at 1 April 2015.....	147	–	147
Loss for the year.....	–	(189,035)	(189,035)
<b>Total comprehensive income for the year</b> .....	<u>–</u>	<u>(189,035)</u>	<u>(189,035)</u>
Balance as at 31 March 2016.....	<u>147</u>	<u>(189,035)</u>	<u>(188,888)</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. GA 200 Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 101: Presentation of Financial Statements

AASB 112: Income Taxes

AASB 124: Related Party Disclosures

AASB 139: Financial Instruments: Recognition and Measurement

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$3,850 (Rs: 189,035) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$3,847 (Rs: 188,888).

The company is dependent on the ongoing financial support of its ultimate parent entity to meet its financial obligations at 31 March 2016. At this time, there is no reason for the directors to believe that the ongoing financial support of the ultimate parent entity will not be continued.

#### (c) Foreign currency translations and balances

Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). For disclosure purposes at period end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.10 = \$1 AUD as advised by the ultimate parent entity.

#### (d) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>NOTE 2: PAYABLES</b>				
<b>CURRENT</b>				
<b>Unsecured liabilities</b>				
Sundry creditors and accruals	3,850	189,035	-	-

#### NOTE 3: SHARE CAPITAL

Issued and paid-up capital				
3 (2015: 3) Ordinary shares	3	147	3	147

#### NOTE 4: ACCUMULATED LOSSES

Accumulated losses at beginning of year	-	-	-	-
Net profit	(3,850)	(189,035)	-	-
Accumulated losses at end of year	(3,850)	(189,035)	-	-

#### NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 March 2016, of the company, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 31 March 2016, of the company.

#### NOTE 6: COMPANY DETAILS

The registered office of the company is:

GA 200 Pty Ltd  
Latrobe Regional Airport  
43 Airfield Road  
TRARALGON VIC 38444

## DIRECTORS' REPORT

The directors present their report together with the financial report of GippsAero Pty Ltd ("the company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

Keith Douglas  
 Partha Mukherjee (appointed 31 March 2016)  
 George Morgan  
 Ajay Mantry (appointed 27 November 2015)  
 Shiprakash Shukla (resigned 30 March 2016)  
 Arvind Mehra (resigned 30 March 2016)  
 Sanjay Joglekar (resigned 7 October 2015)  
 Nikhil Sohoni (resigned 30 March 2016)  
 Laxman Ramnarayan (resigned 30 March 2016)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$14,174,275 (Rs. 696,522,387) (2015: \$8,395,322 loss, Rs. 412,210,310).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was the manufacture and sale of aircraft.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings against the company

In February 2016, a lawsuit was filed against the company for breach of contract. The board of directors and the company's legal representative are of the opinion that the claim is unlikely to result in any damages and the company is confident of success.

Signed on behalf of the board of directors.

**Keith Douglas**  
 Director

**Ajay Mantry**  
 Director

Dated this 13<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**  
 Director

**Ajay Mantry**  
 Director

Dated this 13<sup>th</sup> day of May, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF GIPPSAERO PTY LTD

We have audited the accompanying financial report, being a special purpose financial report of GippsAero Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

#### *Opinion*

In our opinion, the financial report of GippsAero Pty Ltd presents fairly, in all material respects, the company's and consolidated entity's financial positions as at 31 March 2016 and its performance and its cash flows for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

#### *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist GippsAero Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**  
Partner

**PITCHER PARTNERS**  
Melbourne

Date: 24<sup>th</sup> May, 2016

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue and other income</b>					
Sales revenue	4	8,033,162	394,428,254	15,147,729	743,753,494
Other revenue	4	1,940,422	95,274,720	2,156,749	105,896,376
		<u>9,973,584</u>	<u>489,702,974</u>	<u>17,304,478</u>	<u>849,649,870</u>
<b>Less: expenses</b>					
Changes in inventories of finished goods and work in progress	5	3,637,351	178,593,934	3,711,644	177,045,419
Materials and consumables used	5	(11,744,648)	(576,662,217)	(12,264,594)	(596,995,264)
Depreciation and amortisation expense	5	(943,563)	(46,328,943)	(901,816)	(44,279,166)
Employee benefits expense	5	(9,445,328)	(463,765,605)	(10,377,458)	(509,533,188)
Occupancy expense		(393,204)	(19,306,316)	(386,030)	(18,954,073)
Marketing and promotional expense		(1,011,514)	(49,665,337)	(946,746)	(46,485,229)
Finance costs	5	(2,162,137)	(106,160,927)	(1,472,156)	(72,282,860)
Travel expense		(498,413)	(24,472,078)	(546,647)	(26,840,368)
Foreign exchange (gains)/losses	5	372,342	18,281,992	(481,599)	(23,646,511)
Other expenses		(1,958,745)	(96,174,380)	(2,034,398)	(99,888,942)
		<u>(24,147,859)</u>	<u>(1,185,659,877)</u>	<u>(25,699,800)</u>	<u>(1,261,860,182)</u>
<b>Loss before income tax expense</b>		<u>(14,174,275)</u>	<u>(695,956,903)</u>	<u>(8,395,322)</u>	<u>(412,210,312)</u>
Income tax expense		–	–	–	–
<b>Loss for the year</b>		<u>(14,174,275)</u>	<u>(695,956,903)</u>	<u>(8,395,322)</u>	<u>(412,210,312)</u>
<b>Other comprehensive income for the year</b>		–	–	–	–
<b>Total comprehensive income</b>		<u>(14,174,275)</u>	<u>(695,956,903)</u>	<u>(8,395,322)</u>	<u>(412,210,312)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH 2016**

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current assets</b>					
Cash and cash equivalents	6	293,326	14,402,307	666,564	32,728,292
Receivables	7	1,150,406	56,484,935	5,935,954	291,455,342
Inventories	8	12,754,452	626,243,593	9,117,101	447,649,659
Other assets	9	1,478,157	72,577,508	2,110,095	103,605,665
<b>Total current assets</b>		<u>15,676,341</u>	<u>769,708,343</u>	<u>17,829,714</u>	<u>875,438,958</u>
<b>Non-current assets</b>					
Receivables	7	1,059,792	52,035,787	1,042,824	51,202,658
Intangible assets	10	26,076,515	1,280,356,886	21,736,619	1,067,267,992
Plant and equipment	11	2,878,476	141,333,173	4,035,767	198,156,160
<b>Total non-current assets</b>		<u>30,014,783</u>	<u>1,473,725,846</u>	<u>26,815,210</u>	<u>1,316,626,810</u>
<b>Total assets</b>		<u>45,691,124</u>	<u>2,243,434,189</u>	<u>44,644,924</u>	<u>2,192,065,768</u>
<b>Current liabilities</b>					
Payables	12	7,260,095	356,470,663	8,143,889	399,864,951
Borrowings	13	15,912,291	781,293,489	5,030,063	246,976,093
Provisions	14	1,102,072	54,111,736	1,080,703	53,062,517
Other liabilities	15	382,916	18,801,176	1,432,247	70,323,328
<b>Total current liabilities</b>		<u>24,657,374</u>	<u>1,210,677,064</u>	<u>15,686,902</u>	<u>770,226,889</u>
<b>Non-current liabilities</b>					
Payables	12	23,672,752	1,162,332,123	18,563,044	911,445,460
Borrowings	13	3,733,805	183,329,826	3,485,435	171,134,859
Provisions	14	1,486,444	72,984,401	1,394,519	68,470,883
<b>Total non-current liabilities</b>		<u>28,893,001</u>	<u>1,418,646,350</u>	<u>23,442,998</u>	<u>1,151,051,202</u>
<b>Total liabilities</b>		<u>53,550,375</u>	<u>2,629,323,414</u>	<u>39,129,900</u>	<u>1,921,278,091</u>
<b>Net assets</b>		<u>(7,859,251)</u>	<u>(385,889,225)</u>	<u>5,515,024</u>	<u>270,787,677</u>
<b>Equity</b>					
Share capital	16	10	491	10	491
Reserves	17	34,050,000	1,671,855,000	33,250,000	1,632,575,000
Accumulated losses	18	(41,909,261)	(2,057,744,716)	(27,734,986)	(1,361,787,814)
<b>Total equity</b>		<u>(7,859,251)</u>	<u>(385,889,225)</u>	<u>5,515,024</u>	<u>270,787,677</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Australian dollars</b>				
<b>Balance as at 1 April 2014</b>	10	27,250,000	(19,339,664)	7,910,346
Loss for the year	–	–	(8,395,322)	(8,395,322)
<b>Total comprehensive income for the year</b>	–	–	(8,395,322)	(8,395,322)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	–	6,000,000	–	6,000,000
<b>Total transactions with owners in their capacity as owners</b>	–	6,000,000	–	6,000,000
<b>Balance as at 31 March 2015</b>	10	33,250,000	(27,734,986)	5,515,024
<b>Balance as at 1 April 2015</b>	10	33,250,000	(27,734,986)	5,515,024
Loss for the year	–	–	(14,174,275)	(14,174,275)
<b>Total comprehensive income for the year</b>	–	–	(14,174,275)	(14,174,275)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	–	800,000	–	800,000
<b>Total transactions with owners in their capacity as owners</b>	–	800,000	–	800,000
<b>Balance as at 31 March 2016</b>	10	34,050,000	(41,909,261)	(7,859,251)

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total equity</b>
<b>Indian rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Balance as at 1 April 2014</b>	491	1,337,975,000	(949,577,503)	388,397,988
Loss for the year	–	–	(412,210,311)	(412,210,311)
<b>Total comprehensive income for the year</b>	–	–	(412,210,311)	(412,210,311)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	–	294,600,000	–	294,600,000
<b>Total transactions with owners in their capacity as owners</b>	–	294,600,000	–	294,600,000
<b>Balance as at 31 March 2015</b>	491	1,632,575,000	(1,361,787,814)	270,787,677
<b>Balance as at 1 April 2015</b>	491	1,632,575,000	(1,361,787,814)	270,787,677
Loss for the year	–	–	(696,522,387)	(696,522,387)
<b>Total comprehensive income for the year</b>	–	–	(696,522,387)	(696,522,387)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	–	39,280,000	–	39,280,000
<b>Total transactions with owners in their capacity as owners</b>	–	39,280,000	–	39,280,000
<b>Balance as at 31 March 2016</b>	491	1,671,855,000	(2,058,310,201)	(386,454,710)

The accompanying notes form part of these financial statements.



**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Cash flow from operating activities</b>				
Receipts from customers	14,541,936	714,009,058	16,091,119	790,073,943
Payments to suppliers and employees	(26,385,366)	(1,295,521,470)	(24,184,374)	(1,187,452,763)
Interest received	134,778	6,617,600	62,418	3,064,724
Finance costs	(2,154,271)	(105,774,706)	(1,472,156)	(72,282,860)
<b>Net cash used in operating activities</b>	<u>(13,862,923)</u>	<u>(680,669,518)</u>	<u>(9,502,993)</u>	<u>(466,596,956)</u>
<b>Cash flow from investing activities</b>				
Proceeds from sale of plant and equipment	576,328	28,297,705	2,684,083	131,788,475
Payment for plant and equipment	(20,182)	(990,936)	(3,026,581)	(148,605,127)
Payment for capitalised project & development costs	(4,682,314)	(229,901,617)	(5,997,739)	(294,488,985)
<b>Net cash used in investing activities</b>	<u>(4,126,168)</u>	<u>(202,594,848)</u>	<u>(6,340,237)</u>	<u>(311,305,637)</u>
<b>Cash flow from financing activities</b>				
Proceeds from borrowings	11,930,526	585,788,827	7,588,182	372,579,736
Repayment of borrowings	(799,928)	(39,276,465)	(1,246,674)	(61,211,693)
Funds received from parent entity	800,000	39,280,000	6,000,000	294,600,000
Loans from associated entities	5,685,255	279,146,021	3,421,637	168,002,377
<b>Net cash provided by financing activities</b>	<u>17,615,853</u>	<u>864,938,383</u>	<u>15,763,145</u>	<u>773,970,420</u>
<b>Reconciliation of cash</b>				
Cash at beginning of the financial year	666,564	32,728,290	746,649	36,660,465
Net decrease in cash held	(373,238)	(18,325,983)	(80,085)	(3,932,173)
<b>Cash at end of financial year</b>	<u>293,326</u>	<u>14,402,307</u>	<u>666,564</u>	<u>32,728,292</u>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. GippsAero Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 7:	Financial Instruments: Disclosures
AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 112:	Income Taxes
AASB 124:	Related Party Disclosures
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets
AASB 138:	Intangible Assets

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis, which contemplated continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company incurred a loss from ordinary activities of \$14,174,275 (Rs 695,956,903) during the year ended 31 March 2016, and as at that date the company's current liabilities exceeded current assets by \$8,981,033 (Rs 440,968,720).

The company is dependant on the ongoing financial support of its ultimate parent entity at 31 March 2016. As at the date of signing the company has received confirmation of on going financial support from its ultimate parent company.

The going concern basis above assumes the continued support of its ultimate parent entity, the ability to source alternative finance if required, and the Company's ability to generate sufficient cash flows from future trading. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected.

At this time, directors believe that the ongoing financial support of the ultimate parent entity will be continued.

#### (c) Foreign currency translations and balances

##### *Functional and presentation currency*

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency. For disclosure purposes at year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All Foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs 49.10 = AUD\$1.00 as advised by the ultimate parent entity.

##### *Transactions and balances*

Transactions in foreign currencies of the company are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

#### (d) Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Revenue from sale and lease back transactions is deferred and amortised over the term of the lease.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

#### (e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### (f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity. Inventories include raw materials, work in progress and finished goods.

#### (h) Work in progress

Work in progress is valued at cost, which includes both variable and fixed costs relating to specific items, and those costs that are attributable to the WIP activity in general that can be allocated on a reasonable basis.

#### (i) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

##### *Plant and equipment*

Plant and equipment is measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those

assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
Hangar at cost	5-20%	Straight line
Leasehold improvements at cost	9-11%	Straight line
Plant and equipment at cost	6-21%	Straight line
Aircraft under lease	10-16%	Straight line
Aircraft at cost	10%	Straight line
Motor vehicles at cost	5-13%	Straight line
Computer equipment at cost	22-100%	Straight line

#### **(j) Intangibles**

##### *Goodwill*

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

##### *Patents*

Patents are recognised at cost and are not amortised. Patents are carried at cost less any impairment losses.

#### **(k) Research and development expenditure**

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resource; and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

Project expenses are capitalised as incurred once identified as relating to a project that will deliver future economic benefits than can be measured reliably.

#### **(l) Impairment of non financial assets**

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

#### **(m) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

#### **(n) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### *Finance Leases*

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

#### *Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

#### **(o) Employee benefits**

##### *(i) Short term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

##### *(ii) Long term employee benefit obligations*

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### **(p) Borrowing costs**

Borrowing costs including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset are capitalised until the asset is ready for its intended use or sale.

#### **(q) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(r) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

**(a) Intangible assets**

All intangible assets are assessed for impairment by evaluating whether indicators of impairment exist in relation to their carrying values.

For the purposes of impairment assessment, all of the company's intangible assets are regarded as a single cash generating unit (CGU), relating primarily to the manufacturing and sale of aircraft.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessments of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU. The recoverable amount of the CGU is based on management's projected cashflows covering a period of 10 years.

The present value of the future cashflows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3%–3.5%);
- average cost of sales growth rate between –2.8% to 4.1% (2015: –0.5%–4.1%);
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15%, (2015: 15%–17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

**NOTE 3: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2016**

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective.

**AASB 9 Financial Instruments**

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
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**NOTE 4: REVENUE AND OTHER INCOME**

Sale of goods	6,080,574	298,556,183	13,502,175	662,956,793
Spare parts and maintenance	1,952,588	95,872,071	1,645,554	80,796,701
	<u>8,033,162</u>	<u>394,428,254</u>	<u>15,147,729</u>	<u>743,753,494</u>
Other revenue				
Interest income	186,001	9,132,649	62,418	3,064,724
Aircraft hire income	1,541,502	75,687,748	1,890,501	92,823,599
Other revenue	236,830	11,628,353	151,820	7,454,362
(Loss)/profit on sale of non current assets	(23,911)	(1,174,030)	52,010	2,553,691
	<u>9,973,584</u>	<u>489,702,974</u>	<u>17,304,478</u>	<u>849,649,870</u>

**NOTE 5: OPERATING LOSS**

Losses before income tax has been determined after:

Net gain on disposal of non-current assets:				
(Loss)/profit on sale of plant and equipment	(23,911)	(1,174,030)	52,010	2,553,691
Expenses:				
Cost of sales	8,107,297	398,068,283	8,552,950	419,949,845
Finance costs	2,154,271	105,774,706	1,472,156	72,282,860
Depreciation	601,145	29,516,220	703,029	34,518,724
Amortisation of non current assets				
- research and development	342,418	16,812,724	198,787	9,760,442
Bad and doubtful debts	60,075	2,949,683	44,464	2,183,182
Impairment				
- Inventory	(286,555)	(14,069,851)	-	-
Foreign currency translation (gains)/losses	(372,342)	(18,281,992)	481,599	23,646,511
Employee benefits	9,445,328	463,765,605	10,377,458	509,533,188

**NOTE 6: CASH AND CASH EQUIVALENTS**

Cash at bank	292,091	14,341,668	665,331	32,667,752
Petty cash	1,235	60,639	1,233	60,540
	<u>293,326</u>	<u>14,402,307</u>	<u>666,564</u>	<u>32,728,292</u>

**NOTE 7: RECEIVABLES**

CURRENT				
Trade debtors	942,247	46,264,328	5,770,216	283,317,606
Provision for doubtful debts	(72,121)	(3,541,141)	(12,046)	(591,459)
	<u>870,126</u>	<u>42,723,187</u>	<u>5,758,170</u>	<u>282,726,147</u>
Finance lease receivable	239,214	11,745,407	136,718	6,712,854
Amounts receivables from:				
- Gipp Aero Investments Pty Ltd	9,000	441,900	9,000	441,900
- Mahindra Aerospace Australia Pty Ltd	32,066	1,574,441	32,066	1,574,441
	<u>41,066</u>	<u>2,016,341</u>	<u>41,066</u>	<u>2,016,341</u>
	<u>1,150,406</u>	<u>56,484,935</u>	<u>5,935,954</u>	<u>291,455,342</u>
NON CURRENT				
Finance lease receivable	1,059,792	52,035,787	1,042,824	51,202,658

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>NOTE 8: INVENTORIES</b>				
<b>CURRENT</b>				
At cost				
Raw materials and stores	4,097,251	201,175,024	3,514,451	172,559,544
Work in progress	4,576,549	224,708,556	5,171,800	253,935,380
Completed aircraft	4,080,652	200,360,013	430,850	21,154,735
	<u>12,754,452</u>	<u>626,243,593</u>	<u>9,117,101</u>	<u>447,649,659</u>

**NOTE 9: OTHER ASSETS**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>CURRENT</b>				
Prepayments	1,386,323	68,068,459	1,994,350	97,922,585
Other current assets	91,834	4,509,049	115,745	5,683,080
	<u>1,478,157</u>	<u>72,577,508</u>	<u>2,110,095</u>	<u>103,605,665</u>

**NOTE 10: INTANGIBLE ASSETS**

Goodwill at cost	788,669	38,723,648	788,669	38,723,648
Patents at cost	46,043	2,260,711	46,043	2,260,711
Research and development at cost	4,092,717	200,952,405	3,409,284	167,395,844
Accumulated amortisation	(1,156,507)	(56,784,494)	(814,089)	(39,971,770)
	<u>2,936,210</u>	<u>144,167,911</u>	<u>2,595,195</u>	<u>127,424,074</u>
Projects currently in development at cost	22,305,593	1,095,204,616	18,306,712	898,859,559
Total intangible assets	<u>26,076,515</u>	<u>1,280,356,886</u>	<u>21,736,619</u>	<u>1,067,267,992</u>

All intangible assets are assessed for impairment by evaluating whether indicators of impairment exist in relation to their carrying values.

For the purposes of impairment assessment, intangible assets are regarded as a single cash generating unit (CGU), relating primarily to the manufacturing and sale of aircraft.

The recoverable amount of the carrying value of investment in subsidiaries has been assessed on the basis of projected cash flows approved by management covering a period of 10 years. The present value of the future cash flows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3%–3.5%);
- average cost of sales growth rate between –2.8% to 4.1% (–0.5%–4.1%);
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15% (2015: 15%–17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessment of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU.

**NOTE 11: PLANT AND EQUIPMENT**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Hangar</b>				
At cost	51,503	2,528,797	51,503	2,528,797
Accumulated depreciation	(13,476)	(661,672)	(10,621)	(521,491)
	<u>38,027</u>	<u>1,867,125</u>	<u>40,882</u>	<u>2,007,306</u>
<b>Leasehold improvements</b>				
At cost	90,778	4,457,200	90,778	4,457,200
Accumulated depreciation	(31,148)	(1,529,367)	(22,297)	(1,094,783)
	<u>59,630</u>	<u>2,927,833</u>	<u>68,481</u>	<u>3,362,417</u>

**Plant and equipment**

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
Plant and equipment at cost	1,199,107	58,876,154	1,199,107	58,876,154
Accumulated depreciation	(796,542)	(39,110,212)	(678,615)	(33,319,997)
	<u>402,565</u>	<u>19,765,942</u>	<u>520,492</u>	<u>25,556,157</u>
Aircraft under lease at cost	2,794,128	137,191,685	3,479,060	170,821,846
Accumulated depreciation	(540,504)	(26,538,746)	(268,188)	(13,168,031)
	<u>2,253,624</u>	<u>110,652,939</u>	<u>3,210,872</u>	<u>157,653,815</u>
Aircraft at cost	154,740	7,597,734	154,740	7,597,734
Accumulated depreciation	(81,138)	(3,983,876)	(65,664)	(3,224,102)
	<u>73,602</u>	<u>3,613,858</u>	<u>89,076</u>	<u>4,373,632</u>
Motor vehicles at cost	42,395	2,081,595	42,395	2,081,595
Accumulated depreciation	(42,392)	(2,081,447)	(38,237)	(1,877,437)
	<u>3</u>	<u>148</u>	<u>4,158</u>	<u>204,158</u>
Computer equipment at cost	865,759	42,508,767	845,577	41,517,831
Accumulated depreciation	(814,734)	(40,003,439)	(743,771)	(36,519,156)
	<u>51,025</u>	<u>2,505,328</u>	<u>101,806</u>	<u>4,998,675</u>
Total plant and equipment	<u>2,878,476</u>	<u>141,333,173</u>	<u>4,035,767</u>	<u>198,156,160</u>

**(a) Reconciliations****Hangar**

Opening carrying amount	40,882	2,007,306	43,737	2,147,487
Depreciation expense	(2,855)	(140,180)	(2,855)	(140,181)
Closing carrying amount	<u>38,027</u>	<u>1,867,126</u>	<u>40,882</u>	<u>2,007,306</u>

**Leasehold improvements**

Opening carrying amount	68,481	3,362,417	63,232	3,104,691
Additions	–	–	12,158	596,958
Depreciation expense	(8,851)	(434,584)	(6,909)	(339,232)
Closing carrying amount	<u>59,630</u>	<u>2,927,833</u>	<u>68,481</u>	<u>3,362,417</u>

**Plant and equipment**

Opening carrying amount	520,492	25,556,157	580,668	28,510,799
Additions	–	–	59,289	2,911,090
Depreciation expense	(117,927)	(5,790,215)	(119,465)	(5,865,732)
Closing carrying amount	<u>402,565</u>	<u>19,765,942</u>	<u>520,492</u>	<u>25,556,157</u>

**Aircraft under lease**

Opening carrying amount	3,210,872	157,653,815	2,221,003	109,051,247
Additions	–	–	2,904,102	142,591,408
Disposals	(576,328)	(28,297,705)	(1,577,356)	(77,448,179)
Depreciation expense	(380,920)	(18,703,172)	(336,877)	(16,540,661)
Closing carrying amount	<u>2,253,624</u>	<u>110,652,938</u>	<u>3,210,872</u>	<u>157,653,815</u>

**Aircraft**

Opening carrying amount	89,076	4,373,632	1,232,552	60,518,303
Additions	–	–	–	–
Disposals	–	–	(1,054,717)	(51,786,605)
Depreciation expense	(15,474)	(759,774)	(88,759)	(4,358,066)
Closing carrying amount	<u>73,602</u>	<u>3,613,858</u>	<u>89,076</u>	<u>4,373,632</u>

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<i>Motor vehicles</i>				
Opening carrying amount	4,158	204,158	12,636	620,428
Depreciation expense	(4,155)	(204,011)	(8,478)	(416,270)
Closing carrying amount	3	147	4,158	204,158
<i>Computer equipment</i>				
Opening carrying amount	101,806	4,998,675	190,460	9,351,586
Additions	20,182	990,928	51,032	2,505,672
Depreciation expense	(70,963)	(3,484,276)	(139,686)	(6,858,583)
Closing carrying amount	51,025	2,505,327	101,806	4,998,675
<i>Total plant and equipment</i>				
Carrying amount at 1 April	4,035,767	198,156,160	4,344,288	213,304,541
Additions	20,182	990,928	3,026,581	148,605,128
Disposals	(576,328)	(28,297,705)	(2,632,073)	(129,234,784)
Depreciation expense	(601,145)	(29,516,212)	(703,029)	(34,518,725)
Carrying amount at 31 March	2,878,476	141,333,171	4,035,767	198,156,160

**NOTE 12: PAYABLES**

## CURRENT

*Unsecured liabilities*

Trade creditors	2,188,433	107,452,060	3,727,268	183,008,859
Amounts payable to:				
– Mahindra Aerostructures Pvt Ltd	60,146	2,953,169	74,925	3,678,818
– Mahindra Technologies Services Inc	481,875	23,660,063	154,682	7,594,886
– Mahindra Vehicle Manufactures Ltd	14,345	704,340	–	–
– Mahindra Aerospace Australia Pty Ltd	143,364	7,039,172	143,364	7,039,172
– Gipp Aero Investments Pty Ltd	223,054	10,951,951	694,035	34,077,119
– Mahindra Aerospace Ltd	1,507,314	74,009,117	1,339,582	65,773,476
– Mahindra & Mahindra Ltd	1,300,860	63,872,226	788,574	38,718,983
Sundry creditors and accruals	1,340,704	65,828,565	1,221,459	59,973,638
	7,260,095	356,470,663	8,143,889	399,864,951

## NON CURRENT

*Unsecured liabilities*

Loan from associates				
– Mahindra Aerospace Australia Pty Ltd	23,672,752	1,162,332,123	18,563,044	911,445,460

**NOTE 13: BORROWINGS**

## CURRENT

*Secured liabilities*

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
Bank loans	12,300,000	603,930,000	4,000,000	196,400,000
Trade finance loan	3,187,926	156,527,167	–	–
Debtor financing	123,208	6,049,513	684,080	33,588,328
Finance lease liability	301,157	14,786,809	345,983	16,987,765
	15,912,291	781,293,489	5,030,063	246,976,093

## NON CURRENT

*Secured liabilities*

Debtor financing	1,223,936	60,095,258	–	–
Finance lease liability	2,509,869	123,234,568	3,485,435	171,134,859
	3,733,805	183,329,826	3,485,435	171,134,859

**NOTE 14: PROVISIONS**

## CURRENT

Employee benefits	(a)	934,706	45,894,065	1,073,581	52,712,827
Warranties		167,366	8,217,671	7,122	349,690
		1,102,072	54,111,736	1,080,703	53,062,517

## NON CURRENT

Employee benefits	(a)	1,424,149	69,925,716	1,394,519	68,470,883
Warranties		62,295	3,058,685	–	–
		1,486,444	72,984,401	1,394,519	68,470,883
(a) Aggregate employee benefits liability		2,358,855	115,819,781	2,468,100	121,183,710

**NOTE 15: OTHER LIABILITIES**

## CURRENT

Customer deposits	382,916	18,801,176	1,432,247	70,323,328
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**NOTE 16: SHARE CAPITAL**

## Issued and paid-up capital

10 Ordinary shares (2015: 10)	10	491	10	491
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**NOTE 17: RESERVES**

General reserve	34,050,000	1,671,855,000	33,250,000	1,632,575,000
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The general reserve is used to record funds transferred from the ultimate parent to GippsAero Pty Ltd for operational purposes which takes the form of equity.

**NOTE 18: ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(27,734,986)	(1,361,787,813)	(19,339,664)	(949,577,502)
Net loss for the year	(14,174,275)	(695,956,903)	(8,395,322)	(412,210,312)
Accumulated losses at end of year	(41,909,261)	(2,057,744,716)	(27,734,986)	(1,361,787,814)

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>NOTE 19: CAPITAL AND LEASING COMMITMENTS</b>				
(a) Finance leasing commitments				
Payable				
– not later than one year	544,001	26,710,449	678,077	33,293,581
– later than one year and not later than five years	2,723,691	133,733,228	4,046,340	198,675,294
Minimum lease payments	3,267,692	160,443,677	4,724,417	231,968,875
Less future finance charges	(456,666)	(22,422,300)	(892,999)	(43,846,251)
Total finance lease liability	2,811,026	138,021,377	3,831,418	188,122,624
Represented by:				
Current liability	301,157	14,786,809	345,983	16,987,765
Non-current liability	2,509,869	123,234,568	3,485,435	171,134,859
	2,811,026	138,021,377	3,831,418	188,122,624

Finance leasing commitments relate to aircrafts.

**NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2016, of the company.

**NOTE 21: COMPANY DETAILS**

The registered office of the company is:

GippsAero Pty Ltd  
 Latrobe Regional Airport  
 43 Airfield Road  
 TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of Mahindra Aerospace Australia Pty Ltd ("the company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

Shriprakash Shukla (appointed 23 March 2015)

Partha Mukherjee (appointed 31 March 2016)

Ajay Mantry (appointed 27 November 2015)

Arvind Mehra (resigned 30 March 2016)

Keith Douglas (resigned 31 March 2016)

Sanjay Joglekar (resigned 7 October 2015)

Nikhil Sohoni (resigned 30 March 2016)

Laxman Ramnarayan (resigned 30 March 2016)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$27,440,617 (Rs. 1,347,334,295) (2015: \$1,068,069 Rs. 52,442,188).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holding of investments in subsidiaries.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.

**Shriprakash Shukla**  
Director

**Ajay Mantry**  
Director

Dated this 16<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Shriprakash Shukla**  
Director

**Ajay Mantry**  
Director

Dated this 16<sup>th</sup> day of May, 2016



**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF MAHINDRA AEROSPACE**  
**AUSTRALIA PTY LTD – INDIAN STAT**

We have audited the accompanying financial report, being a special purpose financial report of Mahindra Aerospace Australia Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Opinion*

In our opinion, the financial report of Mahindra Aerospace Australia Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial positions as at 31 March 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**  
Partner

**PITCHER PARTNERS**  
Melbourne

Date: 24<sup>th</sup> May, 2016

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue and other income</b>					
Revenue	4	1,033,837	50,761,397	1,092,630	53,648,133
Other income	4	–	–	1,112,000	54,599,200
		<u>1,033,837</u>	<u>50,761,397</u>	<u>2,204,630</u>	<u>108,247,333</u>
<b>Less: expenses</b>					
Finance costs	5	(1,033,827)	(50,760,906)	(1,092,630)	(53,648,133)
Professional fees		(19,627)	(963,686)	(43,931)	(2,157,012)
Impairment loss		(27,421,000)	(1,346,371,100)	–	–
		<u>(28,474,454)</u>	<u>(1,398,095,692)</u>	<u>(1,136,561)</u>	<u>(55,805,145)</u>
<b>Profit/(loss) before income tax expense</b>		<u>(27,440,617)</u>	<u>(1,347,334,295)</u>	<u>1,068,069</u>	<u>52,442,188</u>
Income tax expense		–	–	–	–
<b>Net income/(loss) from continuing operations</b>		<u>(27,440,617)</u>	<u>(1,347,334,295)</u>	<u>1,068,069</u>	<u>52,442,188</u>
<b>Other comprehensive income for the year</b>		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total comprehensive income</b>		<u><u>(27,440,617)</u></u>	<u><u>(1,347,334,295)</u></u>	<u><u>1,068,069</u></u>	<u><u>52,442,188</u></u>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current assets</b>					
Cash and cash equivalents	6	726	35,647	23,462	1,151,984
Receivables	7	371,581	18,244,627	386,228	18,963,794
<b>Total current assets</b>		<u>372,307</u>	<u>18,280,274</u>	<u>409,690</u>	<u>20,115,778</u>
<b>Non-current assets</b>					
Receivables	7	24,778,752	1,216,636,723	19,669,044	965,750,060
Investment in subsidiaries	8	18,779,004	922,049,096	45,400,004	2,229,140,196
<b>Total non-current assets</b>		<u>43,557,756</u>	<u>2,138,685,819</u>	<u>65,069,048</u>	<u>3,194,890,256</u>
<b>Total assets</b>		<u>43,930,063</u>	<u>2,156,966,093</u>	<u>65,478,738</u>	<u>3,215,006,034</u>
<b>Current liabilities</b>					
Payables	9	206,873	10,157,464	586,568	28,800,487
Borrowings	10	24,598,180	1,207,770,638	19,614,543	963,074,061
<b>Total current liabilities</b>		<u>24,805,053</u>	<u>1,217,928,102</u>	<u>20,201,111</u>	<u>991,874,548</u>
<b>Total liabilities</b>		<u>24,805,053</u>	<u>1,217,928,102</u>	<u>20,201,111</u>	<u>991,874,548</u>
<b>Net assets</b>		<u>19,125,010</u>	<u>939,037,991</u>	<u>45,277,627</u>	<u>2,223,131,486</u>
<b>Equity</b>					
Share capital	11	45,538,500	2,235,940,350	44,250,500	2,172,699,550
Retained Earnings	12	(26,413,490)	(1,296,902,359)	1,027,127	50,431,936
<b>Total equity</b>		<u>19,125,010</u>	<u>939,037,991</u>	<u>45,277,627</u>	<u>2,223,131,486</u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Contributed equity \$	Reserves \$	Retained earnings \$	Total equity \$
<b>Australian dollars</b>				
<b>Balance as at 1 April 2014</b>	35,250,500	3,000,000	(40,942)	38,209,558
Profit for the year	–	–	1,068,069	1,068,069
<b>Total comprehensive income for the year</b>	–	–	1,068,069	1,068,069
Transfers	3,000,000	(3,000,000)	–	–
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	6,000,000	–	–	6,000,000
<b>Total transactions with owners in their capacity as owners</b>	6,000,000	–	–	6,000,000
<b>Balance as at 31 March 2015</b>	44,250,500	–	1,027,127	45,277,627
<b>Balance as at 1 April 2015</b>				
<b>Balance as at 1 April 2015</b>	44,250,500	–	1,027,127	45,277,627
Loss for the year	–	–	(27,440,617)	(27,440,617)
<b>Total comprehensive income for the year</b>	–	–	(27,440,617)	(27,440,617)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	1,288,000	–	–	1,288,000
<b>Total transactions with owners in their capacity as owners</b>	1,288,000	–	–	1,288,000
<b>Balance as at 31 March 2016</b>	45,538,500	–	(26,413,490)	19,125,010

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Contributed equity Rupees	Reserves Rupees	Retained earnings Rupees	Total equity Rupees
<b>Indian rupees</b>				
<b>Balance as at 1 April 2014</b>	1,730,799,550	147,300,000	(2,010,252)	1,876,089,298
Profit for the year	–	–	52,442,188	52,442,188
<b>Total comprehensive income for the year</b>	–	–	52,442,188	52,442,188
Transfers	147,300,000	(147,300,000)	–	–
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	294,600,000	–	–	294,600,000
<b>Total transactions with owners in their capacity as owners</b>	294,600,000	–	–	294,600,000
<b>Balance as at 31 March 2015</b>	2,172,699,550	–	50,431,936	2,223,131,486
<b>Balance as at 1 April 2015</b>	2,172,699,550	–	50,431,936	2,223,131,486
Loss for the year	–	–	(1,347,334,295)	(1,347,334,295)
<b>Total comprehensive income for the year</b>	–	–	(1,347,334,295)	(1,347,334,295)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions	63,240,800	–	–	63,240,800
<b>Total transactions with owners in their capacity as owners</b>	63,240,800	–	–	63,240,800
<b>Balance as at 31 March 2016</b>	2,235,940,350	–	(1,296,902,359)	939,037,991

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Cash flow from operating activities</b>					
Receipts from customers		16,112	791,099	263,340	12,929,994
Payments to suppliers		(205,750)	(10,102,325)	(42,931)	(2,107,912)
Interest received		1,033,837	50,761,397	1,092,630	53,648,133
Finance costs		(849,168)	(41,694,149)	(1,092,630)	(53,648,133)
<b>Net cash provided by/(used in) operating activities</b>		<b>(4,969)</b>	<b>(243,978)</b>	<b>220,409</b>	<b>10,822,082</b>
<b>Cash flow from investing activities</b>					
Payment for investments		(800,000)	(39,280,000)	(7,988,000)	(392,210,800)
<b>Net cash used in investing activities</b>		<b>(800,000)</b>	<b>(39,280,000)</b>	<b>(7,988,000)</b>	<b>(392,210,800)</b>
<b>Cash flow from financing activities</b>					
Proceeds from share issue		1,288,000	63,240,800	6,000,000	294,600,000
Proceeds from borrowings		5,000,000	245,500,000	–	–
Loans to related entities		(5,489,404)	(269,529,737)	(725,758)	(35,634,718)
<b>Net cash provided by financing activities</b>		<b>798,596</b>	<b>39,211,063</b>	<b>5,274,242</b>	<b>258,965,282</b>
<b>Reconciliation of cash</b>					
Cash at beginning of the financial period		(991,081)	(48,662,076)	1,502,268	73,761,359
Net (decrease)/increase in cash held		(6,373)	(312,915)	(2,493,349)	(122,423,436)
<b>Cash at end of financial period</b>		<b>(997,454)</b>	<b>(48,974,991)</b>	<b>(991,081)</b>	<b>(48,662,077)</b>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Mahindra Aerospace Australia Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 7:	Financial Instruments: Disclosures
AASB 10:	Consolidated Financial Statements
AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 112:	Income Taxes
AASB 124:	Related Party Disclosures
AASB 136:	Impairments of Assets

The following specific accounting policies have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Foreign currency translations and balances

##### *Functional and presentation currency*

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. For disclosure purposes at year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All Foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs. 49.1 = AUD\$1.00 as advised by the ultimate parent entity.

#### (c) Going concern

The financial report has been prepared on a going concern basis, which contemplated continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The company incurred a loss from ordinary activities of \$27,440,617 (Rs. 1,347,334,295) during the year ended 31 March 2016, however this was primarily due to a non-cash write back of deferred consideration (note 12).

The company is dependant on ongoing financial support of the ultimate parent entity to meet its financial obligations at 31 March 2016. As at the date of signing the company has received confirmation of ongoing financial support from its ultimate parent company.

At this time, the directors believe that the ongoing financial support of the ultimate parent entity will be continued.

#### (d) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### (f) Investments in subsidiaries

Non-current investments are recorded at cost. The carrying amount of the investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

#### (g) Impairment of non-financial assets

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

#### (h) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

### NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2016

The following standards and interpretations have been issued at the reporting date but are not yet effective.

#### AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.)

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

The effective date is annual reporting periods beginning on or after 1 January 2018.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

### NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events

are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) *Investment in Subsidiaries*

All investments in subsidiaries are assessed for impairment by evaluating whether indicators of impairment exist in relation to their carrying values.

For the purposes of impairment assessment, the investments in subsidiaries are regarded as a single cash generating unit (CGU), relating primarily to the manufacturing and sale of aircraft.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessments of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU. The recoverable amount of the CGU is based on management's projected cashflows covering a period of 10 years.

The present value of the future cashflows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3% - 3.5%);
- average cost of sales growth rate between -2.8% to 4.1% (2015: - 0.5% -4.1%);
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15%, (2015: 15%-17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>NOTE 4: REVENUE AND OTHER INCOME</b>				
Interest income	1,033,837	50,761,397	1,092,630	53,648,133
Write-back of deferred consideration (i)	-	-	1,112,000	54,599,200

(i) The write-back of deferred consideration in the prior year relates to consideration of the purchase of Gipp Aero Investments Pty Ltd to cover the cost of warranty claims and liabilities not recognised at the date of purchase.

During the 2015 year, the entity settled the amount of unrecognised claims with the previous shareholders. An amount of \$488,000 was paid to the previous owners, and an amount of \$1.112m was written back to the statement of comprehensive income.

**NOTE 5: OPERATING (LOSS)/PROFIT**

Profit/(loss) before income tax has been determined after:				
Finance costs	1,033,837	50,761,397	1,092,630	53,648,133
Impairment				
- Impairment losses	27,421,000	1,346,371,100	-	-

**NOTE 6: CASH AND CASH EQUIVALENTS**

Cash at bank	726	35,647	23,462	1,151,984
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**NOTE 7: RECEIVABLES**

CURRENT				
Other receivables	228,217	11,205,455	242,864	11,924,622
Amounts receivable from				
- GippsAero Pty Ltd	143,364	7,039,172	143,364	7,039,172
	<u>371,581</u>	<u>18,244,627</u>	<u>386,228</u>	<u>18,963,794</u>

**NON CURRENT**

Loans to associates				
- GippsAero Pty Ltd	23,672,752	1,162,332,123	18,563,044	911,445,460
- Aerostaff Australia Pty Ltd	1,106,000	54,304,600	1,106,000	54,304,600
	<u>24,778,752</u>	<u>1,216,636,723</u>	<u>19,669,044</u>	<u>965,750,060</u>

2016 \$      2016 Rupees      2015 \$      2015 Rupees

**NOTE 8: INVESTMENT IN SUBSIDIARIES**

**NON CURRENT**

Investment - Aerostaff Australia Pty Ltd	6,350,004	311,785,196	6,350,004	311,785,196
Investment - Gipp Aero Investments Pty Ltd	<u>39,850,000</u>	<u>1,956,635,000</u>	<u>39,050,000</u>	<u>1,917,355,000</u>
Provision for impairment loss	<u>(27,421,000)</u>	<u>(1,346,371,100)</u>	-	-
Total financial assets at cost	<u>18,779,004</u>	<u>922,049,096</u>	<u>45,400,004</u>	<u>2,229,140,196</u>

The recoverable amount of the carrying value of investment in subsidiaries has been assessed on the basis of projected cash flows approved by management covering a period of 10 years. The present value of the future cash flows has been calculated using the following key assumptions:

- average growth rate between 0% and 3% for the sale price of aircraft (2015: 3%-3.5%);
- average cost of sales growth rate between -2.8% to 4.1% (-0.5%-4.1%);
- terminal value growth rate of 2.5% (2015: 2.5%);
- the USD/AUD exchange rate to be at 0.80 throughout the projection period (2015: 1.00);
- discount rate to be 15% (2015: 15%-17%) and;
- sales volumes as anticipated by management following its analysis of the aerospace industry.

A formal valuation has also been completed by management for the investments in the subsidiary companies which has used in its assessment of impairment. In performing their valuation management have engaged a qualified business valuer to prepare an indicative estimate of the discount rate for the CGU.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$27,421,000 (Rs 1,346,371,100) which resulted in impairment loss recognised at 31 March 2016.

**NOTE 9: PAYABLES**

**CURRENT**

*Unsecured liabilities*

Amounts payable to:				
- Mahindra Aerospace Private Ltd	191,872	9,420,915	571,568	28,063,989
Accrued expenses	15,001	736,549	15,000	736,498
	<u>206,873</u>	<u>10,157,464</u>	<u>586,568</u>	<u>28,800,487</u>

**NOTE 10: BORROWINGS**

**CURRENT**

*Unsecured liabilities*

Bank overdraft	998,180	49,010,638	1,014,543	49,814,061
<i>Secured liabilities</i>				
Bank loans	23,600,000	1,158,760,000	18,600,000	913,260,000
	<u>24,598,180</u>	<u>1,207,770,638</u>	<u>19,614,543</u>	<u>963,074,061</u>

**NOTE 11: SHARE CAPITAL**

Issued and paid-up capital

45,538,500 (2015: 44,250,500)				
Ordinary shares	<u>45,538,500</u>	<u>2,235,940,350</u>	<u>44,250,500</u>	<u>2,172,699,550</u>



**NOTE 12: RETAINED EARNINGS**

Retained earnings at beginning of year	1,027,127	50,431,936	(40,942)	(2,010,252)
Net (loss)/profit for the year	<u>(27,440,617)</u>	<u>(1,347,334,295)</u>	<u>1,068,069</u>	<u>52,442,188</u>
	<u>(26,413,490)</u>	<u>(1,296,902,359)</u>	<u>1,027,127</u>	<u>50,431,936</u>

**NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2016, of the company, or

- (b) the results of those operations, or  
(c) the state of affairs, in financial years subsequent to 31 March 2016, of the company.

**NOTE 14: COMPANY DETAILS**

The registered office of the entity is:

Mahindra Aerospace Australia Pty Ltd  
Latrobe Regional Airport  
Airfield Rd  
TRARALGON VIC 3844

## DIRECTORS' REPORT

The directors present their report together with the financial report of Nomad TC Pty Ltd (the "company") for the year ended 31 March 2016 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Directors names

The names of the directors in office at any time during or since the end of the year are:

George Morgan

Arvind Mehra

Keith Douglas

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

### Results

The loss of the company for the year after providing for income tax amounted to \$5,500 (2015: \$NIL).

### Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

### Principal activities

The principal activity of the company during the year was holder of a CASA type certificate.

No significant change in the nature of these activities occurred during the year.

### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely developments

The company expects to maintain the present status and level of operations.

### Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

### Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

### Indemnification of officers

During or since the end of the year, the company has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the company against liabilities arising as a result of the performance of their duties as directors.

### Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the Board of Directors

**Keith Douglas**

Director

**George Morgan**

Director

Dated this 10<sup>th</sup> day of May, 2016

## DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages herein presents fairly the company's financial position as at 31 March 2016 and performance for the year ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Keith Douglas**

Director

**George Morgan**

Director

Dated this 10<sup>th</sup> day of May, 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMAD TC PTY LTD

We have audited the accompanying financial report, being a special purpose financial report of Nomad TC Pty Ltd, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income and statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### *Directors' Responsibility for the Financial Report*

The directors are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with APES 110 *Code of Ethics for Professional Accountants*.

### *Opinion*

In our opinion, the financial report of Nomad TC Pty Ltd presents fairly, in all material respects, the company's financial position as at 31 March 2016 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

### *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Nomad TC Pty Ltd to meet the financial reporting responsibilities under the Constitution. As a result, the financial report may not be suitable for another purpose.

**N. R. BULL**

Partner

Date: 24<sup>th</sup> May, 2016

**PITCHER PARTNERS**

Melbourne

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Revenue</b> .....		–	–	–	–
<b>Less: expenses</b>					
Professional fees		(5,500)	(270,050)	–	–
		(5,500)	(270,050)	–	–
<b>Loss before income tax expense</b> .....		(5,500)	(270,050)	–	–
Income tax expense .....		–	–	–	–
<b>Loss for the year</b> .....		(5,500)	(270,050)	–	–
<b>Total comprehensive loss</b> .....		(5,500)	(270,050)	–	–

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Current liabilities</b>					
Payables.....	2	5,500	270,050	–	–
<b>Total current liabilities</b> .....		5,500	270,050	–	–
<b>Total liabilities</b>		5,500	270,050	–	–
<b>Net assets</b>		(5,500)	(270,050)	–	–
<b>Equity</b>					
Share capital	3	11,308	555,223	11,308	555,223
Accumulated losses	4	(16,808)	(825,273)	(11,308)	(555,223)
<b>Total equity</b> .....		<u>(5,500)</u>	<u>(270,050)</u>	<u>–</u>	<u>–</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

	Contributed equity \$	Accumulated losses \$	Total equity \$
<b>Australian dollars</b>			
<b>Balance as at 1 April 2014</b> .....	11,308	(11,308)	–
Profit/(loss) for the year .....	–	–	–
<b>Balance as at 31 March 2015</b> .....	<u>11,308</u>	<u>(11,308)</u>	<u>–</u>
<b>Balance as at 1 April 2015</b> .....	11,308	(11,308)	–
Loss for the year.....	–	(5,500)	(5,500)
<b>Total comprehensive loss for the year</b> .....	<u>–</u>	<u>(5,500)</u>	<u>(5,500)</u>
<b>Balance as at 31 March 2016</b>	<u>11,308</u>	<u>(16,808)</u>	<u>(5,500)</u>
<b>Indian rupees</b>			
<b>Balance as at 1 April 2014</b> .....	555,223	(555,223)	–
Profit/(loss) for the year .....	–	–	–
<b>Balance as at 31 March 2015</b> .....	<u>555,223</u>	<u>(555,223)</u>	<u>–</u>
<b>Balance as at 1 April 2015</b> .....	555,223	(555,223)	–
Loss for the year.....	–	(270,050)	(270,050)
<b>Total comprehensive income for the year</b> .....	<u>–</u>	<u>(270,050)</u>	<u>(270,050)</u>
<b>Balance as at 31 March 2016</b>	<u>555,223</u>	<u>(825,273)</u>	<u>(270,050)</u>

The accompanying notes form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared for use by the directors and members of the company. The directors have determined that the company is not a reporting entity. Nomad TC Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with all applicable Accounting Standards, with the exception of:

AASB 101: Presentation of Financial Statements

AASB 112: Income Taxes

AASB 124: Related Party Disclosures

AASB 139: Financial Instruments: Recognition and Measurement

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### (a) Basis of preparation of the financial report

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Going concern

The financial report has been prepared on a going concern basis.

The company incurred a loss from ordinary activities of \$5,500 (Rs: 270,050) during the year ended 31 March 2016, and as at that date the company's total liabilities exceeded total assets by \$5,500 (Rs: 270,050).

The company is dependent on the ongoing financial support of its ultimate parent entity to meet its financial obligations at 31 March 2016. At this time, there is no reason for the directors to believe that the ongoing financial support of the ultimate parent entity will not be continued.

#### (c) Foreign currency translations and balances

##### *Functional and presentation currency*

The financial statements are measured using the currency of the primary economic environment in which that entity operates (the functional currency). For disclosure purposes at period end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 49.10 = \$1 AUD as advised by the ultimate parent entity.

#### (d) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### NOTE 2: PAYABLES

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>CURRENT</b>				
<i>Unsecured liabilities</i>				
Sundry creditors and accruals	5,500	270,050	-	-
	<u>5,500</u>	<u>270,050</u>	<u>-</u>	<u>-</u>

### NOTE 3: SHARE CAPITAL

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
<b>Issued and paid-up capital</b>				
11,308 Ordinary shares (2015: 11,308)	11,308	555,223	11,308	555,223
	<u>11,308</u>	<u>555,223</u>	<u>11,308</u>	<u>555,223</u>

### NOTE 4: ACCUMULATED LOSSES

	2016 \$	2016 Rupees	2015 \$	2015 Rupees
Accumulated losses at beginning of year	(11,308)	(555,223)	(11,308)	(555,223)
Net profit	(5,500)	(270,050)	-	-
Accumulated losses at end of year	<u>(16,808)</u>	<u>(825,273)</u>	<u>(11,308)</u>	<u>(555,223)</u>

### NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2016 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 March 2016, of the company, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 31 March 2016, of the company.

### NOTE 6: COMPANY DETAILS

The registered office of the company is:

Nomad TC Pty Ltd  
Latrobe Regional Airport  
43 Airfield Road  
TRARALGON VIC 3844

**Board of Directors**

Shriprakash Shukla - Chairman  
Uday Gupta - Managing Director  
Kozo Takahashi  
Naota Komaki  
Ajay Kumar Mantry  
Daljit Mirchandani  
Katsu Yanagimoto  
Jayashree Vaidhyanathan

**Committee to the Board**

**Audit Committee**

Daljit Mirchandani  
Ajay Kumar Mantry  
Jayashree Vaidhyanathan

**Nomination and Remuneration Committee**

Daljit Mirchandani  
Shriprakash Shukla  
Kozo Takahashi  
Jayashree Vaidhyanathan

Sudhir Yagnik - Chief Financial Officer  
Kazuya Shinno - Chief Technical Officer  
Shingo Tada - Chief Marketing Officer  
Dilip Pachpande - Chief Operating Officer  
Krishna Mandke - Chief Executive Officer-  
(Rings)  
Pradeep Salian - Company Secretary

**Auditors**

M/s. Deloitte Haskins & Sells LLP  
Chartered Accountants, Mumbai

**Bankers**

State Bank of India  
Bank of India  
Dena Bank  
ICICI Bank Ltd.

**Solicitors**

M/s. Khaitan & Co.

**Registered Office**

74, Ganesh Apartment,  
Opp; Sitaladevi Temple,  
L.J.Road, Mahim (West),  
Mumbai – 400 016, India.

**Works:**

Jagdish Nagar, Khopoli,  
District, Raigad,  
Maharashtra – 410216, India.



**DIRECTORS' REPORT**

To

The Members,

The Directors present their Fifth Annual Report together with the Audited Statement of Accounts of your Company for the financial year ended 31<sup>st</sup> March, 2016.

**FINANCIAL HIGHLIGHTS**

	(Rs. In lacs)	
	2015-16	2014-15
Gross Income .....	<b>76,100.82</b>	92,770.44
Profit/(Loss) before Interest and Depreciation & Tax (EBIDTA) .....	<b>(725.37)</b>	(1,865.93)
Less: Finance Charges.....	<b>2,226.05</b>	2,285.32
Less: Depreciation .....	<b>2,257.20</b>	2,176.21
Profit/(Loss) before Tax .....	<b>(5,208.62)</b>	(6,327.46)
Less: Provision for Taxation .....	-	-
Net Profit/(Loss) after Tax.....	<b>(5,208.62)</b>	(6,327.46)
Profit/(Loss) brought forward from previous Year .....	<b>(17,081.47)</b>	(10,637.11)
Add: Adjustment to retained earnings (excluding tax of Rs. 37.93 Lacs) on account of change in useful lives of fixed assets as per Schedule II of the Companies Act, 2013.....	-	(116.90)
Less: Transfer to General Reserves.....	-	-
Balance Carried Forward to Balance Sheet.....	<b>(22,290.09)</b>	(17,081.47)
Net worth.....	<b>14,105.09</b>	15,813.72

**STATE OF THE COMPANY'S AFFAIRS**

India is the world's third-largest producer of crude steel and is expected to become the second-largest producer by next few years. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. Amidst subdued demand and the spectre of China flooding global markets with cheaper products, analysts predict a tough 2016 for the industry worldwide but expect India to remain more profitable than its Asian peers helped by higher domestic economic growth and rising demand.

During the year under review, due to lower demand for the steel products, and slow economic growth, the sales volume of the Company was lower than the Budgeted figures for FY 2016. Due to decrease in demand there was intense competitive pressure on pricing in the special steel market and low realisation coupled with the increase in input cost and devaluation in Dollar. The Sale of Rings products was also lower due to reduction in overseas demand. The devaluation of Euro has resulted in reduction in the contribution on sales of Rings products.

The major challenges which the Company had to face during the year under review were:

- a) Lower off-take from customer due to fall in demand for Steel.
- b) Lower realisation due to worldwide drop in commodity prices. Pricing pressure due to intense competition.
- c) Increase in Power tariff during the year, which was offset through price renegotiation with private Power produces.

The Company is striving to improve its quality to reduce the rejection of products, improvement in process efficiency & productivity, reduction in power consumption and at the same time continue to initiate steps towards deployment of optimum resources available, reduction of cost of production & improvement of overall performance. The efforts are also being made to develop new grades and regaining lost Customers. The Company is focussing on the growth in sales in Auto and premium bearing sectors, Rings Business in FY 2017.

With the technical support from our joint venture partners, management continues to undertake initiatives for increasing margin by way of rationalisation of product mix and processes and further improvements in operating efficiencies and yield.

**SUMMARY OF OPERATIONS:**

During the year under review company had registered sales volume of 116 KT, i.e. growth of (-) 6.45% over previous year level of 124 KT.

The Company recorded Sales revenue of Rs. 758 Crores during the year, i.e. growth of (-) 17.70% over previous year level of Rs. 921 Crores.

Earnings before Interest, Depreciation, Tax & Amortization for the year under review was Rs. (-) 7.25 Crores against Rs. (-) 18.66 Crores for the previous year.

#### DIRECTORS AND KEY MANAGERIAL PERSONNEL:

##### Board of Directors - Composition:

Sr. No.	Name of the Director	DIN	Executive/Non Executive	Independent/Non Independent
1.	Mr. Shriprakash Shukla	00007418	Non Executive	Non Independent
2.	Mr. Uday Gupta	03514282	Executive	Non Independent
3.	Mr. Ajay Kumar Mantry	07319828	Non Executive	Non Independent
4.	Mr. Daljit Mirchandani	00022951	Non Executive	Independent
5.	Mr. Nobuyuki Tanaka*	06367343	Non Executive	Non Independent
6.	Mr. Naota Komaki	07389051	Non Executive	Non Independent
7.	Mr. Kozo Takahashi	06921700	Non Executive	Non Independent
8.	Ms. Jayashree Vaidhyanathan	07140297	Non Executive	Independent
9.	Mr. Katsu Yanagimoto**	07501215	Non Executive	Non Independent

Note: \* resigned as Director of the Company with effect from 20<sup>th</sup> May, 2016.

\*\* Appointed as an additional Director of the Company with effect from 20<sup>th</sup> May, 2016.

Mr. Kozo Takahashi, Director, retires by rotation at the ensuing Annual General Meeting, and being eligible, offer himself for re-appointment.

Ms. Jayashree Vaidhyanathan, who was appointed as an Independent Director by the members of the Company at their Annual General Meeting held on 5<sup>th</sup> August, 2015, for a term of one year and to hold the office up to ensuing Annual General Meeting of the Company.

Based on the performance evaluation of Ms. Jayashree Vaidhyanathan carried out by the Nomination and Remuneration Committee and the Board at its meeting held on 20<sup>th</sup> May, 2016 has recommended the re-appointment of Ms. Jayashree Vaidhyanathan, as an Independent Director of the Company for consecutive term of 3 (Three) Years to hold the office of Independent Director until the Annual General Meeting to be held in the Year 2019.

The Company has received declarations from Ms. Jayashree Vaidhyanathan, confirming that she meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013. The Board proposes to re-appoint her for a period of three years from ensuing Annual General Meeting until the Annual General Meeting of the Company will be held in the year 2019, subject to approval of members by way of special resolution. The Company has received Notice from a member under Section 160(1) of the Companies Act, 2013, signifying his intention to propose the candidature of Ms. Jayashree Vaidhyanathan, for the office of Director of the Company at the forthcoming Annual General Meeting.

Mr. Sanjay Joglekar, Director has resigned from the Directorship of the Company with effect from 6<sup>th</sup> October, 2015. The Board

Profit after tax for the year under review was Rs. (-) 52.1 Crores against Rs. (-) 63.3 Crores for the previous year.

#### DIVIDEND:

In view of losses your directors do not recommend any dividend for the period under review.

has placed on record its sincere appreciation of the services rendered by Mr. Sanjay Joglekar during his tenure as the Director of the Company.

Mr. Tomofumi Osaki, Director has resigned from the Directorship of the Company with effect from 4<sup>th</sup> February, 2016. The Board has placed on record its sincere appreciation of the services rendered by Mr. Tomofumi Osaki during his tenure as the Director of the Company.

Mr. Nobuyuki Tanaka, Director has resigned from the Directorship of the Company with effect from 20<sup>th</sup> May, 2016. The Board has placed on record its sincere appreciation of the services rendered by Mr. Nobuyuki Tanaka during his tenure as the Director of the Company.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, Mr. Ajay Kumar Mantry, who was appointed as the Director of the Company with effect from 26<sup>th</sup> October, 2015 and holds office upto the date of ensuing Annual General Meeting. The Company has received Notice from a member under Section 160(1) of the Companies Act, 2013, signifying his intention to propose the candidature of Mr. Ajay Kumar Mantry, for the office of Director of the Company at the forthcoming Annual General Meeting.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 Mr. Naota Komaki, who was appointed as the Director of the Company with effect from 4<sup>th</sup> February, 2016 and holds office upto the date of ensuing Annual General Meeting. The Company has received Notice from a member under Section 160(1) of the Companies Act, 2013, signifying his intention to propose the candidature of Mr. Naota Komaki, for the office of Director of the Company at the forthcoming Annual General Meeting.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, Mr. Katsu Yanagimoto, who was appointed as the Director of the Company with effect from 20<sup>th</sup> May, 2016 and holds office upto the date of ensuing Annual General Meeting. The Company has received Notice from a member under Section 160(1) of the Companies Act, 2013, signifying his intention to propose the candidature of Mr. Katsu Yanagimoto, for the office of Director of the Company at the forthcoming Annual General Meeting.

Pursuant to the requirement of the Provisions of the Companies Act, 2013, Mr. Uday Gupta, Managing Director, Mr. Sudhir Yagnik, Chief Financial Officer and Mr. Pradeep Salian, Company Secretary have been designated as the Key Managerial Personnel with effect from 21<sup>st</sup> May, 2014.

#### DETAILS OF BOARD MEETING:

During the year under review, 4 Board meetings were held, details of which are given below:

Date of the meeting	No. of Directors attended the meeting
24 <sup>th</sup> April, 2015	6
5 <sup>th</sup> August, 2015	8
26 <sup>th</sup> October, 2015	8
4 <sup>th</sup> February, 2016	8

The attendance at the meetings of the Board was as under:

Sr. No.	Name of the Director	DIN	No. of meetings attended
1.	Mr. Shriprakash Shukla	00007418	4
2.	Mr. Uday Gupta	03514282	4
3.	Mr. Ajay Kumar Mantry*	07319828	2
4.	Mr. Daljit Mirchandani	00022951	4
5.	Mr. Nobuyuki Tanaka@@@	06367343	4
6.	Mr. Naota Komaki**	07389051	1
7.	Mr. Kozo Takahashi	06921700	4
8.	Ms. Jayashree Vaidhyanathan	07140297	4
9.	Mr. Katsu Yanagimoto***	07501215	-
10.	Mr. Sanjay Joglekar @	00209394	1
11.	Mr. Tomofumi Osaki@@	06870060	3

\* Appointed with effect from 26<sup>th</sup> October, 2015.

\*\* Appointed with effect from 4<sup>th</sup> February, 2016.

\*\*\* Appointed with effect from 20<sup>th</sup> May, 2016.

@ resigned with effect from 6<sup>th</sup> October, 2015.

@@ resigned with effect from 4<sup>th</sup> February, 2016.

@@@ Resigned with effect from 20<sup>th</sup> May, 2016.

#### FURTHER ISSUE OF CAPITAL:

During the year the Company has issued and allotted 8,53,656 equity shares of Rs. 10/- each, for cash, at a premium of Rs. 400/- per equity shares for cash aggregating to Rs. 34,99,98,960/- (inclusive of share premium), on 'Rights' basis to the shareholders of the Company. The issue has been fully subscribed by the Shareholders of the Company. In view of issue of the said equity shares, the paid up Share Capital of the Company stands at Rs. 10,85,36,560/-.

#### EXTRACT OF ANNUAL RETURN:

Pursuant to Section 92(3) of the Companies Act, 2013 ('the Act') and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return is **Annexed as Annexure 2.**

#### COMMITTEES OF THE BOARD:

The details of composition of the Committees of the Board of Directors as on 31.3.2016 are as under:-

##### a. Audit Committee

Sl. No.	Name	Chairman/ Members	No. of meetings attended
1.	Mr. Daljit Mirchandani	Chairman	4
2.	Ms. Jayashree Vaidhyanathan	Member	4
3.	Mr. Ajay Kumar Mantry	Member	1
4.	Mr. Sanjay Joglekar*	Member	2

\* resigned with effect from 6<sup>th</sup> October, 2015.

During the year, the Committee had met on 24<sup>th</sup> April, 2015, 5<sup>th</sup> August, 2015, 26<sup>th</sup> October, 2015 and 4<sup>th</sup> February, 2016.

##### b. Vigil mechanism

Pursuant to the requirement of the Act, the Company has established vigil mechanism for their directors and employees to report genuine concerns which shall provide for adequate safeguards against victimization of persons who use such mechanism.

##### c. Nomination and Remuneration Committee

Sl. No.	Name	Chairman/ Members	No. of meetings attended
1.	Mr. Daljit Mirchandani	Chairman	3
2.	Mr. Shriprakash Shukla	Member	3
3.	Mr. Kozo Takahashi	Member	3
4.	Ms. Jayashree Vaidhyanathan	Member	3

During the year, the Committee had met on 24<sup>th</sup> April, 2015, 26<sup>th</sup> October, 2015 and 4<sup>th</sup> February, 2016.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **EVALUATION OF PERFORMANCE:**

The Board of Directors has adopted a formal policy for annual evaluation of its own performance and individual directors and the same was done based on the criteria approved by the Board. As required under Schedule IV of the Companies Act, the Independent Directors at their meeting held on 20<sup>th</sup> May, 2016 reviewed the performance of Non-Independent Directors, Chairman and the Board as a whole.

The Questionnaires/Feedback templates for annual evaluation were circulated to each Board member and duly filled in questionnaires/responses were submitted to the Chairman of the Nomination and Remuneration Committee for facilitating the formal annual evaluation. The Questionnaires/Feedback templates duly filled in by all the directors' in respect to the evaluation of Independent Directors were sent to the Chairman of the Board for facilitating the formal annual evaluation. The Report on the evaluation was discussed/reviewed at the respective meetings of the Nomination and Remuneration Committee and the Board.

#### **AUDITORS, THEIR REPORT AND NOTES TO FINANCIAL STATEMENTS:**

In the last Annual General Meeting of the Company held on 5<sup>th</sup> August, 2015, M/s. Deloitte Haskins & Sells LLP (DHS), Chartered Accountants have been appointed as the Statutory Auditors of the Company, and hold office till the conclusion of the ensuing Annual General Meeting (AGM) of the Company and being eligible, given their consent for re-appointment.

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder, it is proposed to appoint M/s. Deloitte Haskins & Sells LLP as the Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the next AGM.

The Company has received a Certificate from M/s. Deloitte Haskins & Sells, LLP, Statutory Auditors of the Company, to the effect that if their re-appointment is made which would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

Further, the report of the Statutory Auditors along with notes to Schedules is annexed to the report. The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

#### **INTERNAL AUDITORS:**

Pursuant to Section 138 of the Companies Act, 2013, M/s. Mahajan & Aibara, Chartered Accountants, has been re-appointed as the Internal Auditors of the Company for the Financial Year 2015-16 by the Board of the Directors of the Company.

#### **COST AUDIT REPORT:**

Mr. Kishore Bhatia, a qualified practicing Cost Accountant holding valid Membership No. 8241, carried out the Audit of cost accounting records maintained by the Company for the financial year 2014-15. The Cost Auditor has filed the Cost Audit Report for the financial year 2014-15 on 23.09.2015 to the Central Government, Ministry of Corporate Affairs, New Delhi. The due date for filing the said Cost Report was 27.09.2015. Mr. Kishore Bhatia, Cost Accountant has been appointed as Cost Auditors to conduct the audit of cost records of your company for the financial year 2015-16. The Cost Auditor will forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for Financial Year 2015-16 within prescribed time.

It is proposed to re-appoint Mr. Kishore Bhatia, Cost Accountant as Cost Auditors of the Company to conduct the Audit of Cost Accounting records of the Company for the Financial Year 2016-17. The Company has obtained a written confirmation from Mr. Kishore Bhatia to the effect that he is eligible for appointment as Cost Auditor under Section 233B of the Companies Act, 2013. The Audit Committee has also received a certificate from the Cost Auditor certifying his independence and arm's length relationship with the Company. The remuneration proposed to be paid to them requires ratification of the shareholders of the Company. In view of this, your ratification for payment of remuneration to Cost Auditors is being sought at the ensuing Annual General Meeting.

#### **SECRETARIAL AUDIT REPORT:**

In terms of Section 204 of the Act and Rules made there under, M/s. GMJ & Associates, Practicing Company Secretaries have been appointed Secretarial Auditors of the Company and they have carried out the Audit for the year 2015-16. The report of the Secretarial Auditors is enclosed as **Annexure 4** forming part of this report. The report is self-explanatory and do not call for any further comments.

#### **AUDITORS REPORT ON FRAUDS:**

During the year under review, the Statutory Auditors and Secretarial Auditors had 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 and Rules made thereunder, details of which are required to be furnished in this report.

#### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:**

The Company has entered into transactions with the related parties as per Section 188(1) of the Companies Act, 2013, which are on arm's length basis. However, there was no contracts/arrangements or transactions entered into by the Company which are not on arm's length basis and there was no material contracts or arrangement or transactions at arm's length basis entered into by the Company with the related parties which are required to be disclosed in this report. The criteria for materiality of the transactions was considered as per the notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs. New Delhi.

**POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL:**

Your Board has, on the recommendation of Nomination and Remuneration Committee, approved policies on the appointment/removal of directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of directors, and on the remuneration of directors, key managerial personnel and other employees. These policies are provided as **Annexure 3** and form part of this report.

**RISK MANAGEMENT POLICY:**

In terms of the requirement of the Act, the Company has developed and implemented the Risk Management Policy and the Audit Committee of the Board reviews the same periodically. The risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the organization's culture. The formulation and authorization of the risk policy illustrates executive management's commitment to implement and continuously develop risk management within the Company.

**DECLARATION BY INDEPENDENT DIRECTORS:**

Mr. Daljit Mirchandani and Ms. Jayashree Vaidhyanathan are independent Directors on the Board of your Company. In the opinion of the Board and as confirmed by these Directors, they fulfil the conditions specified in Section 149 of the Act and the Rules made thereunder about their status as Independent Directors of the Company.

**INTERNAL FINANCIAL CONTROLS:**

The internal financial controls with reference to the Financial Statements are commensurate with the size and nature of business of the Company. Your Company has adequate internal controls for its business processes across departments to ensure efficient operations, compliance with internal policies, applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions. The Company also has an internal audit system which is conducted by an independent firm of Chartered Accountants so as to cover various operations on continuous basis. Summarized Internal Audit Observations/Reports are reviewed by the Audit Committee on a regular basis. The internal controls are complemented, on an on-going basis, by an extensive program of internal audits being implemented through-out the year. The Company uses an Enterprise Resource Planning (ERP) package, which enhances the internal control mechanism. The internal controls are designed to ensure that the financial and other records of the Company are reliable for preparing financial statement and other data for maintaining the accountability of assets.

**HOLDING AND SUBSIDIARY COMPANY:**

Your Company continues to be the subsidiary of Mahindra & Mahindra Limited (M&M), which holds 51% of the shares in the share Capital of the Company.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013:**

During the year under review, there were no loans, guarantees or investments, particulars in respect of which are required to be furnished under Section 186 of the Companies Act, 2013.

**PUBLIC DEPOSITS AND LOANS/ADVANCES:**

Your Company had not accepted any deposits from the public, or its employees, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review and there was no amount which qualified as deposit outstanding as on the date of balance sheet.

Your Company had not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with Schedule V applicable to the Parent Company Mahindra and Mahindra Limited.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

A detailed analysis of the Company's performance is mentioned in the Management Discussion and Analysis Report, which forms part of this Directors Report.

**MATERIAL CHANGES AND COMMITMENTS IF ANY, AFFECTING FINANCIAL POSITION OF THE COMPANY:**

There are no material changes and commitments, affecting the financial position of the Company during the year under review.

**FINANCE:**

During the year under review, the operating losses continue to put some pressure on the liquidity of the Company. The company faced inflationary pressure and was not able to avoid an increase in borrowing in the form of unsecured loans to fund the working capital requirement. Capex obligation for the year have been met out of Equity contribution raising through issue of shares on rights basis from its shareholders which has been retained in the form of interest bearing fixed deposits with Scheduled banks.

**CORPORATE SOCIAL RESPONSIBILITY INITIATIVES (CSR):**

The Corporate Social Responsibility Activities as provided under Section 135 of the Act, is not applicable to the Company.

**SUSTAINABILITY INITIATIVES:**

In line with the vision statement of the company, MSSSPL has progressed very well during the year F'16 under various categories relating to environment, social, enablers and emerging issues.

Through materiality analysis and the stakeholder engagement, 16 priority issues have been identified. To work on these aspects and to deliver as per the long term road map and budgeted goals, there exists a team with cross functional members from various departments.

The progress with reference to well defined targets is quarterly reviewed by the Managing Director, Chief Operations Officer and business excellence head.

### **HIGHLIGHTS from important projects**

#### **Energy:**

- 1) **Electricity:** As one of the highest sensitive and material issue to the company, electricity consumption reduction is a key area of focus for the company. Company has been able to bring down the consumption to 931 Kwh/MT in FY'16 from 980 Kwh/MT in FY'15.
- 2) **Furnace Oil:** In FY'15 the company made a beginning by introducing the oxy fuel technology on test basis in two furnaces each at blooming mill and Forge shop.  
The same technology has been expanded by converting all the furnaces at the blooming mill and forge shop. This has resulted in the reduction of emissions and fossil fuel consumption.
- 3) **Achievements:** The Company bagged National Energy Management award conferred by CII in Sept' 2015 for being "Energy Efficient Unit" in Metal and Steel Sector and also "Most useful presentation Award" which was an audience choice award.
- 4) **GHG emission:** The unit has been able to reduce its GHG emission in
  - Scope 1 from 294 Kgs of Co<sub>2</sub> per tonne of production in FY'15 to 265 Kgs of Co<sub>2</sub> per tonne of production.
  - Scope 2 from 860 Kgs of Co<sub>2</sub> per tonne of production in FY'15 to 830 Kgs of Co<sub>2</sub> per tonne of production.
- 5) **Renewable Energy:** Treading ahead on the path to be the most sustainable company. Mahindra Sanyo has an aspiration to switch over its 20% of the total energy consumption as renewable energy
  - An attempt in the same direction is that the unit has already made a beginning by setting up solar power panels for 20 KW to take care of the lighting load at of its administrative building.
  - Besides, the unit has signed an agreement for energy procurement from TATA wind power.

#### **Water:**

In comparison to FY'15 the company recorded an improvement of 6% on the water consumption front in the year FY'16. This was however, short of the budgeted targets due to poor rainfall received in the region during the reporting year.

#### **Waste to Wealth:**

A major breakthrough is expected with initiation of metal from slag recovery project. The project would help to recover the metal present in slag and the rest would be sold for road building process. Until now the slag so generated goes for landfill.

#### **Resource Intensity:**

The cross functional team for the aspect is working in the direction to improve the % of the recycled input material in the steel melting shop as one of its target. Which means more

and more of raw materials are being brought in as recycled material and not through natural resource exploitation. This has helped achieve an increase of yield by 2%.

#### **Social Sustainability:**

The company participated in Roundtable for Product Social Metrics.

This was an industry led initiative of developing, verifying and testing a methodology for assessing product Social impact Assessment through product social life cycle assessment.

The company conducted a case Study as pilot project in collaboration with BMW Germany in the value chain for the impact assessment of the steel ring that goes as bearing in BMW 1 series.

The handbook and methodology so developed is now available in public domain for testing and is being pursued further for an ISO standardisation.

#### **Other Recognitions/Collaborations:**

- The unit bags Mahindra Rise award 2015 in category of "Game Changer Award" for the E-LCA study conducted on 23 of its product representing 70% volume.
- The unit bagged the Mahindra Rise 2015 "Innovation Award" for developing a new grade of high carbon steel.
- The company released its TUV assured GRI G4 checked sustainability report for 2014-2015.
- The company has joined Steel Stewardship Council Australia. The association is trying to develop a certificate on sustainability standards for the entire steel value chain.
- The company also presented its study paper about Life cycle assessment of the steel products at the International Life Cycle Management Conference (ILCM) held on Sept 2015 at Bordeaux (Paris).

#### **POLICY FOR PREVENTION OF SEXUAL HARASSMENT:**

The Company has rolled out a Policy for prevention of sexual harassment in which it formalized a free and fair enquiry process with clear time line. The Company has also constituted an internal complaints committee to which employees can write their complaints. There was no case/complaint reported under the Act during the financial year 2015-16.

#### **INDUSTRIAL RELATIONS:**

The relations with the workers and their respective unions remained cordial.

#### **SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE:**

Your Company has a defined policy on general health, safety and environmental conservation through which every employee is responsible for the observance of the measures designed to prevent accidents, damage to health and to avoid environmental pollution.

The Safety committee members comprising representatives of workers and executives from various departments meet periodically to review the situation.

**DETAILS CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars required to be disclosed under the Rules 8(3) of Companies (Accounts) Rules 2014 are set out in **Annexure I** to this Report.

**GENERAL:**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events during the year under review.

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Receipt of any remuneration or commission by the Whole Time Director from any of its subsidiaries.
4. Significant or material orders by Regulators or Courts or

Tribunals which impact the going concern status and the Company's operations in future.

5. Particulars of employees, since Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, are not applicable to an unlisted Company.

**ACKNOWLEDGEMENTS:**

Your Directors wish to express their appreciation of the continued support and co-operation received from the Banks, Stakeholders, and Government Departments.

**For and on behalf of the Board**

*Mumbai, 20<sup>th</sup> May, 2016*

**Shriprakash Shukla**  
*Chairman*

**ANNEXURE I**

**STATEMENT PARTICULARS OF THE DIRECTORS' REPORT UNDER RULES 8(3) OF THE COMPANIES (ACCOUNTS) RULES 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY:**

**(a) Energy conservation measures taken:**

**(i) The steps taken or impact on conservation of energy:**

1. Power reduction in Steel Melting Shop through optimization in scrap mix, reduction in operational and maintenance delays.
2. Reducing the ladle furnace power through process improvement in ladle management.
3. Up gradation of Blooming Mill Chamber Furnace No. 5 & 6 with Oxy-Fuel Technology. This has led to reduction in power and oil consumption by better combustion process.
4. Right sizing of water pumps in the cold well plant through trimming of impellers. This has led to reduction in plant power consumption for water pumping.
5. Completion of furnace revamping through refractory work, changing heating coils, door packing and heat resistive painting.
6. Procurement of energy efficient equipment like 5 Star AC's, IE 3 Motors & T5 energy saving lamps.
7. Power saving through installation of transparent sheets on plant roof tops.
8. Improvement in productivity at BAR Mill through increased input weight which has led to reduction in Oil & Power.
9. Reduction in power of Blooming Mill water pumps through pipeline modification of scale pit pumps.
10. Reduction of power through best practices and wastage reduction.

**(ii) The steps taken by the company for utilizing alternate sources of energy:**

1. Installation of 20 KW solar rooftop on admin building.
2. Procurement of 27.8 MW clean energy through wind power to fulfil Renewable Power Obligation (Started from 1<sup>st</sup> Mar'16).

**(iii) The capital investment on energy conservation equipments:**

1. Oxy-fuel technology for Chamber furnaces in Blooming Mill.

**(b) Impact of the measures taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

There has been overall energy saving of around 7.09 MU during the year due to various energy saving initiatives and measures taken by the company as stated above. This has resulted in energy cost to the company.

**B. TECHNOLOGY ABSORPTION:**

**i) The efforts made on Technology absorption and benefits derived as result of the same:-**

Sr. No.	Product, process improvement, Product development & cost reduction	Benefits derived
<b>A New Products developed</b>		
1	Commercial order started for H13(EFS) grade.	Superior properties over existing H13 grade and import substitution. Won the Mahindra Innovation award 2015.
2	Developed 10 grades for Engineering Sector, 6 grades for Auto sector, 5 for Bearing sector, 2 for Tool and Die sector and 1 for Oil and gas sector.	New grade developed to enhance business.
3	Developed 38MnSiVS6 Mod. grade for special application of M&M Crankshafts.	Customer requirement is of higher Yield Strength which is successfully achieved. Material under testing at MRV.
4	Developed new grade DIN100Cr6 for Schaffler special application.	Ultra clean steel developed.
<b>B Process Improvement</b>		
1	Tempering furnace modified by fan arrangement and trolley modification.	To achieve uniformity in temperature to get the uniform hardness after heat treatment.
2	Modification in Mold Design for RWF.	Improvement in internal soundness and reduced central looseness.



Sr. No.	Product, process improvement, Product development & cost reduction	Benefits derived
3	Installation of automatic grinding machine.	To get the superior surface quality after rolling.
4	Installation of automatic chamfering machine.	To remove the cutting burrs and imperfections at the edges.
5	Melting practice improved for bearing steel.	Oxygen content below 9ppm achieved consistently for bearing steels.
<b>C Enhancement in Testing Capability</b>		
1	Installation of Auto UST machine in Heat Treatment shop.	More accurate internal defect detection in steel and improvement in productivity.
2	Installed XRF equipment in QA lab.	Precise raw material analysis and improved analytical ability. Use of hazardous chemicals has been eliminated.
3	Installed the Carbon Sulphur analyzer.	Enabled inspection of carbon and Sulphur content accurately.

**ii) Future Plan of action:**

- Installation of advanced AMLC in line with available technology for continuous casting process modernization and CC bloom quality improvement.
- Installation of casting trolley for quality improvement of bottom pouring route products.
- Procurement of auto polishing machine for microstructure sample preparation.
- Procurement of auto HRC machine for testing Jominy sample.

**iii) Expenditure on R&D:**

	2015-16 (Rs. in lacs)	2014-15 (Rs. in lacs)
a) Capital	-	53
b) Recurring	107.36	141
c) Total	107.36	194
d) Total R&D expenditure as percentage of total turnover	0.14%	0.21%

**iv) Technology Absorption, Adaptation:**

(Efforts in brief towards technology absorption, adaptation and benefits derived as a result of the above efforts.)

Sr. No.	Technology	Benefits
1.	Modification in tempering furnace.	This will help to achieve homogeneity in structure and properties.
2.	Installation of automatic ultrasonic testing set up.	For enhancement in capacity and quality of ultrasonic testing.

Sr. No.	Technology	Benefits
3.	Auto grinding and chamfering.	Improvement in surface quality.
4.	XRF and C-S Analyser.	Accurate analysis of raw material and finished products.

**V Import of Technology for the last five years:**

1. Oxy fuel technology to reduce oil consumption.
2. Auto UST machine for internal defect detection and improving productivity.
3. XRF equipment for raw material testing.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The Company continues to strive to improve its export earnings. Further details in respect of exports are set out elsewhere in the Report.

Particulars with regard to Foreign Exchange Earnings and outgo are given in the notes to Accounts.

**For and on behalf of the Board**

**Shriprakash Shukla**  
Chairman

Mumbai, 20<sup>th</sup> May, 2016

**Annexure - 2**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31<sup>st</sup> March, 2016 of  
**MAHINDRA SANYO SPECIAL STEEL PRIVATE LIMITED**  
[Pursuant to Section 92(1) of the Companies Act, 2013 and rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN: **U27310MH2011PTC223696** ii) Registration Date: **08-11-2011**
- iii) Name of the Company: **Mahindra Sanyo Special Steel Pvt. Ltd.** iv) Category/Sub-Category of the Company: **Manufacturing of Alloy Steel.**
- v) Address of the Registered office and contact details: **74, Ganesh Apartment, Opp. Sitaladevi Temple, L.J. Road, Mahim (W), Mumbai- 400 016. Tel. no. 022-24444287/24458196.** vi) Whether listed company: Yes/No : **No**
- vii) Name, Address and contact details of Registrar & Transfer Agents (RTA), if any: **NA**

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

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

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1.	Other bars and rods of other alloy steel	72283019	59%
2.	Other bars and rods of iron or non-alloy steel	72149990	21%
3.	Ball or roller bearings	84829900	-
4.	Parts and accessories of motor vehicles	87084000	-

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

Sl. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Ltd.	L65990MH1945PLC004558	Holding	51%	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
(a) Individual/HUF									
(b) Central Govt.									
(c) State Govt(s)									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
(d) Bodies Corp.	5099996	4*	5100000	51	5535361	4*	5535365	51	Equity shares issued on Rights basis.
(e) Banks/FI									
(f) Any other									
<b>Sub-Total (A)(1):-</b>	<b>5099996</b>	<b>4</b>	<b>5100000</b>	<b>51</b>	<b>5535361</b>	<b>4</b>	<b>5535365</b>	<b>51</b>	
<b>(2) Foreign</b>									
(a) NRIs-Individuals									
(b) Other-Individuals									
(c) Bodies Corp.	-	4900000	4900000	49	-	5318291	5318291	49	
(d) Banks/FI									
(e) Any other...									
<b>Sub-Total (A)(2):-</b>	<b>-</b>	<b>4900000</b>	<b>4900000</b>	<b>49</b>	<b>-</b>	<b>5318291</b>	<b>5318291</b>	<b>49</b>	
<b>Total shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>5099996</b>	<b>4900004</b>	<b>10000000</b>	<b>100</b>	<b>5535361</b>	<b>5318295</b>	<b>10853656</b>	<b>100</b>	
<b>B. Public Shareholding</b>	Nil								
<b>1. Institutions</b>									
(a) Mutual Funds									
(b) Banks/FI									
(c) Central Govt.									
(d) State Govt(s)									
(e) Venture Capital Funds									
(f) Insurance Companies									
(g) FIs									
(h) Foreign Venture Capital Funds									
(i) Others (specify)									
<b>Sub-Total (B)(1):-</b>									
<b>2. Non-Institutions</b>									
(a) Bodies corp.									
(i) Indian									
(ii) Overseas									
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh									
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh									
(c) Others (specify)									
<b>Sub-Total (B)(2):-</b>									
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	Nil								
<b>Grand Total (A+B+C)</b>	<b>5099996</b>	<b>4900004</b>	<b>10000000</b>	<b>100</b>	<b>5535361</b>	<b>5318295</b>	<b>10853656</b>	<b>100</b>	<b>Nil</b>

\* The 4 shares are held by Mahindra & Mahindra Ltd jointly with its nominees.

**(ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares pledged/encumbered to total shares	
1.	Mahindra & Mahindra Ltd.	5099996	51	NA	5535361	51	NA	Shares issued on Rights basis.
2.	Mahindra & Mahindra Ltd. Jointly with Mr. Shriprakash Shukla	1	–	–	1	–	NA	–
3.	Mahindra & Mahindra Ltd. Jointly with Mr. Uday Gupta	1	–	–	1	–	NA	–
4.	Mahindra & Mahindra Ltd. Jointly with Mr. Zoooben Bhiwandiwala	1	–	–	1	–	NA	–
5.	Mahindra & Mahindra Ltd. Jointly with Mr. S. Durgashankar	1	–	–	1	–	NA	–
6.	Sanyo Special Steel Co., Ltd.	2900000	29	NA	3147560	29	NA	–
7.	Mitsui & Co., Ltd.	2000000	20	NA	2170731	20	NA	–

**(iii) Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	10000000	100	10853656	100
	Date wise Increase/Decrease in Promoters Share holding during the Year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.): Rights Issue – Shares allotted on 18-05-2015.	853656	–		
	At the end of the year	10853656	100	10853656	100

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

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

**(v). Shareholding of Directors and Key Managerial Personnel: Nil**

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

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment:**

(Amount in Rs. Crs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	209.19	–		209.19
ii) Interest due but not paid	0.30	–		0.30
iii) Interest accrued but not due	0.10	–		0.10
<b>Total (i + ii + iii)</b>	<b>209.59</b>	<b>–</b>		<b>209.59</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	–	20.66		20.66
• Reduction	24.15	–		24.15
<b>Net Change</b>	<b>24.15</b>	<b>20.66</b>		<b>(3.49)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	185.21	20.00		205.21
ii) Interest due but not paid	0.17	–		0.17
iii) Interest accrued but not due	0.06	0.66		0.72
<b>Total (i + ii + iii)</b>	<b>185.44</b>	<b>20.66</b>		<b>206.10</b>

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount in Rs.
		Mr. Uday Gupta	
1.	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	91,44,807	91,44,807
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	39,600	39,600
	(c) Profits in lieu of salary under		
2.	Stock Option		
3.	Sweat Equity		
4.	Commission – as % of profit	22,96,667*	22,96,667*
	– others, specify (Performance Pay)		
5.	Others, please specify		
	<b>Total (A)</b>	<b>1,14,81,074</b>	<b>1,14,81,074</b>
	Ceiling as per the Act	1,20,00,000	1,20,00,000

\* The amount of performance pay of Rs. 22,96,667 provided in the books for the year 2015-16, the actual amount will be paid based on the Individual Performance and the Company's Performance as may be approved by the Nomination and Remuneration Committee.

**B. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of Directors		Total Amount in Rs.
		Mr. Daljit Mirchandani	Ms. Jayashree Vaidyanathan	
1.	Independent Directors			
	• Fees for attending board/committee meetings	71,250	71,250	1,42,500
	• Commission	-	-	-
	• Others, please specify	-	-	-
	<b>Total (1)</b>	<b>71,250</b>	<b>71,250</b>	<b>1,42,500</b>
2.	Other Non-Executive Directors	-	-	-
	• Fees for attending board/committee meetings	-	-	-
	• Commission	-	-	-
	• Others, please specify	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>71,250</b>	<b>71,250</b>	<b>1,42,500</b>
	<b>Total Managerial Remuneration</b>			<b>1,16,23,574</b>
	<b>Ceiling as per the Act</b>	<b>Rs. 1 lakh per meeting as per Companies Act, 2013.</b>		

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount in Rs.
		CEO	Company Secretary Amount in Rs.	CFO Amount in Rs.	
1.	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961		13,72,374.23	58,17,452.00	71,89,826.23
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	39,600.00	39,600.00
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961		-	-	-
2.	Stock Option		-	-	-
3.	Sweat Equity		-	-	-
4.	Commission – as % of profit		-	-	-
	– others, specify...		-	-	-
5.	Others, please specify		-	-	-
	<b>Total</b>		<b>13,72,374.23</b>	<b>58,57,052.00</b>	<b>72,29,426.23</b>

**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	Nil				
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	Nil				
Punishment					
Compounding					

For and on behalf of the Board

**Shriprakash Shukla**  
Chairman

Mumbai, 20<sup>th</sup> May, 2016

## ANNEXURE - 3

### A. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Sanyo Special Steel Private Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole Time Director (WTD).
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS:

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman and/or Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder

or due to non - adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman and/or Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

#### II. SUCCESSION PLANNING:

##### Purpose:

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

##### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

##### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

##### Policy Statement:

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not,

how do we create them – by developing them internally or through lateral induction from outside?

- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

The framework lays down an architecture and processes to address these questions using the **3E** approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

## **B. POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES:**

### **Purpose:**

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Sanyo Special Steel Private Limited.

### **Policy Statement:**

We have a well-defined Compensation policy for Directors, Key Managerial Personnel and all employees, including the Chairman, Managing Director and other Members of Executive Committee who are employees of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

### **Non - executive including Independent Directors:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation to Non-executive Directors within the overall limits specified in the Shareholders resolution.

### **Executive Directors:**

The remuneration to Managing Director/Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

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

The terms of remuneration of KMPs including Managing Director (MD), Chief Financial Officer (CFO), Company Secretary shall be determined by the NRC from time to time. The terms of remuneration of the Company Secretary shall be finalised/ revised either by any Director or such other person as may be authorised by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of Section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

### **Employees:**

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR of the Department of the Company, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

**For and on behalf of the Board**

**Shriprakash Shukla**

*Chairman*

*Mumbai, 20<sup>th</sup> May, 2016*



**ANNEXURE - 4**

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

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

To,  
The Members,  
M/s. Mahindra Sanyo Special Steel Private Limited  
74, Ganesh Apartment,  
Opp: Sitaladevi Temple, L.J. Road,  
Mahim [West], Mumbai – 400 016.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Mahindra Sanyo Special Steel Private Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions of the applicable Acts listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **M/s. Mahindra Sanyo Special Steel Private Limited** for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder.
- ii. The Depositories Act, 1996 and the Regulations and By-laws framed thereunder.

We further report that the Company has a compliance system in place and we have examined the relevant documents and records with respect to other Acts applicable to the Company, which are as under:

- i. The Factories Act, 1948 and Maharashtra Factories Rules, 1963.
- ii. The Air (Prevention and Control of Pollution) Act, 1981.
- iii. The Environment (Protection) Act, 1986.
- iv. The Hazardous Wastes (Management & Handling) Rules, 1986.
- v. The Water (Prevention and Control of Pollution) Act, 1974.
- vi. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Employees Provident fund Scheme.
- vii. The Minimum Wages Act, 1948.

- viii. The Payment of Bonus Act, 1965.
- ix. The Payment of Gratuity Act, 1972.
- x. Payment of Wages Act, 1936.
- xi. The Industrial Disputes Act, 1947.
- xii. The Central Excise Act, 1944.
- xiii. The Customs Act, 1962.
- xiv. The Income Tax Act, 1961.
- xv. The Sales Tax & VAT Act.
- xvi. Chapter V of the Finance Act, 1994.

We have also examined compliance with the applicable clauses of the Secretarial Standards I and II issued by The Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except some other acts which are not specifically applicable to the Company during the year under review.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices are given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were dispatched well in advance. Majority of the decisions being carried through were captured and recorded as part of the minutes.

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

For **GMJ & ASSOCIATES**  
Company Secretaries

Sd/-  
**[MAHESH SONI]**  
PARTNER

Place: Mumbai  
Date: 20.05.2016

FCS: 3706  
COP: 2324

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

## ANNEXURE A

To,  
The Members,  
**M/s. Mahindra Sanyo Special Steel Private Limited**  
74, Ganesh Apartment, Opp Sitadevi Temple, L.J. Road,  
Mahim [West], Mumbai - 400 016.

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

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

For **GMJ & ASSOCIATES**  
*Company Secretaries*

Sd/-  
**[MAHESH SONI]**  
**PARTNER**

FCS: 3706

COP: 2324

Place: Mumbai  
Date: 20.05.2016

## MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

### COMPANY OVERVIEW

Mahindra Sanyo Special Steel Private Limited (MSSSPL), is a subsidiary of Mahindra & Mahindra Ltd. (M&M). The Company is a manufacturer of Alloy steel products and rings at its plant, located in Khopoli, District Raigad, Maharashtra.

### ANALYSIS OF STEEL BUSINESS

#### OVERVIEW

The Company produces special alloy steel through Electric Furnace (EAF) route where steel scrap is the main raw material. The company caters steel requirements for capital goods industries mainly in Automotive, Engineering, Oil & Gas, Tool & Die, Power Generation & Bearing sectors.

The Ring Rolling business is forward integration for Steel business. It caters to the Bearing industry (especially antifriction bearings) and also Auto parts manufacturing industries both in “as forged” and/or “green machined condition”. The company manufactures rings through closed die forging as well as seamless ring rolling processes.

#### INDUSTRY STRUCTURE & DEVELOPMENT

The Steel Industry, as covered by Value Line, is broken into two groups, the Steel (General) and the Steel (Integrated) Industries. The former is largely a collection of recyclers, manufacturing semi-finished carbon steel from scrap (which is found principally in discarded auto bodies), steel processors, and steel distributors. In the so-called nonintegrated steel manufacturing process, ferrous scrap is melted down to produce semi-finished steel in electric arc furnaces. The Steel (Integrated) Industry consists of companies that use iron ore and coal, as well as scrap, to produce carbon, semi-finished steel. This is an older process that has undergone many refinements over the past quarter century.

Within these two parts of the same aggregate industry, one will find stocks for growth and income, speculative growth, and well-defined growth. As for the individual companies, investors will, as noted, come across producers, processors, and distributors, as well as providers of raw materials, such as iron ore. Steel companies are, by nature, capital and labor intensive. The older, integrated mills are also, in most cases, encumbered by burdensome legacy costs, notably pensions and retiree health care tabs.

Alloy steel is used in specialized area like Automotive, Engineering, Defence, Railways and Textile sectors. Some of the end uses of the Alloy Steel is in making of Transmission parts, Bearings, Axles, Gears, Crankshafts, Fuel Injection pumps etc. Alloy steel is also used in the Oil & Gas and Power generation sectors. India is fast becoming a global hub for Automobile industry.

India is the world's third-largest producer of crude steel and is expected to become the second-largest producer by next few years. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output. Amidst

subdued demand and the spectre of China flooding global markets with cheaper products, analysts predict a tough 2016 for the industry worldwide but expect India to remain more profitable than its Asian peers helped by higher domestic economic growth and rising demand.

During the year under review, due to lower demand for the steel products, and slow economic growth, the sales volume of the Company was lower than the Budgeted figures for FY 2016. Due to decrease in demand there was intense competitive pressure on pricing in the special steel market and low realisation coupled with the increase in input cost and devaluation in Dollar. The Sale of Rings products was also lower due to reduction in overseas demand. The devaluation of Euro has resulted in reduction in the contribution on sales of Rings products.

The major challenges which the Company had to face during the year under review were:

- a) Lower off-take from customer due to fall in demand for Steel.
- b) Lower realisation due to worldwide drop in commodity prices. Pricing pressure due to intense competition.
- c) Increase in Power tariff during the year, which was offset through price renegotiation with private Power produces.

The Company is striving to improve its quality to reduce the rejection of products, improvement in process efficiency & productivity, reduction in power consumption and at the same time continue to initiate steps towards deployment of optimum resources available, reduction of cost of production & improvement of overall performance. The efforts are also being made to develop new grades and regaining lost Customers.

#### SUSTAINABILITY & ENVIRONMENT REFORMS

As part of sustainability initiatives the Company has undertaken several measures to optimum use of available natural resources and achieved the following results:

- Reduction in consumption of power.
- Use of oxyfuel technology as alternate source of energy for furnace oil.
- Able to reduce the Green House Gas (GHG) emission.
- Switch over its 20% of the total energy consumption as renewable energy. Has set up solar power panels for 20 KW for its office building.
- Improved in water consumption level.
- The cross functional team for the aspect is working in the direction to improve the % of the recycled input material in the steel melting shop as one of its target. Which means more and more of raw materials are being brought in as recycled material and not through natural resource exploitation. This has helped achieve an increase of yield by 2%.

#### FINANCIAL PERFORMANCE

Summary of financial performance of the Company is presented below:

(Rs in millions)		
Particulars	FY 2015-16	FY 2014-15
Sales Volume (MT)	115,716	124,020
Sales	7,580	9,212
Other Income	30	65
Total Income	7,610	9,277
EBIDTA	(73)	(187)
Loss before Tax	(521)	(633)
Loss after Tax	(521)	(633)

During the year under review company had registered sales volume of 116 KT, i.e. growth of (-) 6.45% over previous year.

The Company recorded Sales revenue of Rs. 758 Crores during the year, i.e. growth of (-) 17.7% over previous year.

Earnings before Interest, Depreciation, Tax & Amortization for the year was Rs. (-) 7.3 Crores against Rs. (-) 18.7 Crores for the previous year. Loss after Tax for the year was Rs. (-) 52.1 Crores against Rs. (-) 63.3 Crores for the previous year.

The major challenges which the Company had to face during the year under review were:

- a) Lower realisation due to lower demand for the products. Pricing pressure due to intense competition.
- b) During the last quarter, the raw material cost has seen firming up which result in lower contribution margin.
- c) Power tariff has seen at higher level than expected.
- d) Sudden devaluation of rupee against dollar impacted imported raw material cost.

The Company is striving to improve its quality to reduce the rejection of products, improvement in process efficiency & productivity, reduction in power consumption and at the same time continue to initiate steps towards deployment of optimum resources available, reduction of cost of production & improvement of overall performance. The efforts are also being made to develop new grades and regaining lost Customers. The Company is focussing on the growth in sales in Auto and premium bearing sectors, Rings Business in FY 2017.

With the technical support of our joint venture partners, management continue to undertake initiatives for increasing margin by way of rationalisation of product mix and processes and further improvements in operating efficiencies and yield.

#### OPPORTUNITIES & STRATEGIC OUTLOOK

The outlook for the global economy is mostly positive with growth picking up in the US, India and Southeast Asia, while several emerging markets are experiencing a deceleration in growth. However, the structural shift in the transitioning Chinese economy could help cap this momentum.

The Countries and businesses are becoming increasingly interdependent through trade, investment and financial systems across the world. The risks and opportunities in the steel business are getting larger in scale and impact, with their sources becoming more diverse and global.

In order to survive and thrive, in a sector in constant transition, steel makers need to transform themselves. Globalisation is no longer a matter of choice, steel businesses long term success depends on it. The businesses that ride the next wave of growth will be those that understand the trends and refine their strategies, business models and portfolios according to a truly global mind set.

While the Chinese steel sector turns introspective over the next decade to deal with its excess capacity, pollution, low market concentration and lack of profitability, this is the window of opportunity to build competitive advantage now before supersized, more efficient Chinese steel makers emerge in the global market.

The main factors that led to a previously significant increase in demand for steel are new infrastructure developments and the growing needs of the increasing middle class in the developing countries. The construction, automobile, and white goods industries will attract a high demand for steel over the next decade. Steel companies that embrace globalisation (in their strategy, supply chains, knowledge and information, process, talent, and financial flows) while balancing with customization (of their products, marketing, and stakeholders' relationships) will emerge as sector leaders in the long term.

Stiff competition from cheaper imports especially from China and from domestic producers with new or expanded facilities continues to result in significant oversupply of steel compared to demand. Global economy forecast to grow 3.3% in 2015 and 3.9% in 2016.

The overall scenario is expected to improve in near future. India demand will pick up pace. After two years of contraction, steel demand is likely to improve thanks to a rise in demand from the automobile sector and recovery in the construction sector. Overall, with the global economy gradually on the mend and activities picking up in automotive and construction industries, prospects look brighter for the steel industry in the years to come.

#### THREATS & RISKS

While the global outlook for steel is mildly positive as there are increasing signs of momentum in parts of the world, there are still risks to global growth and a number of these evolve around China.

To prosper in the globally integrated environment requires constant refinement of global business strategies. The businesses that will ride the next wave of growth will be those that understand the significance of globalization and tailor their strategies based on that understanding.

The pressure on the steel sector to globalize is evident in the following specific challenges being faced by the sector:

- Over capacity of production.
- Customers, financiers and suppliers of the sector becoming increasingly Globalized.
- Low market concentration leading to increased competition.
- Global demand for universal products to increase the multilateral trade agreements.

- Increased competition in what have been isolated markets.
- Imbalance between resource availability and finished product demand in most markets.
- Vibrant emerging markets and multi-speed regional growth.
- Shifts in global competitiveness of the steel sector Regulations driving resource availability, technology, product mix, cost and margins.
- Risks and opportunities becoming more diversified and often global in their sources of impact.
- Increased volatility, uncertainty complexity and ambiguity.

The challenges for the steel industry are diverse and complex. The risks and opportunities are getting larger in scale and impact. The sources or external drivers and their influences are also increasingly global and diverse. In such environment, there are imperatives for the industry to globalize. By embracing the opportunities presented by globalization, the steel industry can move towards a far more efficient, competitive and profitable business. This will entail transformation of the business strategy, people, processes and technology. There are some globalized players in the steel industry who are adopting new approaches to address this challenge, while many other are yet to adapt well and fully leverage the opportunity. Several of these steps need to be implemented by the stakeholders of the industry in the interest of overall economic growth.

The competitive pressures on steel product pricing both from domestic and overseas market also are threats for the alloy steel industry. Availability of efficient manpower is the biggest hurdle in the development of Indian steel industry. Adoption of new eco-friendly technologies in the production process for improving efficiency and quality, recycling of steel etc., to sustain in a longer run, is also a challenge. The steel business is susceptible to the inherent risk of volatile foreign exchange as bulk of the major raw materials is imported.

The company has identified several initiatives towards mitigation of emerging risks and threats initiatives like increasing its exposure to non-auto sector in domestic market, focusing on Oil & Gas and Renewable energy sector, Power Generation sector in India and overseas. With the support of joint venture partners the company is expected to receive the technical expertise to improve process, quality and efficiency and reduction cost. This will make the steel products more competitive. The marketing strategies and reach of the steel business is also expected to receive a thrust due to the expertise of the joint venture partners.

The complete dependence on outsourced machining vendors in the ring business continues to be a risk in the supply chain. The in house machining facility through third party Vendor at the premises of the steel business being installed.

### **SAFETY, HEALTH AND ENVIRONMENT**

The Company has an effective policy framework; of highest standard, on Safety, Health & Environment (SHE) for protecting the safety, health and welfare of its employees and workers. The Company accords sufficient priority to the objectives of preserving and developing the environment, maintaining a safe

work place, enhancing work conditions and health aspects of its employees. The company's SHE policy not only meets all applicable statutory requirements but also focuses on motivation, learning and training of employees in these areas. The process defined under the SHE Policy ensures leadership from the top management in laying down norms for improving safety, environment and health aspects in operations. It also lays down norms for participation from across the management and workforce hierarchy. External audits are conducted to ensure effectiveness of the SHE policy and initiatives and recommendations are considered for further improvements in SHE process. SHE issues are addressed pro actively and effectively in terms of ISO standards and guidelines.

The Company accords the highest importance to adopting safety measures for preventing accidents. In case of any accident, a thorough investigation is carried out to identify the root cause and immediate steps are taken to eliminate the root cause to ensure it does not recur. The Company regularly conducts counselling and safety review meetings for employees to appraise and educate them on the adoption of safety measures and avoidance of unsafe practices. Awareness and first aid trainings are conducted regularly along with mock drills as an exercise in disaster management readiness. The Company is in compliance with the regulations pertaining to safety. The objective is to achieve zero accident, zero incidents and a safe work environment.

The Company periodically conducts health check ups and health awareness programmes for all employees and if necessary provides prompt medical assistance to its employees. The Company has an internal plant dispensary which operates round the clock and is manned by qualified doctors supported by staff who are available for addressing health issues of employees. The Company maintains high hygienic and housekeeping standards across the work places. The goal of all occupation health and safety measures is to encourage a safe work environment.

### **MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS**

The total employee strength of the Company at the end of the financial year 2015-16 was 958 employees comprised of 516 Officers and 442 regular workmen employees. Apart from above employee strength, the Company hires Apprentice, Trainees and Contract workers from time to time.

The Company conducts regular training programs for officers and workmen through internal and external professionals, experts in various areas of operations and selectively sends officers to attend Business Education Programs of reputed Institutions to improve their skills and knowledge.

The Company involves its employees in all HR Activities to develop them and recognize them from time to time to increase the Employee Morale and Motivation. It also takes regular feedback from employees on Employee Engagement activities (through MCARES Survey) to assess the effectiveness and to improve overall engagement. The Company has adopted the concept of The Mahindra Way (formerly known as the Mahindra Quality Way) and works closely with the Mahindra

Management Development Centre and Mahindra Institute of Quality (MIQ) by actively participating in the programmes organised by them.

The Human Resources policies are comprehensive and based on the best of the prevailing HR practice. The performance evaluation and management process continues to be the backbone of all HR activities and is based on an appropriate goal-setting process. The Company encourages all employees and workers to participate in a fair and transparent feedback system called "Bindass Bol" (talk candidly) for sharing views, concerns and opinions. The Company also formulated the Whistle Blower Policy/Mechanism with view to provide a mechanism for employees, directors and other stakeholders of the Company to approach the Chairman of the Audit Committee of the Company or Chairman of the Company to redress their relevant concerns. The relationship of the Company with its Human Resources was cordial in the financial year 2015-16.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has adequate internal controls for its business processes across departments to ensure efficient operations, compliance with internal policies, applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions. The Company also has an internal audit system which is conducted by an independent firm of Chartered Accountants so as to cover various operations on continuous basis. Summarized Internal Audit Observations/Reports are reviewed by the Audit Committee on a regular basis. The finance and accounts functions of the Company are well staffed with qualified and experienced members. The internal controls are complemented, on an on-going basis, by an extensive program of internal audits being implemented through-out the year. The Company uses an Enterprise Resource Planning (ERP) package, which enhances the internal control mechanism. The internal controls are designed to ensure that the financial and other records of the Company are reliable for preparing financial statement and other data for maintaining the accountability of assets.

#### **SYNERGIES WITH PARENTS**

##### **RELATIONSHIP WITH MAHINDRA GROUP**

Mahindra & Mahindra Ltd. (M&M), Company's parent company and the flagship company of the Mahindra group is one of the leading automotive manufacturers in India. There is an arms-length relationship between M&M and Mahindra Sanyo Special Steel Pvt. Ltd. (MSSSPL). Association with the Mahindra Group aids MSSSPL in winning new businesses and obtaining financial assistance. MSSSPL also adheres to the corporate values, principles and established corporate governance practices of the Mahindra Group.

In January 2011, the Mahindra Group launched a new brand identity "Rise" which rests on three brand pillars: accepting no limits, alternative thinking, and driving positive change. MSSSPL is using the idea of 'RISE' to invigorate its employees and achieve its long term goals. RISE provides a clear guide for business decisions by catalyzing ambitious and innovative internal growth.

#### **SYNERGIES WITH SANYO SPECIAL STEEL**

Sanyo Special Steel Co., Ltd. (Sanyo), which holds 29% equity stake in the Company is a leading Japanese Specialty Steel manufacturer established in 1933 with a \$2 billion turnover in 2012 and approximately 1.5 million tons of steel making capacity. Globally, it is renowned as one of the best special steel manufacturers. Sanyo manufactures and sells various special steel products, capitalizing on its high cleanliness steel manufacturing technology, including bearing steel, engineering steel, stainless steel, heat resistant steel and tool steel.

Sanyo aims to make Mahindra Sanyo Special Steel Pvt. Ltd. a successful entity by unlocking the value of this company and making it the best in India in its chosen segments with respect to quality, productivity and customer satisfaction. Sanyo has already placed a dedicated team for providing the requisite technical expertise and leading the manufacturing function. The local team enjoys a full back-up support from all the Sanyo Group.

#### **SYNERGIES WITH MITSUI**

Mitsui & Co., Ltd. (Mitsui), holding a 20% stake in the Company, is one of the most diversified and comprehensive trading, investment and service enterprises in the world, with 138 offices in 65 countries as of June 2016. Mitsui's enormous global network covering a wide spectrum of activities and many years of experience in the field of iron & steel business can enhance the Company's customer base. Mitsui's commitment to the Indian market since 1893 assists the Company to increase its business volume by developing the growing alloy steel market in India. The synergies with Mitsui will contribute toward:

- Comprehensive and precise market analysis to derive optimum product mix & customer portfolio.
- Development of new customers in India and overseas markets, leveraging Mitsui's global customer base.
- Sourcing of raw materials at competitive rates from reliable overseas suppliers.
- Improvement of the Company's operational efficiency in terms of customer service and logistics.

#### **Cautionary Statement**

*Certain statements in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those express or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.*

**For and on behalf of the Board**

**Shriprakash Shukla**  
Chairman

Mumbai, 20<sup>th</sup> May, 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA SANYO SPECIAL STEEL PRIVATE LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA SANYO SPECIAL STEEL PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- 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:
- i. The Company has disclosed the impact of pending litigations on its financial position in Note 29(b) to its financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**  
*Chartered Accountants*  
(Firm's Registration No. 117366W/W-100018)

**Rajesh K. Hiranandani**  
*Partner*  
(Membership No. 36920)

Mumbai, 20<sup>th</sup> May, 2016



## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 **MAHINDRA SANYO SPECIAL STEEL PRIVATE LIMITED** (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management’s Responsibility for Internal Financial Controls

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. 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 the 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 Act.

### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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, to the best of our information and according to the explanations given to us, 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 March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**

*Chartered Accountants*

*(Firm’s Registration No. 117366W/W-100018)*

**Rajesh K. Hiranandani**

*Partner*

*(Membership No. 36920)*

Mumbai, 20<sup>th</sup> May, 2016

## ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' Section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the title deeds comprising all the immovable properties of land and buildings thereon have been pledged as security for cash credit and working capital demand loans and are held in the name of the Company based on the confirmation directly received by us from the lending bank.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of making investments. According to the information and explanations given to us, the Company has not granted any loans or provided guarantees and hence reporting under clause 3(iv) of the Companies (Auditor's Report) Order, 2016 ("CARO 2016"), to the extent it relates to loans and guarantees, is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit and the provisions of Sections 73 to 76 of the Act are not applicable and hence reporting under clause 3(v) of CARO 2016 is also not applicable.
- (vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it, to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
- (c) Details of dues of Service tax which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs. in Lakhs)	Amount Unpaid (Rs. in Lakhs)
Chapter V of the Finance Act, 1994	Service Tax	Commissioner of Central Excise (Appeals)	July 2012 to November 2013	71.70	64.13

There are no dues of Income tax, Sales tax, Customs Duty, Excise Duty and Value Added Tax as at March 31, 2016 on account of disputes.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks. The Company has not issued any debentures and has not taken any loans or borrowings from government.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of CARO 2016 is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of CARO 2016 is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of CARO 2016 is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
*Chartered Accountants*  
(Firm's Registration No. 117366W/W-100018)

**Rajesh K. Hiranandani**  
*Partner*  
(Membership No. 36920)

Mumbai, 20<sup>th</sup> May, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	Note No.	31 <sup>st</sup> March, 2016 Rs. Lakhs	31 <sup>st</sup> March, 2015 Rs. Lakhs
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital .....	1	1,085.37	1,000.00
(b) Reserves and surplus.....	2	16,366.61	18,160.61
		<u>17,451.98</u>	<u>19,160.61</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings.....	3	7,380.00	8,200.00
(b) Deferred tax liability (net) .....	4	-	-
(c) Other long term liabilities.....	5	1,321.88	442.97
(d) Long-term provisions .....	6	447.93	528.88
		<u>9,149.81</u>	<u>9,171.85</u>
<b>Current liabilities</b>			
(a) Short-term borrowings .....	7	12,321.72	12,718.92
(b) Trade payables:			
– total outstanding dues of micro enterprises and small enterprises .....		414.89	511.46
– total outstanding dues of creditors other than micro enterprises and small enterprises.....	8	16,801.04	19,852.89
(c) Other current liabilities .....	9	2,107.05	1,012.53
(d) Short-term provisions .....	10	143.86	128.10
		<u>31,788.56</u>	<u>34,223.90</u>
<b>TOTAL</b> .....		<u><u>58,390.35</u></u>	<u><u>62,556.36</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets.....	11	16,372.25	17,071.34
(ii) Intangible assets .....	11	48.20	1.57
(iii) Capital work-in-progress.....		5,969.90	3,392.23
(b) Non-current investments.....	12	1,400.00	1,400.00
(c) Long-term loans and advances.....	13	223.29	654.62
		<u>24,013.64</u>	<u>22,519.76</u>
<b>Current assets</b>			
(a) Inventories .....	14	15,228.71	17,105.19
(b) Trade receivables .....	15	15,202.89	17,195.70
(c) Cash and bank balances.....	16	2,510.81	3,961.04
(d) Short-term loans and advances.....	17	1,406.30	1,628.57
(e) Other current assets.....	18	28.00	146.10
		<u>34,376.71</u>	<u>40,036.60</u>
<b>TOTAL</b> .....		<u><u>58,390.35</u></u>	<u><u>62,556.36</u></u>

See accompanying notes forming part of the financial statements

1-41

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

**Sudhir Yagnik**      **Pradeep Salian**  
Chief Financial Officer      Company Secretary

Mumbai, 20<sup>th</sup> May, 2016

For and on behalf of the Board  
**Uday Gupta**      Managing Director

**Shriprakash Shukla**      Chairman

**Kozo Takahashi**  
**Naota Komaki**  
**Ajay Kumar Mantry**  
**Daljit Mirchandani**  
**Jayashree Vaidhyanathan**      } Directors

Mumbai, 20<sup>th</sup> May, 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	Note No.	31 <sup>st</sup> March, 2016 Rs. Lakhs	31 <sup>st</sup> March, 2015 Rs. Lakhs
I. Revenue from operations .....	19	84,905.07	101,973.38
Less: Excise duty.....		(9,110.11)	(9,851.51)
		<b>75,794.96</b>	92,121.87
II. Other income .....	20	305.86	648.57
III. <b>Total revenue (I+II)</b> .....		<b>76,100.82</b>	92,770.44
IV. Expenses:			
Cost of raw materials consumed (See note 31) .....		41,696.81	59,074.80
(includes processing cost Rs. 1,613.24 Lakhs; 2014-15 – Rs. 1,293.43 Lakhs)			
Changes in inventories of finished goods and work-in-progress.....	21	928.23	(3,607.99)
Employee benefits expense .....	22	5,904.01	5,757.57
Finance costs.....	23	2,226.05	2,285.32
Depreciation, amortisation and impairment expense (See note 11) .....		2,257.20	2,176.21
Other expenses.....	24	28,297.14	33,411.99
<b>Total expenses</b> .....		<b>81,309.44</b>	99,097.90
V. (Loss) before tax (III-IV) .....		(5,208.62)	(6,327.46)
VI. Tax expense .....		–	–
VII. (Loss) for the year .....		(5,208.62)	(6,327.46)
VIII. Earnings per equity share (EPS) (See note 38).....			
Basic and Diluted EPS (face value Rs. 10 per share) .....		(48.48)	(63.27)

See accompanying notes forming part of the financial statements.

1 – 41

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

**Sudhir Yagnik**      **Pradeep Salian**  
Chief Financial Officer      Company Secretary

Mumbai, 20<sup>th</sup> May, 2016

For and on behalf of the Board  
**Uday Gupta**      *Managing Director*  
**Shriprakash Shukla**      *Chairman*

**Kozo Takahashi**  
**Naota Komaki**  
**Ajay Kumar Mantry**  
**Daljit Mirchandani**  
**Jayashree Vaidhyanathan**      } *Directors*

Mumbai, 20<sup>th</sup> May, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
<b>A. Cash flow from operating activities</b>				
(Loss) before tax .....		<b>(5,208.62)</b>		(6,327.46)
<b>Adjustments for:</b>				
Depreciation, amortisation and impairment expense .....	<b>2,257.20</b>		2,176.21	
Profit on sale/write off of fixed assets .....	<b>(2.17)</b>		(134.02)	
Profit on sale of fixed assets held for sale.....	<b>(4.83)</b>		–	
Finance costs .....	<b>2,226.05</b>		2,285.32	
Interest income.....	<b>(203.03)</b>		(511.73)	
Provision for doubtful trade receivables and advances (written back)/made .....	<b>(19.36)</b>		87.49	
Net unrealised exchange loss .....	<b>–</b>		33.79	
		<b>4,253.86</b>		3,937.06
Operating loss before working capital changes .....		<b>(954.76)</b>		(2,390.40)
<b>Changes in working capital</b>				
<b>Adjustments for (increase)/decrease in operating assets:</b>				
Inventories.....	<b>1,876.48</b>		(5,025.27)	
Trade receivables.....	<b>2,012.17</b>		(940.79)	
Short-term loans and advances.....	<b>222.25</b>		(427.03)	
Long-term loans and advances .....	<b>(6.18)</b>		(21.75)	
Other current assets .....	<b>37.00</b>		59.08	
<b>Adjustments for increase/(decrease) in operating liabilities:</b>				
Trade payables .....	<b>(3,148.42)</b>		5,711.08	
Other current and non current liabilities.....	<b>1,231.75</b>		(584.20)	
Short-term and long-term provisions.....	<b>(63.44)</b>		137.47	
		<b>2,161.61</b>		(1,091.41)
<b>Cash generated from operations</b>		<b>1,206.85</b>		(3,481.81)
Income tax (paid) .....		<b>58.47</b>		(69.67)
<b>Net cash flow from/(used in) operating activities (A) .....</b>		<b>1,265.32</b>		(3,551.48)
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances.....	<b>(3,932.13)</b>		(4,298.04)	
Proceeds from sale of other fixed assets.....	<b>2.39</b>		156.77	
Proceeds from sale of fixed assets held for sale.....	<b>63.08</b>		–	
Bank balances not considered as cash & cash equivalents.....	<b>693.51</b>		(801.65)	
Interest received on fixed deposits.....	<b>225.88</b>		592.51	
<b>Net cash flow from/(used in) investing activities (B) .....</b>		<b>(2,947.27)</b>		(4,350.40)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares.....	<b>3,500.00</b>		–	
Proceeds from long-term borrowings .....	–		8,200.00	
Repayment of long-term borrowings.....	–		(7,989.66)	
Net increase/(decrease) in working capital borrowings.....	<b>(397.20)</b>		5,594.70	
Finance costs .....	<b>(2,177.57)</b>		(2,297.74)	
<b>Net cash flow from/(used in) financing activities (C).....</b>		<b>925.23</b>		<b>3,507.30</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C) .....		<b>(756.72)</b>		<b>(4,394.58)</b>
Cash and cash equivalents at the beginning of the year (See note 16).....		<b>3,159.39</b>		<b>7,553.96</b>
<b>Cash and cash equivalents at the end of the year (See note 16).....</b>		<b>2,402.67</b>		<b>3,159.39</b>

See accompanying notes 1 to 41 forming Part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

**Sudhir Yagnik**      **Pradeep Salian**  
Chief Financial Officer      Company Secretary

Mumbai, 20<sup>th</sup> May, 2016

For and on behalf of the Board

**Uday Gupta**      *Managing Director*

**Shriprakash Shukla**      *Chairman*

**Kozo Takahashi**  
**Naota Komaki**  
**Ajay Kumar Mantry**  
**Daljit Mirchandani**  
**Jayashree Vaidhyanathan**      } *Directors*

Mumbai, 20<sup>th</sup> May, 2016

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs. Lakhs	Rs. Lakhs		Rs. Lakhs	Rs. Lakhs
<b>1. Share capital</b>					
<b>Authorised capital</b>					
150,00,000 Equity shares of Rs. 10 each ....	1,500.00	1,500.00			
<b>Issued, subscribed and fully paid up</b>					
108,53,656 (2014-15 - 100,00,000) Equity shares of Rs. 10 each fully paid-up .....	1,085.37	1,000.00			
	<u>1,085.37</u>	<u>1,000.00</u>			
<b>(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the year:</b>					
	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015		
	No. of Shares	Rs. Lakhs	No. of Shares	Rs. Lakhs	
<b>Equity Shares:</b>					
Opening balance .....	1,00,00,000	1,000.00	1,00,00,000	1,000.00	
Issued during the year ...	8,53,656	85.37	-	-	
Closing balance.....	<u>1,08,53,656</u>	<u>1,085.37</u>	<u>1,00,00,000</u>	<u>1,000.00</u>	
<b>(b) Terms/rights and restrictions attached to equity shares:</b>					
The Company has only one class of equity shares having a face value of Rs. 10 per share. The rights of the equity shareholders rank pari-passu for all matters, including dividend and each shareholder is entitled to one vote per share. 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.					
<b>(c) Shares held by the holding company:</b>					
55,35,365 (2014-15 - 51,00,000) equity shares held by Mahindra & Mahindra Limited, the holding company.					
<b>(d) Shares held by each shareholder holding more than 5% shares, specifying the number of shares held:</b>					
	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015		
	No. of shares	% holding	No. of shares	% holding	
Mahindra & Mahindra Limited.....	55,35,365	51.00	51,00,000	51.00	
Sanyo Special Steel Company Limited .....	31,47,560	29.00	29,00,000	29.00	
Mitsui & Company Limited..	21,70,731	20.00	20,00,000	20.00	
<b>(e) Shares issued pursuant to contract without payment being received in cash: 50,90,000 fully paid-up equity shares issued to Mahindra Ugine Steel Company Limited during the year ended 31<sup>st</sup> March, 2013 for acquisition of steel business pursuant to the Business Transfer Agreement.</b>					
			31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015	
			Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
<b>2. Reserves and surplus</b>					
<b>(a) Capital reserve</b>					
- As per last balance sheet .....		3,346.89	3,346.89		
<b>(b) Securities premium reserve</b>					
- Opening balance .....	31,895.19		31,895.19		
Add: premium on equity shares issued during the year .....	3,414.62		-		
		<u>35,309.81</u>	<u>31,895.19</u>		
<b>(c) (Deficit) i.e. Balance in the Statement of Profit and Loss</b>					
- As per last balance sheet .....	(17,081.47)		(10,637.11)		
Add: (Loss) for the year .....	(5,208.62)		(6,327.46)		
Add: Adjustment for book value of assets having no remaining useful life as required in Schedule II of Companies Act, 2013 Rs. Nil (2014-15 - Rs. 116.90 lakhs).....	-		(116.90)		
		<u>(22,290.09)</u>	<u>(17,081.47)</u>		
		<u>16,366.61</u>	<u>18,160.61</u>		
<b>3. Long-term borrowings (Secured)</b>					
Term loans (See note 26)					
- From banks .....	7,380.00		8,200.00		
	<u>7,380.00</u>		<u>8,200.00</u>		
<b>4. Deferred tax liability (net)</b>					
Deferred tax liability					
- On fiscal allowances on fixed assets	1,528.43		1,966.86		
	<u>1,528.43</u>		<u>1,966.86</u>		
Less: Deferred tax assets					
- On employee separation and retirement .....	190.66		212.59		
- On provision for doubtful debts.....	224.45		216.97		
- On unabsorbed depreciation and business loss .....	1,113.32		1,537.30		
	<u>1,528.43</u>		<u>1,966.86</u>		
	-		-		
	<u>-</u>		<u>-</u>		
Note: Deferred tax asset on unabsorbed depreciation and business loss has been recognised only to the extent of the net deferred tax liability, in the absence of virtual certainty regarding availability of future taxable income.					
<b>5. Other long-term liabilities</b>					
Trade payables:					
- Other than acceptances.....	1,321.88		442.97		
	<u>1,321.88</u>		<u>442.97</u>		
<b>6. Long-term provisions</b>					
Provision for employee benefits					
- Compensated absences.....	437.52		518.29		
- Other employee benefits .....	10.41		10.59		
	<u>447.93</u>		<u>528.88</u>		
<b>7. Short-term borrowings</b>					
<b>Secured</b>					
Loans repayable on demand - from banks					
- Cash credit.....	7,321.72		8,218.92		
- Working capital demand loan.....	3,000.00		4,500.00		
(Secured by first charge by way of hypothecation of raw materials, finished goods, goods in process, stores and book debts and second pari passu charge on immovable properties and movable fixed assets of the Company)					
<b>Unsecured</b>					
Inter corporate deposit.....	2,000.00		-		
	<u>12,321.72</u>		<u>12,718.92</u>		



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs. Lakhs	Rs. Lakhs		Rs. Lakhs	Rs. Lakhs
<b>8. Trade payables</b>					
total outstanding dues of creditors other than micro enterprises and small enterprises:					
– Acceptances .....	6,686.27	9,984.34	Other payables		
– Other than acceptances .....	10,114.77	9,868.55	– Statutory dues.....	182.21	113.03
	<u>16,801.04</u>	<u>19,852.89</u>	– Capital creditors.....	386.83	513.63
			– Others.....	18.29	41.29
				<u>587.33</u>	<u>667.95</u>
				<u>2,107.05</u>	<u>1,012.53</u>
<b>9. Other current liabilities</b>			<b>10. Short-term provisions</b>		
Current maturities of long-term debt (See note 26) .....	820.00	–	Provision for employee benefits		
Interest accrued but not due on borrowings .....	71.79	10.31	– Compensated absences .....	139.13	121.55
Interest accrued and due on borrowings .....	16.92	29.92	– Other employee benefits .....	4.73	4.80
Advance received	495.62	–		<u>143.86</u>	<u>126.35</u>
Gratuity (Funded) (See note 40) .....	115.39	304.35	Provision for taxation .....	–	1.75
				<u>143.86</u>	<u>128.10</u>

**11. Fixed assets**

Particulars	COST					DEPRECIATION							Rs. Lakhs	
	As at 1 <sup>st</sup> April 2015	Additions/ adjustments	Deletions	Reclassified as assets held for sale	As at 31 <sup>st</sup> March, 2016	As at 1 <sup>st</sup> April 2015	For the year	Impairment loss recognised in Statement of Profit and Loss (See note 1 below)	Transferred to retained earnings	Deletions	Elimination on reclassi- fication as assets held for sale	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	
<b>Tangible assets:</b>														
Freehold land	734.69	–	–	–	734.69	–	–	–	–	–	–	–	734.69	
	(734.69)	(–)	(–)	(–)	(734.69)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(734.69)	
Buildings	3,878.38	34.14	–	–	3,912.52	1,347.05	121.53	–	–	–	–	1,468.58	2,443.93	
	(3,832.34)	(46.04)	–	–	(3,878.38)	(1,221.77)	(120.45)	–	(4.83)	–	–	(1,347.05)	(2,531.33)	
Plant and equipment	33,406.83	1,373.01	–	–	34,779.85	19,904.22	2,048.77	–	–	–	–	21,952.99	12,826.86	
	(33,685.30)	(1,019.53)	(874.84)	(423.16)	(33,406.83)	(19,063.49)	(1,832.15)	(160.77)	(70.61)	(857.89)	(364.91)	(19,904.22)	(13,502.61)	
Furniture and fixtures	135.94	9.17	4.60	–	140.51	81.39	8.36	–	–	4.51	–	85.23	55.28	
	(134.34)	(1.60)	–	–	(135.94)	(67.52)	(8.37)	–	(5.50)	–	–	(81.39)	(54.55)	
Office equipment	158.65	34.56	–	–	193.21	107.23	18.29	–	–	–	–	125.53	67.68	
	(146.17)	(12.90)	(0.42)	–	(158.65)	(54.79)	(16.58)	–	(35.96)	(0.10)	–	(107.23)	(51.42)	
Computers	228.45	96.72	58.75	–	266.43	213.48	11.61	–	–	58.75	–	166.35	100.08	
	(238.32)	(3.35)	(13.22)	–	(228.45)	(215.51)	(11.03)	–	–	(13.06)	–	(213.48)	(14.97)	
Vehicles	331.13	6.08	–	–	337.21	149.36	44.14	–	–	–	–	193.49	143.72	
	(302.09)	(57.75)	(28.71)	–	(331.13)	(147.09)	(25.66)	–	–	(23.39)	–	(149.36)	(181.77)	
	<b>38,874.07</b>	<b>1,553.68</b>	<b>63.35</b>	–	<b>40,364.42</b>	<b>21,802.73</b>	<b>2,252.70</b>	–	–	<b>63.26</b>	–	<b>23,992.17</b>	<b>16,372.25</b>	
	(39,073.25)	(1,141.17)	(917.19)	(423.16)	(38,874.07)	(20,770.17)	(2,014.24)	(160.77)	(116.90)	(894.44)	(364.91)	(21,802.73)	(17,071.34)	
<b>Intangible assets:</b>														
Computer software	263.41	51.13	–	–	314.54	261.84	4.50	–	–	–	–	266.34	48.20	
	(263.41)	(–)	(–)	(–)	(263.41)	(260.64)	(1.20)	–	–	–	–	(261.84)	(1.57)	
<b>Total</b>	<b>39,137.48</b>	<b>1,604.80</b>	<b>63.35</b>	–	<b>40,678.95</b>	<b>22,064.57</b>	<b>2,257.20</b>	–	–	<b>63.26</b>	–	<b>24,258.51</b>	<b>16,420.45</b>	
Previous year	(39,336.66)	(1,141.17)	(917.19)	(423.16)	(39,137.48)	(21,030.81)	(2,015.44)	(160.77)	(116.90)	(894.44)	(364.91)	(22,064.57)	(17,072.91)	

Note: 1) During the previous year, the Company had recognised an impairment charge of Rs. 160.77 lakhs which was included in depreciation, amortisation and impairment expense in the Statement of Profit and Loss, in respect of certain machines which were retired from active use considering the functional obsolescence and high operating cost.  
2) Previous year's figures have been disclosed in parenthesis.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH, 2016**

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs. Lakhs	Rs. Lakhs		Rs. Lakhs	Rs. Lakhs
<b>12. Non-current investments</b>			<b>16. Cash and bank balances</b>		
Trade investments: (fully paid up) (at cost)			Cash and cash equivalents		
Unquoted			a) Cash on hand.....	1.27	2.43
a) Investments in equity shares			b) Cheques on hand .....	-	127.02
- Wardha Power Company Ltd.			c) Balances with banks .....		
6,191,395 class A equity shares			- In current accounts.....	1.40	4.94
of Rs. 10 each .....	619.14	619.14	- In fixed deposit accounts		
b) Investments in preference shares			(having original maturity of		
- Wardha Power Company Ltd.			upto 3 months) .....	2,400.00	3,025.00
7,808,605 class A redeemable				<u>2,401.40</u>	<u>3,029.94</u>
preference shares				<u>2,402.67</u>	<u>3,159.39</u>
of Rs. 10 each .....	780.86	780.86	Other bank balances		
	<u>1,400.00</u>	<u>1,400.00</u>	Balances with banks		
<b>13. Long-term loans and advances</b>			- In fixed deposit accounts (having		
(Unsecured, considered good unless			original maturity greater than		
otherwise stated)			3 months but less than 12 months)		
Capital advances .....	16.83	394.12	(placed as margin money for letter		
Security deposits			of credit facility issued by banks) ...	108.14	801.65
- considered good .....	72.59	66.60		<u>2,510.81</u>	<u>3,961.04</u>
- considered doubtful .....	58.00	58.00	<b>17. Short-term loans and advances</b>		
	<u>130.59</u>	124.60	(Unsecured, considered good unless		
Less: provision for doubtful security advances	58.00	58.00	otherwise stated)		
			Loans and advances to related parties		
	<u>72.59</u>	66.60	- Security Deposits.....	3.78	4.52
Other loans and advances			- Trade advance .....	10.03	3.51
- Taxation - advance tax .....	121.59	181.81		<u>13.81</u>	8.03
- Employee loans and advances .....	9.41	10.06	Security deposits .....	2.72	43.50
- Others .....	2.87	2.03	Other loans and advances		
	<u>133.87</u>	193.90	- Trade advances .....	457.11	381.82
	<u>223.29</u>	654.62	- Balances with excise, customs and	770.77	1,067.65
<b>14. Inventories</b>			other statutory authorities .....	114.49	87.37
(At lower of cost and net realisable value)			- Prepaid expenses .....	16.02	17.09
Raw materials .....	3,019.34	3,830.26	- Employee loans and advances.....	31.38	23.11
(includes in transit Rs. 1,270.00 lakhs ;			- Others.....	<u>1,406.30</u>	1,628.57
2014-15 - Rs. 1,223.96 lakhs)			<b>18. Other current assets</b>		
Work-in-progress.....	8,431.65	9,738.40	Interest accrued - fixed deposits .....	7.74	30.59
Finished goods .....	870.38	491.86	Unamortised premium on forward		
(includes in transit Rs. 870.38 lakhs ;			contracts .....	14.12	32.01
2014-15 - Rs. 491.86 lakhs)			Export duty drawback receivable .....	6.14	25.25
Stores and spares .....	2,797.31	2,932.46	Fixed assets held for sale .....	-	58.25
(includes in transit Rs. 87.75 lakhs ;				<u>28.00</u>	146.10
2014-15 - Rs. 46.19 lakhs)			<b>19. Revenue from operations</b>		
Loose tools .....	110.03	112.21	Sale of:		
	<u>15,228.71</u>	<u>17,105.19</u>	- Tool alloy and special steel .....	84,341.21	101,666.87
<b>15. Trade receivables</b>			Other operating revenue		
(Unsecured)			- Sale of scrap .....	202.97	224.21
Outstanding for a period exceeding six months			- Others .....	360.89	82.30
from the date they were due for payment				<u>563.86</u>	306.51
- considered good.....	172.50	508.41	<b>19. Revenue from operations</b>		
- considered doubtful .....	642.68	576.17	Sale of:		
	<u>815.18</u>	1,084.58	- Tool alloy and special steel .....	84,341.21	101,666.87
- Others			Other operating revenue		
- considered good.....	15,030.39	16,687.29	- Sale of scrap .....	202.97	224.21
- considered doubtful .....	36.18	122.05	- Others .....	360.89	82.30
	<u>15,066.57</u>	16,809.34		<u>563.86</u>	306.51
	<u>15,881.75</u>	17,893.92	<b>19. Revenue from operations</b>		
Less: Provision for doubtful debts .....	678.86	698.22	Sale of:		
	<u>15,202.89</u>	<u>17,195.70</u>	- Tool alloy and special steel .....	84,341.21	101,666.87

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH, 2016**

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs. Lakhs	Rs. Lakhs		Rs. Lakhs	Rs. Lakhs
<b>20. Other income</b>					
Interest income on					
– Fixed deposits with banks .....	147.84	509.10	Repairs and maintenance		
– Others .....	55.19	2.63	– Buildings.....	282.28	346.18
	<u>203.03</u>	<u>511.73</u>	(including stores and spares consumed - Rs. 131.83 lakhs; 2014-15 - Rs. 187.62 lakhs)		
Profit on sale of fixed assets .....	2.39	134.85	– Machinery .....	1,205.43	1,316.68
Profit on disposal of fixed assets held for sale .....	4.83	–	(including stores and spares consumed - Rs. 951.42 lakhs; 2014-15 - Rs. 1,059.04 lakhs) .....		
Provision for doubtful debts written back.....	19.36	–	– Others .....	331.54	304.56
Other non-operating income .....	76.25	1.99	Legal and professional charges.....	3,566.99	2,481.22
	<u>305.86</u>	<u>648.57</u>	Freight outward.....	255.32	507.02
<b>21. Changes in inventories of finished goods and work-in-progress</b>			Loss on foreign exchange transactions and translations (net of foreign exchange gain of Rs. 98.29 lakhs; 2014-15 - Rs. 29.93 lakhs)	207.65	379.22
Opening stock:			Loss on fixed assets scrapped/ written off .....	0.22	0.83
Work-in-progress.....	9,738.40	6,365.57	Provision for doubtful debts and advances	–	87.49
Finished goods .....	491.86	256.70	Excise duty.....	45.16	44.61
	<u>10,230.26</u>	<u>6,622.27</u>	Bank charges.....	263.23	409.68
Less:			Share issue expenses .....	3.50	–
Closing stock:			Miscellaneous expenses (See note 27)	1,799.90	1,661.36
Work-in-progress.....	8,431.65	9,738.40		<u>28,297.14</u>	<u>33,411.99</u>
Finished goods .....	870.38	491.86			
	<u>9,302.03</u>	<u>10,230.26</u>			
Net (increase)/decrease	<u>928.23</u>	<u>(3,607.99)</u>			
<b>22. Employee benefits expense</b>			<b>25. Significant accounting policies</b>		
Salaries and wages .....	4,965.13	4,771.26	<b>a) Basis of accounting and preparation of financial statements:</b>		
Contribution to provident and other funds .....	381.53	477.94	The financial statements of the Company have been prepared on accrual basis in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013.		
Staff welfare expenses.....	557.35	508.37	<b>b) Use of estimates:</b>		
	<u>5,904.01</u>	<u>5,757.57</u>	The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported revenue and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.		
<b>23. Finance costs</b>			<b>c) Fixed Assets:</b>		
Interest expense on			<b>i. Tangible Fixed Assets:</b>		
– borrowings.....	2,163.15	2,120.91	– Tangible fixed assets are stated at cost less accumulated depreciation. The cost of an asset includes the purchase cost of materials, including import duties and non refundable taxes and any directly attributable costs of bringing an asset to the location and condition of its intended use. Cost also includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible fixed assets upto the date the assets are ready for use.		
– others.....	6.11	4.60	– The Company provides depreciation on straight line method based on the useful lives prescribed in Schedule II of the Companies Act, 2013, after retaining 5% of the		
	<u>2,169.26</u>	<u>2,125.51</u>			
Other borrowing costs.....	56.79	159.81			
	<u>2,226.05</u>	<u>2,285.32</u>			
<b>24. Other expenses</b>					
Stores and spares consumed.....	5,922.31	7,203.65			
Power and fuel.....	13,874.39	17,992.41			
Rent including lease rentals.....	336.51	424.48			
Rates and taxes.....	106.09	148.48			
(including registration fee and stamp duty paid on increasing authorised share capital - Nil; 2014-15 - Rs. 4.75 lakhs)					
Insurance .....	96.62	104.12			

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

original cost as residual value for each class of asset, except in respect of machineries used at Steel Melting Shop, Blooming Mill, Continuous Mill, Rolling Mill and Rings where useful life has been considered at 20 years based on an independent technical evaluation of such machineries.

The depreciation charge for the assets used on double and triple shift basis during the year is increased by 50% and 100% respectively.

- When an asset is scrapped or otherwise disposed off, the cost and the related depreciation are removed from the books of account and the resultant profit (including capital profit) or loss is reflected in the Statement of Profit and Loss.

### ii. Intangible Assets:

Software expenditure incurred is amortised over the period of 36 months equally commencing from the year in which the expenditure is incurred.

### d) Investments:

Investments, all of which are non-current investments, are valued at cost. Provision for diminution is made to recognise a decline, other than temporary, in the value of non-current investments.

### e) Inventories:

Inventories are valued at cost or net realisable value whichever is lower. Cost of inventories is arrived at a weighted average basis and is inclusive of overheads and duties, where appropriate.

### f) Foreign exchange transactions:

Foreign exchange transactions are initially recognised at the exchange rate prevailing on the transaction date. At each balance sheet date foreign currency monetary items are translated at the relevant rates of exchange prevailing at the date. In respect of forward contracts, the premium or discount arising at the inception of such a contract is amortised as expense or income over the life of the contract.

In case of monetary items, the exchange differences are recognised in the Statement of Profit and Loss.

### g) Revenue recognition:

Sales of products are recognised when the products are shipped or on transfer of significant risks and rewards of ownership to the buyer depending upon the terms agreed with customers. Sales of services are recognised when the services are rendered.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

### h) Employee benefits:

#### i. Provident fund:

The Company's contribution to the recognised provident fund, paid/payable during the year, is debited to the Statement of Profit and Loss.

#### ii. Superannuation and other funds/schemes:

Company's contributions paid/payable during the year to officer's superannuation fund, employees' pension scheme, employees' state insurance scheme and labour welfare fund are recognised in the Statement of Profit and Loss.

#### iii. Gratuity and compensated absences:

Company's liability towards gratuity and compensated absences is determined using the projected unit credit method which considers each period of service as giving rights to an additional unit of benefit entitlement and measure each unit separately to build up the final obligation. Past services are recognised on straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using discounted rate i.e.

determined by reference to market yield at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and the estimated terms of the defined benefit obligation.

### i) Borrowing costs:

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are eligible for capitalisation during the year.

### j) Earnings per share:

Basic earnings per share are computed by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax as adjusted for dividend, interest and other changes to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit or increase the net loss per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### k) Taxes on income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of losses under tax laws are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognised to the extent that there is a reasonable certainty of its realisation.

### l) Research and development expenditure:

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for tangible fixed assets.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### m) Leases:

The Company's significant leasing arrangements are in respect of operating leases for machineries. These leasing arrangements are cancellable. The aggregate lease rentals payables are charged as rent.

### n) Impairment of assets:

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

### o) Provisions and contingencies:

A provision is recognised when an enterprise has a present obligation as a result of past event and 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. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent liabilities are disclosed in the financial statements.

## 26. Long-term borrowings:

Terms of repayment of secured term loans from banks are as under:-

Sr. No.	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015		Terms of repayment and other relevant terms with respect to the balance sheet date
	Non-current	Current	Non-current	Current	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	
1.	7,380.00	820.00	8,200.00	-	The loan is to be repaid in 20 equal quarterly instalments of Rs. 410 Lakh each from 8 <sup>th</sup> October 2016 till 7 <sup>th</sup> July 2021
<b>Total</b>	<b>7,380.00</b>	<b>820.00</b>	<b>8,200.00</b>	<b>-</b>	

a) The interest rate applicable on above term loans is prevailing base rate and applicable premium which varied upto 11.15%.

b) Details of security: - Term loans in the table above, is secured by first charge on all existing and future immovable and movable properties of the Company.

## 27. Payment to auditors: \*

	31 <sup>st</sup> March, 2016 Rs. Lakhs	31 <sup>st</sup> March, 2015 Rs. Lakhs
<b>To Statutory Auditor</b>		
- As auditor .....	21.50	15.00
- For other services .....	6.75	6.00
- For reimbursement of expenses .....	0.15	0.06
<b>To Cost Auditor</b>		
- As auditor .....	1.00	0.75

\* Amounts mentioned are exclusive of service tax

## 28. Capital and other commitments :

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March, 2016 Rs. 371.60 Lakhs (2014-2015: Rs. 2,069.39 Lakhs).

(b) The Company has entered into a Technical Assistance Agreement (TAA) with Sanyo Special Steel Company Limited, Japan (Sanyo). The fixed fee as per the TAA is US Dollars 105.00 Lakhs; at the year-end conversion rate is Rs. 6,956.78 lakhs (2014-15 - Rs. 6,562.50 lakhs), exclusive of applicable taxes, of which US Dollars 42.21 lakhs (2014-15 - US Dollars 17.50 lakhs) at the year-end conversion rate is Rs. 2,796.62 lakhs (2014-15 Rs. 1,093.75 lakhs) has been accrued till 31<sup>st</sup> March, 2016 and US Dollars 10.55 lakhs (2014-15 US Dollars Nil) has been remitted to Sanyo during the year.

## 29. Contingent Liabilities :

a) Customers' bills discounted but not matured Rs. 555.35 Lakhs (2014-2015: Rs. 1,895.48 Lakhs).

b) Service Tax matters for which the Company is contingently liable relating to availment of service tax credit on bank charges Rs. 71.70 Lakhs (2014-2015: Rs. 83.83 Lakhs).

## 30. Segment reporting:

As the Company's business activity falls within a single business segment viz. 'Manufacturing of Tool Alloy and Special Steel' and there being no reportable geographical segment, the disclosure requirements of Accounting Standard 17 'Segment Reporting' are not applicable.

## 31. Cost of raw materials consumed:

	31 <sup>st</sup> March, 2016 Rs. Lakhs	31 <sup>st</sup> March, 2015 Rs. Lakhs
1) Ferrous scrap.....	27,867.30	39,369.97
2) Ferro alloys .....	10,040.42	15,790.51
3) Processing charges....	1,613.24	1,293.43
4) Others.....	2,175.85	2,620.89
	<b>41,696.81</b>	<b>59,074.80</b>

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Rs. Lakhs	%	Rs. Lakhs	%
Imported - at landed cost.....	7,912.05	18.98	12,728.42	22.00
Indigenously obtained .....	33,784.76	81.02	46,346.38	78.00
	<b>41,696.81</b>	<b>100.00</b>	<b>59,074.80</b>	<b>100.00</b>

## 32. Stores and spares consumed:

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Rs. Lakhs	%	Rs. Lakhs	%
Imported - at landed cost ..	1,025.14	14.63	1,216.83	14.00
Indigenously obtained .....	5,980.41	85.37	7,273.71	86.00
	<b>7,005.55</b>	<b>100.00</b>	<b>8,490.54</b>	<b>100.00</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**33. C.I.F. value of imports:**

	<b>31<sup>st</sup> March, 2016</b>	31 <sup>st</sup> March, 2015
	<b>Rs. Lakhs</b>	Rs. Lakhs
(a) Raw materials.....	<b>9,200.45</b>	15,538.92
(b) Stores and spares.....	<b>898.01</b>	1,216.40
(c) Capital goods and Services.....	<b>1,762.07</b>	972.01

**34. Expenditure in foreign currency:**

	<b>31<sup>st</sup> March, 2016</b>	31 <sup>st</sup> March, 2015
	<b>Rs. Lakhs</b>	Rs. Lakhs
(a) Interest.....	<b>30.68</b>	50.54
(b) Professional and consultation fees..	<b>2,370.91</b>	1,151.22
(c) Others.....	<b>41.59</b>	148.28

**35. Earnings in foreign exchange:**

	<b>31<sup>st</sup> March, 2016</b>	31 <sup>st</sup> March, 2015
	<b>Rs. Lakhs</b>	Rs. Lakhs
(a) F.O.B. value of exports.....	<b>2,543.68</b>	4,359.08
(b) Freight and insurance on exports ...	<b>79.77</b>	122.46
(c) Reimbursement of expenses.....	<b>1.71</b>	32.63

**37. Related party disclosures:**

a) Related parties where Control exists:

Holding Company Mahindra & Mahindra Limited

b) Investing Parties

Sanyo Special Steel Company Limited, Japan (29.00%)

Mitsui & Company Limited, Japan (20.00%)

c) Names of other related parties with whom transactions have taken place during the year:

Fellow subsidiaries

Mahindra Ugine Steel Co Limited (up to 9<sup>th</sup> December, 2014)

Mahindra Logistics Limited

Mahindra Gears and Transmission Private Limited - (upto 9<sup>th</sup> December, 2014)

Mahindra Aerospace Private Limited

Lords Freight (India) Private Limited

Key Management Personnel

Mr. Uday Gupta, Managing Director

**36. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:**

<b>Sr. No. Particulars</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>
(a) Principal amount outstanding	<b>414.89</b>	511.46
(b) Interest due on the above	-	-
(c) Principal amount paid during the year beyond the appointed day	<b>125.23</b>	101.31
(d) Interest paid during the year beyond the appointed day	<b>1.42</b>	0.95
(e) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
(f) Amount of interest accrued and remaining unpaid at the end of the year	-	0.95
(g) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act.	-	-

**Note:**

a. The above information and that given in Note8 'Trade payables' regarding micro enterprises and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.

b. The interest computation for vendors, who have submitted their registration certificates during the year, is done from the date of receipt of such certificates by the Company.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

(d) Transactions carried out with the related parties referred to in (a), (b) and (c) above in the ordinary course of business:

Rs. Lakhs

Sr. No.	Particulars	Holding Co	Investing Party	Investing Party	FS (upto 9th December 2014)	FS	FS (upto 9th December 2014)	FS	FS	Key Management Personnel
		Mahindra & Mahindra Ltd.	Sanyo Special Steel Co. Ltd., Japan	Mitsui & Co. Ltd., Japan	Mahindra Ugine Steel Co. Ltd.	Mahindra Logistics Ltd.	Mahindra Gears & Transmission Pvt Ltd.	Mahindra Aerospace Pvt Ltd	Lords Freights (India) Pvt. Ltd.	Mr. Uday Gupta
1.	Purchases of goods or services	- (73.39)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
2.	Receiving of services	116.01 (169.47)	- (23.49)	- (-)	- (-)	4.63 (96.29)	- (-)	- (-)	2.53 (41.24)	- (-)
3.	Technical assistance fees paid	- (-)	3,339.69 * (2,245.29) *	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
4.	Shared IT services received	115.28 (89.89)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
5.	Rent paid	184.94 (184.73)	- (-)	- (-)	- (2.70)	- (-)	- (-)	- (-)	- (-)	- (-)
6.	Sale of goods	973.69 (723.94)	- (-)	- (-)	- (-)	- (-)	- (467.71)	- (-)	- (-)	- (-)
7.	Reimbursement of expenses	3.98 (6.16)	- (-)	1.71 # (32.63) #	- (-)	- (-)	- (-)	6.42 (-)	- (-)	- (-)
8.	Reimbursement of Colony Maintenance expenses received	107.15 (107.15)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
9.	Purchase of fixed assets/capex services	- (6.28)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
10.	Deputation of personnel expense	- (8.05)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
11.	Remuneration to key managerial personnel	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	113.19 (105.00)
12.	Rights Issue (Including Securities Premium)	1,785.00 (-)	1,015.00 (-)	700.00 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
13.	Outstandings:									
a)	Payables									
	(i) Payables/creditors	272.67 (187.57)	3,038.67 ** (1,176.85) **	- (-)	- (-)	- (3.70)	- (-)	- (-)	- (26.91)	22.97 (15.00)
b)	Receivables									
	(i) Trade Receivables	186.67 (146.53)	- (-)	- (-)	- (-)	- (-)	- (191.53)	- (-)	- (-)	- (-)
	(ii) Advances	- (1.30)	- (-)	7.82 ## (14.42) ##	- (-)	2.21 (2.21)	- (-)	- (-)	- (-)	- (-)
	(iii) Deposits	3.78 (4.52)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

\* Includes Rs. 1,027.05 Lakhs (2014-2015: Rs. 1,151.54 Lakhs) billed by Sanyo Special Steel India Pvt. Ltd., an Indian subsidiary of Sanyo Special Steel Co. Ltd., Japan.

\*\* Includes Rs. 242.05 Lakhs (2014-2015: Rs. 83.10 Lakhs) payable to Sanyo Special Steel India Pvt. Ltd., an Indian subsidiary of Sanyo Special Steel Co. Ltd., Japan.

# Includes Rs. 0.76 Lakhs (2014-2015: Rs. 26.29 Lakhs) billed to Mitsui &amp; Co. (Asia Pacific) Pvt. Ltd., a subsidiary of Mitsui &amp; Co. Ltd., Japan.

## Includes Rs. 5.18 Lakhs (2014-2015: Rs. 14.42 Lakhs) receivable from Mitsui &amp; Co. (Asia Pacific) Pvt. Ltd., a subsidiary of Mitsui &amp; Co. Ltd., Japan.

Notes :-

- The transaction amounts reported above are inclusive of applicable taxes.
- Previous years figures have been disclosed in parenthesis.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 38. Earnings per share:

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
a) Loss after tax (Rs. Lakhs)	(5,208.62)	(6,327.46)
b) Weighted average equity shares (Nos.)	107,44,034	100,00,000
– 1,00,00,000 equity shares outstanding for the period from 1 <sup>st</sup> April, 2015 to 17 <sup>th</sup> May, 2015.		
– 1,08,53,656 equity shares outstanding for the period from 18 <sup>th</sup> May, 2015 to 31 <sup>st</sup> March, 2016		
c) Basic and diluted earnings per equity share (Rs.)	(48.48)	(63.27)

### 39. Foreign currency exposures:

The Company has entered into Forward Foreign Exchange Contracts and plain vanilla options [being derivative instruments], which are not intended for trading or speculative purpose, but for hedge purpose, to establish the amount of reporting currency required or available at the settlement date of trade payables.

The following are the outstanding Forward Foreign Exchange Contracts and options contracts as on 31<sup>st</sup> March, 2016:

Mode of Hedging	Currency	Amount in Lakhs	Buy/Sell
Forward Cover/Options.....	US Dollar	41.39	Buy
	(US Dollar)	(83.48)	(Buy)
	Euro	4.53	Sell
	(Euro)	(9.03)	(Sell)
	US Dollar	0.73	Sell
	(US Dollar)	(Nil)	(Sell)

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a. Amounts payable in foreign currency on account of the following:		
	Indian Rupees Rs. Lakhs	Foreign Currency Lakhs
• Provision for technical assistance fee.....	2,796.62 (1,099.22)	US \$ 42.21 (US \$ 17.59)
b. Amounts receivable in foreign currency on account of the following:		
	Indian Rupees Rs. Lakhs	Foreign Currency Lakhs
• Export of goods and services...	17.54 ( 42.60)	US \$ 0.29 (US \$0.68)
• Reimbursement of expenses ....	– (13.37)	– (US \$ 0.21)

Previous year's figures have been disclosed in parenthesis.

### 40. Employee Benefit Plans:

#### A Defined Benefit Plans:

##### Gratuity:

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees.

The scheme provides for lump sum payment to vested employees at retirement or on termination of employment of an amount equivalent to

15 days salary for each completed year of service or part thereof in excess of six months. In case of death of the employee while in service, gratuity is paid for an amount equivalent to 30 days salary for each completed year of service or part thereof in excess of six months.

The ceiling limit for gratuity payment is restricted to 20 months' salary. Vesting occurs upon completion of five years of service.

#### Detailed disclosures on Defined Benefit Plan – Gratuity are as follows: (Rs. in lakh)

Particulars	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>I Expenses/(Income) recognised in the statement of Profit and Loss Account for the year ended 31<sup>st</sup> March, 2016- included in Note 22 under line item "Contribution to provident and other funds"</b>		
1. Current Service Cost	85.85	67.09
2. Interest Cost	112.94	115.98
3. Expected return on plan assets	(100.72)	(110.84)
4. Actuarial (Gains)/Losses	12.97	165.80
5. Total Expense/(Income)	111.04	238.03
<b>II Net Asset/(Liability) recognised in the Balance Sheet as at 31<sup>st</sup> March, 2016</b>		
1. Present Value of Defined Benefit Obligation	(1,563.22)	(1,554.25)
2. Fair value of plan assets	1,447.83	1,249.90
3. Net Asset/(Liability)	(115.39)	(304.35)
<b>III Change in Obligation during the year ended 31<sup>st</sup> March, 2016</b>		
1. Present Value of Defined Benefit Obligation at the beginning of the year	1,554.25	1,340.34
2. Current Service Cost	85.85	67.09
3. Interest Cost	112.94	115.98
4. Actuarial (Gains)/Losses	43.48	164.82
5. Benefit Payments	(233.30)	(133.98)
6. Present Value of Defined Benefit Obligation as at the end of the year	1,563.22	1,554.25
<b>IV Change in Assets during the year ended 31<sup>st</sup> March, 2016</b>		
1. Plan assets at the beginning of the year	1,249.90	1,274.03
2. Expected return on plan assets	100.72	110.84
3. Contributions by employer	300.00	–
4. Actual benefits paid	(233.30)	(133.98)
5. Actuarial Gains/(Losses)	30.51	(0.98)
6. Plan assets at the end of the year	1,447.83	1,249.90
<b>V Actual return on Plan Assets (1+2)</b>	131.23	109.86
1. Expected return on plan assets	100.72	110.84
2. Actuarial Gains/(Losses)	30.51	(0.98)
<b>VI The major categories of plan assets as a percentage of total Plan</b>		
Funded with LIC of India (See note below)	100%	100%
<b>VII Actuarial Assumptions:</b>		
1. Discount Rate	7.60%	8.00%
2. Expected rate of return on plan assets	9.40%	9.40%
	2006-08	2006-08
3. Mortality pre-retirement	Mortality base	Mortality base
4. Turnover rate	1 to 2%	1 to 2%
5. Salary escalation rate	7.50%	7.50%

Note: The Company is unable to obtain the details of major category of plan assets from the Insurance Company (LIC of India) and hence the disclosure thereof is not made.



**B. Net Assets/(Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:**

Particulars	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>	31 <sup>st</sup>
	March, 2016 Rs. Lakhs	March, 2015 Rs. Lakhs	March, 2014 Rs. Lakhs	March, 2013 Rs. Lakhs
1. Present Value of Defined Benefit Obligation	(1,563.22)	(1,554.25)	(1,340.34)	(1,355.99)
2. Fair value of plan assets	1,447.83	1,249.90	1,274.03	1,289.86
3. Funded Status [Surplus/(Deficit)]	(115.39)	(304.35)	(66.31)	(66.13)
4. Net Asset/(liability)	(115.39)	(304.35)	(66.31)	(66.13)
5. Experience adjustment arising on:				
a. Plan Liabilities	27.87	87.94	7.93	107.22
b. Plan Assets	30.51	(0.98)	(3.95)	40.94

Note: The Company was incorporated in November 2011 and did not have any operations in the Financial Year 2011-12. Accordingly, the above disclosure requirement is not applicable for that year.

**C. Basis used to determine expected rate of return on assets:**

This is based on expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

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

**E.** The Company expects to fund the entire shortfall in the Employees' Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India during the first half of the next financial year.

**F. Defined Contribution Plans:**

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits.

Company's contribution paid/payable during the year to Officer's Superannuation Fund, Pension Fund and Provident Fund are recognized in the Statement of Profit and Loss. These amounts are recognized as an expense and included in the Note No. 22 to the Statement of Profit and Loss under the head "Employee benefits expense" in line item "Company's contribution to provident and other funds".

	31 <sup>st</sup> March, 2016 Rs. Lakhs	31 <sup>st</sup> March 2015 Rs. Lakhs
i) Provident Fund .....	130.18	126.50
ii) Superannuation Fund .....	40.78	39.85
ii) Employees' Pension Scheme .....	95.18	73.54

41. Previous year's figures have been regrouped wherever necessary to correspond with the current year's classification/disclosure.

	For and on behalf of the Board	
Signature to Notes 1 to 41	<b>Uday Gupta</b>	<i>Managing Director</i>
	<b>Shriprakash Shukla</b>	<i>Chairman</i>
<b>Sudhir Yagnik</b> <i>Chief Financial Officer</i>	<b>Pradeep Salian</b> <i>Company Secretary</i>	<b>Kozo Takahashi</b> <b>Naota Komaki</b> <b>Ajay Kumar Mantry</b> <b>Daljit Mirchandani</b> <b>Jayashree Vaidhyanathan</b>
		} <i>Directors</i>

Date: 20<sup>th</sup> May, 2016  
Place: Mumbai

## DIRECTORS' REPORT

### Dear Shareholders,

Your Directors are pleased to present their Twentieth Report together with the audited financial statements of your Company for the year ended March 31, 2016.

#### 1. Operations and Financial Overview

During 2015-16, your Company performed creditably in spite of a subdued consumer sentiment, especially towards high-value discretionary spend categories. It added around 16,200 new members to its vacation ownership business, taking the total membership to close to two lakh at the end of the year. The new member addition was higher as compared to the previous year, and reflects the successful execution of Company's strategy to focus on high quality leads from pull-based channels such as referrals and digital. During the year, the Company added 87 new room units, taking the total inventory to 2,879 units as of March 31, 2016.

The Company, during the month of September 2015, had increased its stake in Holiday Club Resorts Oy, Finland (HCR) from 23.3 per cent to 85.6 per cent resulting in HCR becoming a subsidiary company of the Company.

Your Company's total income (including other income) grew from ₹ 80,756 lakh in 2014-15 to ₹ 96,261 lakh in 2015-16. Profit after taxes (PAT) grew from ₹ 7,902 lakh in 2014-15 to ₹ 11,735 lakh in 2015-16. Diluted earnings per share (EPS) for 2015-16 stood at ₹ 13.29, up from ₹ 8.98 in the previous year.

Your Company's consolidated total income (including other income) during 2015-16 was ₹ 1,60,382 lakh. The consolidated PAT was ₹ 9,906 lakh and the diluted EPS was ₹ 11.22. The consolidated numbers include results of HCR subsequent to its becoming a subsidiary of your Company.

There are no audit qualifications in the standalone or in the consolidated financial statements by the Statutory Auditors for the year under review.

#### 2. Financial Highlights (Standalone)

	(₹ Lakh)	
	2016	2015
<b>Income:</b>		
Income from sale of Vacation Ownership and other services.....	<b>95,153</b>	79,485
Other Income	<b>1,108</b>	1,271
Total Income	<b>96,261</b>	80,756
<b>Expenditure:</b>		
Less: Employee Cost & other expenses .....	<b>(71,911)</b>	(61,506)
Profit before Depreciation, Interest and Taxation .....	<b>24,350</b>	19,250
Less: Depreciation	<b>(7,133)</b>	(6,541)
Interest	<b>(8)</b>	(25)
<b>Profit for the year before Exceptional Item and Tax .....</b>	<b>17,209</b>	12,684
Less: Exceptional Item (pre-tax) .....	-	(2,188)
<b>Profit for the year before Tax .....</b>	<b>17,209</b>	10,496
Less: Provision for Tax – Current Tax .....	<b>(4,984)</b>	(1,920)
– Deferred tax (net).....	<b>(490)</b>	(674)
<b>Net Profit for the year after tax.....</b>	<b>11,735</b>	7,902
Balance brought forward from earlier years.....	<b>34,070</b>	37,688
Less: Adjustment on Amalgamation.....	<b>(1,516)</b>	(4,560)
Less: Loss of Bell Tower Resorts Private Limited erstwhile wholly owned subsidiary for the year 2013-14 .....	-	(870)
Less: Depreciation adjustment consequent to transition to Schedule II of the Companies Act, 2013 net of deferred tax of ₹ 528 lakh .....	-	(1,026)
	<b>44,289</b>	39,134

	2016	2015
		(₹ Lakh)
<b>Appropriations:</b>		
General Reserve .....	(1,170)	(790)
Proposed Dividend on Equity Shares .....	(4,439)	(3,551)
Income Tax on Proposed Dividend.....	(904)	(723)
Surplus carried to Balance Sheet.....	37,776	34,070

### 3. Dividend

Your Directors are pleased to recommend a dividend of ₹ 5/- per equity share of face value ₹ 10/- each for the financial year ended March 31, 2016. The dividend, if approved at the ensuing Annual General Meeting, will be paid to the shareholders whose names appear on the register of members of the Company as on the Book Closure Date. The equity dividend outgo for 2015-16, inclusive of tax on distributed profits would absorb a sum of ₹ 5,343 lakh (as compared to ₹ 4,274 lakh comprising the dividend of ₹ 4/- per equity share and tax on distributed profits paid for the previous financial year).

### 4. Transfer to Reserve

The Board of Directors proposes to transfer ₹ 1,170 lakh to the General Reserve representing around 10 per cent of the profit for the year. The balance is proposed to be retained in the Profit & Loss Account.

### 5. Share Capital

The paid up equity share capital as on March 31, 2016 was ₹ 8,878 lakh. During the year under review, your Company did not issue shares with differential voting rights / sweat equity except fresh grant issued under the Company's Employee Stock Option Scheme 2014, discussed later in this report.

Details of Directors' shareholding as on March 31, 2016, are mentioned in the Corporate Governance Report, which forms a part of this Annual Report.

### 6. Scheme of Amalgamation and Arrangement pertaining to Competent Hotels Private Limited, Divine Heritage Hotels Private Limited and Holiday on Hills Resorts Private Limited, wholly owned subsidiary companies

During the year under review, Competent Hotels Private Limited (CHPL), Divine Heritage Hotels Private Limited (DHHPL) and Holiday on Hills Resorts Private Limited (HHRPL), wholly owned subsidiary companies of the Company, were amalgamated with the Company with effect from March 31, 2016, being the date of filing the Order of Hon'ble High Court of Madras with the Registrar of Companies at Chennai. The Appointed Date fixed for the amalgamation was April 1, 2015 and the respective Schemes of the Amalgamation and Arrangement ("the Scheme") were approved by the Hon'ble High Courts of Chennai, Delhi, Jaipur and Himachal

Pradesh on January 29, 2016, February 29, 2016, February 19, 2016 and February 25, 2016 respectively.

Consequent to the above, CHPL, DHHPL and HHRPL ceased to be subsidiaries of the Company and the entire business, all the assets and liabilities, duties and obligations of CHPL, DHHPL and HHRPL have been transferred to and vested in the Company pursuant to the Scheme with effect from April 1, 2015 ("the Appointed Date"). There was no allotment of shares to the equity shareholders of CHPL, DHHPL and HHRPL since they were wholly owned subsidiaries of the Company. The amalgamation has been accounted under the 'pooling of interest method' referred in Accounting Standard 14 and the assets and liabilities transferred have been recorded at their book values as on the Appointed Date. Further, difference of ₹ 9,317 lakh between value of assets and liabilities acquired at their book value at the Appointed Date as reduced by carrying value of investment in the books of the Company was adjusted in the "Amalgamation and Reserve Account" and the same was transferred to "Securities Premium Account" on the Appointed Date as per the approved Scheme.

### 7. Related Party Transactions

Your Company undertakes various transactions with related parties in the ordinary course of business. All transactions entered with related parties during the year under review are on arm's length basis and in the ordinary course of business and that the provisions of the Section 188 of the Companies Act, 2013 ("the Act") are not attracted.

During the year under review, your Company has provided corporate guarantee on behalf of MHR Holdings (Mauritius) Limited (MHR Holdings), wholly owned subsidiary of the Company, in respect of funds raised by it in Mauritius in order to further invest in Holiday Club Resorts Oy, Finland (HCR). This investment in HCR by MHR Holdings were made through its wholly owned subsidiary Covington S.à.r.l, Luxembourg (Covington). Your Directors confirm that this transaction with MHR Holdings is in the ordinary course of business and at arm's length as per the transfer pricing guidelines.

Apart from the above transaction with MHR Holdings, your Company had not entered into any contracts/arrangements/transactions with related parties which could be considered material in accordance with the policy of the Company i.e. Policy on Materiality of and Dealing

with Related Party Transactions (RPT Policy). The details of the above material related party transactions with MHR Holdings at an aggregate level for the year ended March 31, 2016 is annexed to this report as Annexure 1.

There were no materially significant related party transactions with the Promoters, Directors and Key Managerial Personnel, which may have a potential conflict with the interest of the Company at large.

The RPT Policy as approved by the Audit Committee and the Board is available on the website of the Company at the following link: [http://www.clubmahindra.com/sites/default/files/Policy\\_on\\_RPT.pdf](http://www.clubmahindra.com/sites/default/files/Policy_on_RPT.pdf).

Your Directors draw attention of the members to Note No. 44 to the standalone financial statements which sets out related party disclosure.

#### **8. Particulars of Loans and Advances, Guarantees or Investments**

As your Company is engaged in the business of providing infrastructural facilities, the provisions of Section 186 of the Act related to loans made, guarantees given or securities provided are not applicable to the Company. However, the details of such loans made, and guarantees given to/on behalf of subsidiary companies/JV company are provided in the standalone financial statement at Note No. 44 to the standalone financial statements. These loans and guarantees for which loans are provided are proposed to be utilised by the respective recipients for their business purposes.

The details of loans and advances which are required to be disclosed in the annual report of the Company pursuant to Regulation 34(3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") are furnished separately as Annexure 2 to this report.

Particulars of investments made by the Company are provided in the standalone financial statements at Note Nos. 13 and 16.

#### **9. Significant and Material Orders passed by the Regulators or Courts**

There are no significant and material orders passed by the Regulators/Courts/Tribunal which would impact the going concern status of the Company and its operations in future

#### **10. Corporate Social Responsibility**

Corporate Social Responsibility (CSR) activities of the Company are guided by its CSR Policy, which is framed and approved by the Board. These are discussed in detail in the Management Discussion and Analysis Report, which forms a part of this Annual Report. The statutory disclosure with respect to CSR activities forms part of this report and is annexed herewith as Annexure 3.

#### **11. Sustainability**

In line with the philosophy of the Mahindra Group, your Company is committed by following sustainable practices in its operations. The details of the initiatives taken by your Company in this regard are discussed in the section on Sustainability in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

#### **12. Corporate Governance Report**

A Report on Corporate Governance along with a certificate from the statutory auditors of the Company regarding the compliance of conditions of corporate governance as stipulated under Schedule V of the SEBI Listing Regulations forms a part of this Annual Report.

#### **13. Management Discussion and Analysis Report**

A detailed analysis of the Company's operational and financial performance as well as the initiatives taken by the Company in key functional areas such as Resort Operations, Member Relations, Quality and Information Technology are separately discussed in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

#### **14. Whistle Blower Policy and Vigil Mechanism**

The details of the Whistle Blower Policy and Vigil Mechanism have been disclosed in the Corporate Governance Report, which forms a part of this Annual Report.

#### **15. Employees' Stock Option**

Employees Stock Options represent a reward system based on performance. It helps companies attract retain and motivate the best available talent. This also provides an opportunity to employees to participate in the growth of the Company, besides creating long term wealth in their hands. In line with this, the Company formulated the employees stock option scheme called Mahindra Holidays & Resorts India Limited Employees' Stock Option Scheme 2006 ("MHRIL ESOS 2006") and was approved by the shareholders at the Annual General Meeting of the Company held on May 17, 2006. Further, subsequent to the initial public offer, the MHRIL ESOS 2006 was ratified by the Shareholders by way of postal ballot on December 23, 2009. The MHRIL ESOS 2006 will remain in operation till the exercise of Options granted under this scheme.

In addition to above and continue to reward the employees, the Board of Directors of your Company have introduced new employee stock option scheme namely "Mahindra Holidays & Resorts India Limited Employees' Stock Option Scheme 2014" ("MHRIL ESOS 2014") and approved by the shareholders by way of postal ballot on December 26, 2014, in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('SEBI ESOP Regulations').

Further, the balance shares available under MHRIL ESOS 2006 together with any other shares represented by Options that may lapse for any reason thereat, will also be available for issuing/granting Options to the Employees under MHRIL ESOS 2014.

During the year under review, on the recommendation of the Nomination and Remuneration Committee, a total of 3,10,000 new options were granted (Grant II & III) under the MHRIL ESOS 2014.

Details required to be provided under the under Regulation 14 of SEBI ESOP Regulations is available on the Company's website <http://www.clubmahindra.com/about-us/investor-relations>.

A certificate from the Statutory Auditors of the Company confirming that the MHRIL ESOS 2006 and MHRIL ESOS 2014 have been implemented in accordance with the SEBI ESOP Regulations, and the resolution passed by the shareholders, will be placed at the ensuing Annual General Meeting for inspection by members.

## 16. Subsidiaries, Joint Venture and Associate Companies

During the year under review and as reported earlier in this report, Competent Hotels Private Limited (CHPL), Divine Heritage Hotels Private Limited (DHHPL) and Holiday on Hills Resorts Private Limited (HHRPL), ceased to be subsidiaries of your Company consequent to amalgamation of CHPL, DHHPL and HHRPL with the Company with effect from March 31, 2016.

Further, the Company has increased its equity investment in Gables Promoters Private Limited (GPPL), a wholly owned subsidiary, by conversion of the unsecured Inter Corporate Deposits amounting to ₹ 36,47,86,000/- given to GPPL into 3,64,78,600 Equity Shares of ₹ 10/- each at par.

As reported earlier in this report, your Company through its subsidiary Covington S.à.r.l, Luxemburg (Covington), increased its equity stake from 23.3% to 85.6% in September, 2015, in Holiday Club Resorts Oy, Finland (HCR). Consequently, HCR became subsidiary company of Covington and in turn subsidiary company of the Company with effect from September 2, 2015.

Also, your Company through its subsidiary Covington, increased its equity stake from 18.7% to 100% in HCR Management Oy Finland, (HCRM), with effect from September 2, 2015. Consequently, HCRM became wholly subsidiary company of Covington and in turn subsidiary company of the Company. Covington is the holding company for investments in HCR and HCRM.

In addition to the above, Holiday Club Sweden Ab, Ownership Service Sweden AB, Holiday Club Canarias Investment S.L.U, Holiday Club Canarias Sales & Marketing S.L.U, Holiday Club Canarias Resort Management S.L.U, Holiday Club Rus Resorts LLC, Suomen Vapaa-aikakiinteistöt Oy, Kiinteistö Oy Himos Gardens, Kiinteistö Oy Himoksen Tähti 2 Oy, Kiinteistö Oy Tunturinrivi, Kiinteistö Oy Vanha Ykköstii, Kiinteistö Oy Katinnurkka,

Kiinteistö Oy Tenetinlahti, Kiinteistö Oy Mällönsiemi, Kiinteistö Oy Rauhan Ranta 1, Kiinteistö Oy Rauhan Ranta 2, Kiinteistö Oy Tiurunniemi, Saimaa Gardens Arena Oy (associate company till January 18, 2016), Kiinteistö Oy Rauhan Liikekiinteistöt 1, Supermarket Capri Oy, Kiinteistö Oy Kylpylätorni 1, Kiinteistö Oy Spa Lofts 2, Kiinteistö Oy Spa Lofts 3, Kiinteistö Oy Kulennoinen, Kiinteistö Oy Kuusamon Pulkajärvi 1, Caribia Service Oy, Holiday Club Sport and Spahotel AB, Are Semesterby A AB, Are Semesterby B AB, Are Semesterby C AB, Are Semesterby D AB, Are Villa 1 AB and Are Villa 2 AB became subsidiary companies of your Company during the year under review.

Further, Kiinteistö Oy Jalomella, Kiinteistö Oy Outapalas, Kiinteistö Oy Ulkuvuoma, Kiinteistö Oy Lappeenrannan Saimaan Kreivi, Sallan Tunturipalvelut Oy, Kiinteistö Oy Katinkullan Villas Parkki, Holiday Club Golf Saimaa Oy, Saimaa Action Park Oy, Kiinteistö Oy Kulennoinen, Kongressi- ja Kylpylähotelli Caribia Oy, Saariselkä Resort Oy, Himos Hillside Golf Oy, Kiinteistö Oy Pisterinniementie 2, Holiday Club Katinkullan Villas Oy, Kiinteistö Oy Katinpalsta, Kiinteistö Oy Rauhan Ranta 6, Kiinteistö Oy Rauhan Parkki, Saimaan Palvelukiinteistöt Oy, Kiinteistö Oy Paviljongin Pysäköinti and Kiinteistö Oy Hakan Perusyhtiö 79, which became subsidiary companies of your Company during the year under review, subsequently ceased to be subsidiaries of your Company during the year under review.

As of March 31, 2016, your Company has 41 subsidiaries (including 36 indirect subsidiaries), 1 JV company and 4 associate companies (including 3 indirect associates).

## 17. Performance of Subsidiaries

### Domestic Subsidiaries

Gables Promoters Private Limited (GPPL), is the wholly owned subsidiary company of the Company. GPPL is currently developing a resort property of around 120 rooms at Naldhera, Shimla, Himachal Pradesh and the construction of the same is at an advanced stage. GPPL is yet to commence operation.

Mahindra Hotels and Residences India Limited (MHARIL) is the wholly owned subsidiary company of the Company. MHARIL did not have any operation during the year under review.

### Foreign Subsidiaries

Heritage Bird (M) Sdn. Bhd, Malaysia (Heritage Bird) is the wholly owned subsidiary company of the Company. Heritage Bird's principal activities are holding of investment and leasing of properties. Heritage Bird has rooms/units in apartment properties in a well-known location at Kuala Lumpur, Malaysia.

MH Boutique Hospitality Limited, Thailand (MH Boutique), in which your Company holds forty nine per cent of equity stake, is the subsidiary of the Company by virtue of control on the composition of the Board of MH Boutique and it mainly holds investments in Infinity Hospitality Group Company Limited, Thailand.

Infinity Hospitality Group Company Limited, Thailand (Infinity) is the subsidiary company of MH Boutique and by virtue of the same is also subsidiary of the Company. Infinity own and operate a hotel/apartment property at Bangkok, Thailand. Your Company avails rooms in the hotel property of Infinity for usage of its guests and vacation ownership members.

MHR Holdings (Mauritius) Limited, Mauritius (MHR Holdings), is a wholly owned subsidiary company of the Company. The principal activity of MHR Holdings is to hold investments. Currently, it hold investment in Covington S.à.r.l, Luxembourg.

Covington S.à.r.l, Luxemburg (Covington) is a wholly owned subsidiary of MHR Holdings and in turn a subsidiary of your Company. Further, as reported earlier in this report, Covington, during the year under review, had increased its stake in Holiday Club Resorts Oy, Finland (HCR) and HCR Management Oy, Finland (HCRM) by acquiring shares from their respective shareholders. Consequent to these investments HCR and HCRM became subsidiaries of Covington and in turn of the Company with effect from September 2, 2015. Further, post increase in its stake, Covington had also made fresh investment in share capital of HCR during September 2015.

HCR, subsidiary of Covington in turn of the Company, is a leading weekly timeshare company in Europe and a significant operator in the fields of holiday housing and tourism. As of March 31, 2016, HCR has 31 resorts of which 23 are located in Finland, 2 in Sweden and 6 in Spain. Further, out of these, 7 resorts in Finland and 1 resort in Sweden have a spa hotel attached. HCR operates 1,159 hotel rooms and 2,173 holiday homes (Time share units and villa units).

HCRM, which became wholly owned subsidiary of Covington in turn of the Company during the year, is primarily engaged in the sale and trade of real estates, property management, investment activities and dealing in securities. HCRM hold investment in the share capital of HCR.

#### **Joint Venture**

Arabian Dreams Hotel Apartments LLC, Dubai (Arabian Dreams), a Joint Venture company of the Company operates 75 room hotel property in Dubai (UAE) taken on lease basis. Your Company avails rooms/apartments in the hotel property of Arabian Dreams for usage of its guests and vacation ownership members.

#### **Associate Companies**

Guestline Hospitality Management & Development Services Limited (Guestline) is an associate company of your Company pursuant to the provisions of the Act, as the Company is holding more than 20 per cent of total share capital which includes preference share capital. Guestline did not have any operations during the year under review.

During the year under review, Kiinteistö Oy Seniori-Saimaa, Saimaa Adventures Oy and Kiinteistö Oy Sallan Kylpylä, associate companies of HCR became associate companies of your Company.

A report on the performance and financial position of each of the subsidiaries, associates and joint venture company as per the Act is provided as Annexure to the consolidated financial statements and hence not repeated here for the sake of brevity.

The policy for determining material subsidiaries as approved by the Board may be accessed on the Company's website at the link: [http://www.clubmahindra.com/sites/default/files/Policy\\_For\\_Determining\\_Material\\_Subsidiaries.pdf](http://www.clubmahindra.com/sites/default/files/Policy_For_Determining_Material_Subsidiaries.pdf).

In accordance with the third proviso to Section 136(1) of the Act, the Annual Report of the Company, containing therein its standalone and the consolidated financial statements are available on Company's website [www.clubmahindra.com](http://www.clubmahindra.com). Further, as per fourth proviso to the said Section, the audited annual accounts of each of the said subsidiary companies of the Company are also available in the Company's website [www.clubmahindra.com](http://www.clubmahindra.com). Any shareholder who may be interested in obtaining a copy of the aforesaid documents may write to the Company Secretary at the Company's Registered Office. Further, the said documents will be available for examination by the shareholders of the Company at its Registered Office during all working days except Saturday, Sunday, Public Holidays and National Holidays, between 11.00 AM to 1.00 PM.

#### **18. Directors**

As on March 31, 2016, your Company had 10 Directors, which include 5 Independent Directors (IDs), 3 Non-Executive Directors (NEDs) and 2 Executive Directors (EDs).

#### **19. Retirement by Rotation**

In terms of the Articles of Associations of the Company and as per Section 152(6) of the Act, Mr. Arun Kumar Nanda, being longest in the office, shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

#### **20. Declaration by Independent Directors**

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Act that he/she meets the criteria of independence laid down in Section 149(6) of the Act and Regulation 16 of SEBI Listing Regulations.

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

Mr. Kavinder Singh, Managing Director & Chief Executive Officer, Mr. S Krishnan, Chief Financial Officer & Executive Director and Mr. Dinesh Shetty, General Counsel &

Company Secretary, are the KMPs as per the provisions of the Act. None of the KMPs resigned during the year.

## 22. Board Evaluation

The Board has conducted annual evaluation of the performance of all its Directors, Committees of the Board and that of its Non-Executive Chairman, in terms of the relevant provisions of the Act, Rules made thereunder and SEBI Listing Regulations. The manner in which the evaluation was conducted by the Company has been explained in the Corporate Governance Report, which forms a part of this Annual Report.

The Policy on appointment of Directors and Senior Management, Policy on Remuneration of Directors and Policy on Remuneration of Key Managerial Personnel and Employees are attached herewith and marked as Annexure 4, Annexure 5A and Annexure 5B respectively.

The Managing Director & CEO and Chief Financial Officer & Executive Director do not receive remuneration or commission from any of its subsidiaries and draw remuneration only from the Company.

## 23. Number of Board Meetings

During the year under review, the Board of Directors met Six times. The details of Board Meetings and attendance of Directors are provided in the Report on Corporate Governance, which forms a part of this Annual Report.

## 24. Composition of Audit Committee

The Board has constituted the Audit Committee with Mr. Sridar Iyengar as its Chairman and Mr. Cyrus Guzder, Mr. Rohit Khattar, Mr. Sanjeev Aga and Mr. V S Parthasarathy as its other members. Further details are provided in the Report on Corporate Governance, which forms a part of this Annual Report.

## 25. Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Act, your Directors state that:

- a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable Accounting Standards had been followed and there is no material departure;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;
- c) they 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;

- d) the annual accounts have been prepared on a going concern basis;
- e) the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 26. Internal Financial Controls and Their Adequacy

Your Company has an adequate internal control system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency. Further details are provided in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

## 27. Consolidated Financial Statements

The Consolidated Financial Statements of the Company and its subsidiaries prepared in accordance with the Act and applicable Accounting Standards forms part of this Annual Report.

The Consolidated Financial Statements presented by the Company includes the financial results of its subsidiary companies, associates and joint venture company.

## 28. Risk Management

Your Company has a well-defined risk management framework to identify and evaluate elements of business risk. These are discussed in detail in the Management Discussion and Analysis Report forming part of this Annual Report.

## 29. Auditors

### A) Statutory Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants, Chennai, statutory auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

As required under the provisions of section 139(1) of the Companies Act, 2013, the Company has received a written consent from Messrs Deloitte Haskins & Sells, Chartered Accountants, Chennai to their re-appointment and a Certificate to the effect that their re-appointment, if made, would be in accordance with the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in section 141 of the Act.

### B) Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and Rules thereunder, the Company has appointed Mr. Mukesh

Siroya, Practicing Company Secretary to undertake the secretarial audit of the Company. The Report of the secretarial auditors is annexed herewith as Annexure 6.

There are no qualifications, reservations or adverse remarks made by Mr. Mukesh Siroya, Practising Company Secretaries, secretarial auditors of the Company in their secretarial audit report.

### 30. Deposits

Your Company has not accepted any deposits from public or its employees and, as such no amount on account of principal or interest on deposit were outstanding as of the Balance Sheet date.

### 31. Material Changes and Commitment Affecting Financial Position of the Company

There are no material changes and commitments, affecting financial position of the Company which have occurred between the end of the financial year of the Company i.e. March 31, 2016, and the date of the Directors' Report.

### 32. Extract of Annual Return

An extract of the Annual Return as of March 31, 2016 pursuant to the sub section (3) of Section 92 of the Act, in form MGT 9 is annexed herewith as Annexure 7.

### 33. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company continuously strives to conserve energy, adopt environment friendly practices and employ technology for more efficient operations. Some of these initiatives are discussed in the section on Sustainability in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Act and Rule 8(3) of the Companies (Accounts) Rules, 2014 are given in the Annexure 8 to this report.

### 34. Human Resources

Your Company takes pride in the commitment, competence and dedication shown by its employees in all areas of its business. It considers people as its biggest assets. It has put concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership. Your Company has a structured induction process at all its locations and management development programs to upgrade skills of managers. These are discussed in detail in the Management Discussion and Analysis Report forming part of this Annual Report.

The Company has a Policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace and matters connected therewith or incidental thereto covering all the aspects as contained under The Sexual Harassment of Women at Workplace (Prohibition,

Prevention and Redressal) Act, 2013. There was no complaint pending at the beginning of the year. During the year under review, the Company received two complaints under the Policy, while one complaint was disposed off during the year and other one was disposed off in the month of April 2016. Further, there were no complaints pending for more than 90 days during the year.

### 35. Particulars of Employees

The ratio of the remuneration of each director to the median employees' remuneration and other details in terms of Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("the Rules"), forms a part of this report as Annexure 9.

The Company had 8 (Eight) employees who were employed throughout the year and were in receipt of remuneration more than ₹ 60 lakh per annum and 3 (Three) employees were employed for part of the year and were in receipt of remuneration of more than ₹ 5 lakh per month.

In terms of Section 136 of the Act, the copy of the financial statements of the Company, including the consolidated financial statements, the auditor's report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the said employees containing the particulars as specified in Rule 5(2) of the said Rules, which is available for inspection by the Members at the Company's Registered Office during all working days except on Saturday, Sunday, Public Holidays and National Holidays, between 11.00 AM to 1.00 PM. up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, he may write to the Company Secretary of the Company at its Registered Office.

The financial statements, reports etc. of the Company are available on the website of the Company [www.clubmahindra.com](http://www.clubmahindra.com).

### 36. Acknowledgement and Appreciation

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, bankers, financial institutions and the Central and State Governments for their unstinted support. The Directors would also like to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016



**ANNEXURE 1 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016****Form No. AOC – 2**

**(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 (“the Act”) and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Act including certain arm's length transactions under third proviso thereto

**1. Details of contracts or arrangements or transactions not at arm's length basis: None**

**2. Details of material contracts or arrangement or transactions at arm's length basis:**

(a) Name(s) of the related party Nature of relationship	MHR Holdings (Mauritius) Limited (MHR Holdings) Wholly owned subsidiary of the Company		
(b) Nature of contracts/ arrangements /transactions	Corporate Guarantee ('Guarantee')	Commission on Corporate Guarantee	Inter Corporate Deposits (ICD)
(c) Duration of the contracts/ arrangements/transactions	5 Years	NA	One year
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Guarantee given on behalf of MHR Holdings by the Company guaranteeing repayments of foreign currency loans to a Bank raised by MHR Holdings. Period of the Guarantee is 5 years. Aggregate Value of the guarantee given is Euro 50 million (equivalent to ₹ 37,485 lakh as on March 31, 2016)	Commission on Corporate Guarantee granted by the Company amounting to ₹ 121.37 lakh for the year ended March 31, 2016.	ICD given to MHR Holdings by the Company for an amount of Euro 250,000 (equivalent to ₹ 187.42 lakh as on March 31, 2016)
(e) Date(s) of approval by the Board, if any:	NA	NA	NA
(f) Amount paid as advances, if any;	Nil	Nil	Nil

The above mentioned transactions were entered into by the Company in its ordinary course of business.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

**ANNEXURE 2 TO THE DIRECTORS REPORT AS ON MARCH 31, 2016**

**Loans and Advances as per Regulation 34(3) read with Part A of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”):**

Particulars of loans and advances to subsidiaries, associates, etc., as required to be disclosed in the annual report of the Company pursuant to Regulation 34(3) read with Part A of Schedule V of SEBI Listing Regulations:

**Loans and advances in the nature of loans to subsidiaries:**

(₹ in lakh)

Name of the Company	Balance as on March 31, 2016	Maximum outstanding during the year
Heritage Bird (M) Sdn Bhd.	767	777
Infinity Hospitality Group Company Limited	2,589	2,589
MH Boutique Hospitality Limited	529	529
Gables Promoters Private Limited	250	3,748
MHR Holdings (Mauritius) Limited	187	187
Mahindra Hotels and Residences India Limited	8	8

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

## ANNEXURE 3 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

**1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:**

The Company's CSR activities were undertaken through its own CSR department. The Company through (i) its active involvement of employees under ESOPs (Employee Social Options Program) which is the employees volunteering program in the near by areas of Company's Resorts across India; (ii) It also does through partnerships with Corporate Foundations namely: the Mahindra Foundation, The K C Mahindra Education Trust which promotes girl child education through Nanhi Kali programme; and (iii) through partnerships with other reputed Not for Profit Organizations having an established track record of at least 3 years in carrying on the specific CSR activity.

The Company's CSR initiatives are mostly in the areas of education, public health, environment and rural development. CSR initiatives taken up by the Company reflects in Mahindra Group's 'Core Purpose' to "challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise". During the year, the Company has spent ₹ 280.15 lakh on CSR activities. The amount equal to 2% of the average net profit for the past three Financial Years is ₹ 280 lakh.

The Company's CSR Policy is available under it's website:  
[http://www.clubmahindra.com/sites/default/files/MHRIL\\_CSR\\_Policy.pdf](http://www.clubmahindra.com/sites/default/files/MHRIL_CSR_Policy.pdf)

**2. The composition of the CSR Committee of the Board of Directors as on March 31, 2016:**

Mr. Arun Kumar Nanda	-	Chairman
Mr. Cyrus Guzder	-	Member
Mr. V.S. Parthasarathy	-	Member
Mr. Kavinder Singh	-	Member

**3. Average net profit of the company for last three financial years: ₹ 13,594 lakh.**

**4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 280 lakh**

**5. Details of CSR spent during the financial year:**

(a) Total amount to be spent for the financial year: ₹ 280 lakh

(b) Amount unspent, if any: Nil

(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CSR project/ activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (₹ in lakh)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overhead (₹ in lakh)	Cumulative expenditure upto the reporting period (₹ in lakh)	Amount spent: Direct or through implementing agency
Conservation of natural resources, Swachh Bharat, Ecological balance – renewable energy	Ensuring Environmental Sustainability	Pan India where Company has resort operations [Munnar, Kumarakom, Poovar (Kerala), Corbett, Naukuchiatal (Uttarakhand), Shimla, Mashobra (Himachal Pradesh), Mahabaleshwar (Maharashtra), Ooty (Tamil Nadu), Virajpet (Karnataka)], and Mumbai (Maharashtra).	34.74	33.19	33.19	Direct and alongwith Grow Trees

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CSR project/ activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (₹ in lakh)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overhead (₹ in lakh)	Cumulative expenditure upto the reporting period (₹ in lakh)	Amount spent: Direct or through implementing agency
Health Care including preventive health care	Health Care	Pan India where Company has resort operations [Puducherry, Gir (Gujarat), Poovar (Kerala), Dharamshala (Himachal Pradesh)], and Chennai (Tamil Nadu), Mumbai (Maharashtra) and Bangalore (Karnataka).	22.48	22.55	55.74	Direct and alongwith REACH, Cancer Patients Aid Association and Bangalore Schools Sports Foundation
Conservation & renovation of school buildings and classrooms	Promotion of Education	Pan India where Company has resort operations [Coorg (Karnataka), Kandaghat, Shimla (Himachal Pradesh), Musoorie, Corbett (Uttarakhand), Cherai, Poovar (Kerala), Ooty (Tamil Nadu), Tungi (Maharashtra), Jaisalmer (Rajasthan), Kanha (Madhya Pradesh), Puducherry], and Mumbai (Maharashtra)	205.30	200.00	255.74	Direct and alongwith Opportunity School Kodagu Valley school, Hejamadi Foundation, K.C Mahindra Trust and Vidya Sagar
Rural Development	Rural Development	Pan India where Company has resort operations [Kumbhalgarh (Rajasthan), Ashtamudi, Thekkady (Kerala), Tungi (Maharashtra)], and Chennai (Tamil Nadu).	24.84	24.40	280.15	Direct alongwith Parishar Asha
<b>Total</b>			<b>280.00</b>	<b>280.15</b>		

**6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:**

The Company has spent all the amount reserved for CSR activities i.e. 2% of average net profit for the last three financial years.

**7. The implementation and monitoring of CSR policy is in compliance with CSR objectives and Policy of the Company.**

**Kavinder Singh**

Managing Director & CEO

DIN: 06994031

**Arun Kumar Nanda**

Chairman of Corporate Social Responsibility Committee

DIN: 00010029

Mumbai, May 17, 2016

## ANNEXURE 4 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

### Policy on Appointment of Directors and Senior Management

#### Appointment of Directors

- The Nomination and Remuneration Committee (NRC) reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  - All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  - Ability of the candidates to devote sufficient time and attention to his/her professional obligations as Independent Director for informed and balanced decision making.
  - Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act, 2013 and Rules made thereunder.

#### Removal of Directors

If a Director is attracted with any disqualification as mentioned in any of the applicable Acts, Rules and Regulations thereunder or due to non - adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### Senior Management Personnel

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management cadre in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Managing Director & CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed/relieved amongst the Leadership Team during a quarter shall be presented to the Board.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

## ANNEXURE 5A TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

### Policy on Remuneration of Directors

This Policy shall be effective from the financial year 2014 - 15.

#### Objective

The objective of the Remuneration Policy of Directors of Mahindra Holidays & Resorts India Limited ("the Company") is to focus on enhancing the value, to attract, retain and motivate Directors for achieving objectives of the Company and to place the Company in leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that –

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

While deciding the policy on remuneration of Directors the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, the Listing

Agreement, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

#### Directors

The Managing Director & Chief Executive Officer is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors receive sitting fees for attending the meeting of the Board and the Committees thereof, as fixed by the Board of Directors from time to time subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. A Non-Executive Non-Independent Director who receives remuneration from the holding company is not paid any sitting fees or any remuneration. In addition to the above the Directors are entitled for reimbursement of expenses incurred in discharge of their duties.

Pursuant to Employee Stock Option Scheme 2006 (ESOS 2006), the Company has granted Stock Options to Directors including Independent Directors. The vesting and exercise of these Options shall continue to be governed by ESOS 2006 and terms of grant. However, as per Section 149(9) of the Companies Act, 2013, henceforth the Independent Directors will not be entitled to fresh grant of any Stock Options.

The NRC while designing the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering a remuneration, the NRC shall also ensure a balance between fixed and performance linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

### **Managing Director and Executive Directors**

The term of office and remuneration of Managing Director and Executive Directors are subject to the approval of the Board of Directors, shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director and Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director and Executive Directors draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director and Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director and Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director and Executive Directors are designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director and Executive Directors comprises of salary, perquisites and performance based incentive apart from retirement benefits like P.F., Superannuation, Gratuity, Leave Encashment, etc. as per Rules of the Company. Salary is paid within the range approved by the Shareholders.

Annual increments are effective from 1st April each year, as recommended/approved by the Remuneration Committee/Board.

The fixed component of remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director and Executive Directors to choose the allowances as well as the quantum based on laid down limits as per Company policy. The flexible component can be varied only once annually after the salary increment exercise.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director and Executive Directors are entitled to customary non-monetary benefits such as company cars, health care benefits, leave travel, communication facilities, etc. as per policies of the Company. The Managing Director and Executive Directors are entitled for grant of Stock Options as per the approved Stock Options Schemes of the Company from time to time.

### **Non-executive Directors**

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval, the Commission is paid at a rate not exceeding 1% (one percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013. The distribution of Commission amongst the NEDs shall be placed before the Board.

At present, the Company pays sitting fees to the NEDs for attending the meetings of the Board and the Committees constituted by the Board from time to time.

The Directors who are members of the Corporate Social Responsibility (CSR) Committee of the Board have voluntarily waived the receipt of sitting fees for attending the CSR Committee meetings.

### **Disclosures**

Information on the total remuneration of members of the Company's Board of Directors, Managing Director and Executive Directors and KMP/senior management personnel may be disclosed in the Board's report and the Company's annual report/website as per statutory requirements in this regard.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

## ANNEXURE 5B TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

### POLICY ON REMUNERATION FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

#### Applicability

This Policy shall be effective from the financial year 2014 - 15.

#### Objective

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

#### Standards

- All employees, irrespective of contract, are to be remunerated fairly and the remuneration is to be externally competitive and internally equitable. The remuneration will be paid in accordance with the laid down Statutes.
- Remuneration for on-roll employees will include a fixed or guaranteed component payable monthly; and a variable component for eligible employees, which is based on performance and paid annually.
- The fixed component of remuneration will have a flexible component with a bouquet of allowances based on laid down limits as per Company policy. The flexible component can be varied only once annually.
- The variable component of the remuneration for eligible employees, will vary from 15% to 25% of the Cost-to-Company (CTC) and will be a function of the employee's grade.
- The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while

individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and Performance rating of the individual.

- An annual compensation survey is carried out to ensure that the Company's compensation is externally competitive and is around 60th percentile. Based on the findings of the survey and the business performance, the CEO along with the CHRO & CFO decides:
  - o The increment that needs to be paid for different performance ratings as well as grades.
  - o The increment for promotions and the total maximum increment.
  - o The maximum increase in compensation cost in % and absolute.
- Compensation corrections are made in few relevant cases to keep it in tune with the market.
- Mid-term compensation correction, if any, are made on a case-to-case basis.
- Remuneration to the Managing Director/CEO, Whole-time Directors & KMP's are subject to the approval of the Remuneration Committee/Board.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

## ANNEXURE 6 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

### Form No. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

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

To,  
The Members,  
Mahindra Holidays & Resorts India Limited

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information

provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the applicable provisions of:

- (i) The Companies Act, 1956 (the 1956 Act) and the Rules made thereunder;

- (ii) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (iii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iv) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (v) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment. There is no External Commercial Borrowing in the Company; and
- (vi) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; and
  - (f) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (w.e.f. December 1, 2015)
- (vii) As confirmed by the Company, it is operating in the Leisure Hospitality Industry and mainly in the business of vacation ownership and there are no laws which are specifically applicable in relation to the main business of the Company.

Based on the representation made by the Company and its officers, the Company has proper system and process in place for compliance under the other applicable Laws, Acts, Rules, Regulations and Guidelines. Major heads/groups of Acts, Laws, Rules, Regulations, Guidelines and Standards as applicable to the Company are given below:

- (a) Labour Laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
- (b) Acts as prescribed under Direct Tax and Indirect Tax;
- (c) Acts prescribed under prevention and control of pollution;

- (d) Acts prescribed under environmental protection;
- (e) Land Revenue laws of respective States;
- (f) Labour Welfare Act of respective States; and
- (g) Local laws as applicable to various offices/resorts of the Company.

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

- (i) The Equity Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited upto November 30, 2015; and
- (ii) Secretarial Standards issued by the Institute of Company Secretaries of India, w.e.f. July 1, 2015.

During the period under review the Company has complied with the provisions of the Act, the 1956 Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors subject to what is stated herein before. There were no changes in the composition of the Board of Directors during the period under review.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except for the Unpublished Price Sensitive Information which were, pursuant to clause no. 1.3.7 of Secretarial Standard 1 ("SS 1"), circulated separately or placed at the Meetings of the Board and the Committees, after due compliance with the SS 1 and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions were carried through at the meetings of the Board of Directors of the Company. There were no dissenting views by any Member of the Board of Directors during the period under review.

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

We further report that during the audit period the Company has undertaken following major corporate events/actions having a bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc. referred to above:

- (i) The members at their Annual General Meeting held on July 28, 2015, inter-alia, approved the declaration of dividend @ ₹ 4 per Equity Share of ₹ 10 each; Appointment of Mr. S Krishnan as Whole Time Director designated as CFO & Executive Director; Payment of remuneration by way of commission to Non-executive directors; and Adoption of new set of Articles of Association;

**‘Annexure A’**

- (ii) Corporate Guarantees upto an aggregate sum not exceeding Euro 54 Million were granted for and on behalf of overseas subsidiary companies MHR Holdings (Mauritius) Ltd, Mauritius and Covington S.à.r.l, Luxembourg (Wholly Owned Subsidiaries);
- (iii) Covington S.à.r.l, Luxembourg (Covington), had increased its equity stake from 23.3% to 85.6% in September, 2015, in Holiday Club Resorts Oy, Finland (HCR). Further, Covington had also increased its equity stake from 18.7% to 100% in HCR Management Oy, Finland, (HCRM), in September, 2015. Consequently, HCR and HCRM became subsidiary companies of Covington and in turn subsidiary company of the Company with effect from September 2, 2015;
- (iv) The Company has increased its equity investment in Gables Promoters Private Limited (Gables), a wholly owned subsidiary, by way of conversion of the unsecured Inter Corporate Deposits amounting to ₹ 36,47,86,000/- availed by Gables into 3,64,78,600 Equity Shares of ₹ 10/- each at par; and
- (v) Competent Hotels Private Limited (CHPL), Divine Heritage Hotels Private Limited (DHHPL) and Holiday on Hills Resorts Private Limited (HHRPL), wholly owned subsidiaries, were amalgamated with the Company (Appointed Date April 1, 2015) pursuant to the orders of the Hon'ble High Court of Delhi, Hon'ble High Court of Rajasthan, Hon'ble High Court of Himachal Pradesh and Hon'ble High Court of Chennai, sanctioning the respective Scheme of Amalgamation and Arrangement. Consequently, CHPL, DHHPL and HHRPL ceased to be subsidiaries of the Company with effect from March 31, 2016.

For **M Siroya and Company**  
Company Secretaries

**Mukesh Siroya**  
Proprietor  
FCS No.: 5682  
CP No.: 4157

Date: May 17, 2016  
Place: Mumbai

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

To,  
The Members,  
Mahindra Holidays & Resorts India Limited

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

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

For **M Siroya and Company**  
Company Secretaries

**Mukesh Siroya**  
Proprietor  
FCS No.: 5682  
CP No.: 4157

Date: May 17, 2016  
Place: Mumbai



**ANNEXURE 7 TO THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2016**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN  
as on the financial year ended on March 31, 2016**

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

**I. REGISTRATION AND OTHER DETAILS**

<b>i</b>	CIN	L55101TN1996PLC036595
<b>ii</b>	Registration Date	September 20, 1996
<b>iii</b>	Name of the Company	Mahindra Holidays & Resorts India Limited
<b>iv</b>	Category/Sub-Category of the Company	Public Company Limited by Shares
<b>v</b>	Address of the Registered office and contact details	Mahindra Towers, 2nd Floor, 17/18 Patullos Road, Chennai – 600 002 Tele.: +91 44 3988 1000 Fax.: +91 44 3027 7778 E- Mail: investors@mahindaholidays.com Website: www.clubmahindra.com
<b>vi</b>	Whether listed company	Yes
<b>vii</b>	Name of Registrar and Transfer Agent	Karvy Computershare Private Limited
	Address and Contact details	Karvy Selenium, Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 Ph: +91 40 6716 2222 Fax: +91 40 2300 1153 Toll free no: 1800 345 4001

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

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

Sl. No.	Name and Description of main products/services	NIC Code of the Product/ service	% to total turnover of the company
1.	Income from sale of vacation ownership (VO)	55101	56.01%
2.	Annual Subscription Fee from VO members	55101	17.97%
3.	Income from sale of Food and Beverages	55101	10.95%

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

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GIN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	L65990MH1945PLC004558	Holding	75	2(46)
2.	Gables Promoters Pvt Ltd No. 504, Block A, 5th Floor, Elante Office Suites, Plot No-178-178/A, Industrial Area, Phase 1, Chandigarh – 160 001	U45209CH2012PTC033473	Subsidiary	100	2(87)(ii)
3.	Mahindra Hotels and Residences India Ltd Mahindra Towers, 1st Floor, 17/18 Patullos Road, Chennai – 600 002	U55101TN2007PLC063285	Subsidiary	100	2(87)(ii)

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GIN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
4.	MHR Holdings (Mauritius) Ltd IFS Court, Twenty Eight Cyber City, Ebene, Mauritius.	–	Subsidiary	100	2(87)(ii)
5.	Covington S.á.r.l > 16 Avenue Pasteur, L-2310, Luxembourg, Grand Duchy of Luxembourg	–	Subsidiary	100	2(87)(ii)
6.	Heritage Bird (M) Sdn. Bhd. 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor, Malaysia.	–	Subsidiary	100	2(87)(ii)
7.	Infinity Hospitality Group Company Ltd @ No. 20 Soi Sukhumvit 7 (Lerdsin 2), Sukhumvit Road, Khwaeng Khlongtoey Nua, Khet Wattana Bangkok	–	Subsidiary	73.99	2(87)(ii)
8.	MH Boutique Hospitality Limited No. 33/118-119 Wall Street Tower Building, 23 <sup>rd</sup> Floor Surawongse Road, Suriyawongse Sub-District, Bangrak District, Bangkok, Thailand	–	Subsidiary	49	2(87)(i)
9.	HCR Management Oy, Finland# Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	100	2(87)(ii)
10.	Holiday Club Resorts Oy, Finland# Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
11.	Holiday Club Sweden AB <sup>§</sup> Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
12.	Ownership Service Sweden AB <sup>^</sup> c/o Holiday Club Sweden AB, Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
13.	Holiday Club Canarias Investment S.L.U. <sup>^</sup> Avenida Ministra Anna Lindh no.1. Amadores. Mogan 35130. Canary Islands. Spain	–	Subsidiary	85.61	2(87)(ii)
14.	Holiday Club Canarias Sales & Marketing S.L.U.+ Avenida Ministra Anna Lindh no.1. Amadores. Mogan 35130. Canary Islands. Spain	–	Subsidiary	85.61	2(87)(ii)
15.	Holiday Club Canarias Resort Management S.L.U.+ Avenida Ministra Anna Lindh no.1. Amadores. Mogan 35130. Canary Islands. Spain	–	Subsidiary	85.61	2(87)(ii)
16.	Holiday Club Resorts Rus LLC <sup>§</sup> Bolshaya Konushennaya str, 8. 191186 St-Petersburg, Russia	–	Subsidiary	85.61	2(87)(ii)
17.	Suomen Vapaa-aikakiinteistöt Oy <sup>§</sup> c/o Holiday Club Resorts Oy, Lapinniemenranta 12 33180 Tampere	–	Subsidiary	85.61	2(87)(ii)
18.	Kiinteistö Oy Himos Gardens <sup>§</sup> c/o Holiday Club Isännöinti PL 618, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
19.	Kiinteistö Oy Himoksen Tähti 2 <sup>§</sup> c/o Holiday Club Resorts Oy, Lapinniemenranta 12 33180 Tampere	–	Subsidiary	85.61	2(87)(ii)
20.	Kiinteistö Oy Tunturinrivi <sup>§</sup> Postipolku 5, 98900 Sala	–	Subsidiary	85.61	2(87)(ii)

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GIN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
21.	Kiinteistö Oy Vanha Ykköstii <sup>§</sup> Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
22.	Kiinteistö Oy Katinnurkka <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
23.	Kiinteistö Oy Tenetinlahti <sup>§</sup> c/o Holiday Club Isännöinti PL 618, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
24.	Kiinteistö Oy Mällösniemi <sup>§</sup> c/o Holiday Club Resorts Oy Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
25.	Kiinteistö Oy Rauhan Ranta 1 <sup>§</sup> c/o Holiday Club Resorts Oy Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
26.	Kiinteistö Oy Rauhan Ranta 2 <sup>§</sup> c/o Holiday Club Resorts Oy Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
27.	Kiinteistö Oy Tiurunniemi <sup>§</sup> c/o Holiday Club Isännöinti PL 618, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
28.	Kiinteistö Oy Rauhan Liikekiinteistöt 1 <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
29.	Supermarket Capri Oy <sup>§</sup> c/o Kauppakeskus Capri Oy Vipelentie 3-5, 55320 Rauha	–	Subsidiary	85.61	2(87)(ii)
30.	Kiinteistö Oy Kylpyläntorni 1 <sup>§</sup> c/o Holiday Club Isännöinti PL 618, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
31.	Kiinteistö Oy Spa Lofts 2 <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
32.	Kiinteistö Oy Spa Lofts 3 <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
33.	Kiinteistö Oy Kuusamon Pulkajärvi 1 <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
34.	Caribia Service Oy <sup>§</sup> c/o Holiday Club Isännöinti PL 619, 33101 Tampere	–	Subsidiary	85.61	2(87)(ii)
35.	Saimaa Gardens Arena Oy <sup>§</sup> c/o Holiday Club Resorts Oy Hitsaajankatu 22, 00810 Helsinki	–	Subsidiary	85.61	2(87)(ii)
36.	Holiday Club Sport and Spahotels AB (Formerly known as Visionsbolaget 10088 AB) ^ Box 68, 830 14 Åre, State Jamtlands Lan, Åre Kummun	–	Subsidiary	43.66	2(87)(ii)
37.	Åre Semesterby A AB ^ Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)

Sl. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GIN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
38.	Åre Semesterby B AB ^ Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
39.	Åre Semesterby C AB ^ Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
40.	Åre Semesterby D AB ^ Box 68, 83013 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
41.	Åre Villa 1 AB ^ c/o Holiday Club Sweden AB, Box 68, 830 14 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
42.	Åre Villa 2 AB ^ c/o Holiday Club Sweden AB, Box 68, 830 14 Åre, Sweden	–	Subsidiary	85.61	2(87)(ii)
43.	Arabian Dreams Hotel Apartments LLC PO Box 31993, Bur Dubai, Al Rafaa, Dubai, United Arab Emirates	–	Joint Venture	49	2(6)
44.	Guestline Hospitality Management & Development Service Limited Saleh Centre Annexe, 1st Floor, 18/4, Cunningham Road, Bangalore – 560 052	U55101KA1994PLC015472	Associate	49.94	2(6)
45.	Kiinteistö Oy Seniori-Saimaa <sup>€</sup> Villimiehenkatu 1, 53100 Lappeenranta	–	Associate	26.54	2(6)
46.	Saima Adventures Oy <sup>€</sup> c/o Kauppakeskus Capri Vipelentie 11, 55320 Rauha	–	Associate	25.68	2(6)
47	Kiinteistö Oy Sallan Kylpylä <sup>€</sup> c/o Sallan Kunta, PL 28, 98901 Salla, Finland	–	Associate	41.95	2(6)

\* Percentage holding in subsidiaries/associates represents the proportion of ownership interest of the Company

> a subsidiary of MHR Holdings (Mauritius) Limited

@ a subsidiary of MH Boutique Hospitality Limited

# a subsidiary of Covington S.à.r.l

\$ a subsidiary of Holiday Club Resort Oy

^ a subsidiary of Holiday Club Sweden AB

+ a subsidiary of Holiday Club Canarias Investment S.L.U.

€ an associate of Holiday Club Resort Oy

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

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

CATE- GORY CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 01/04/2015				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2016				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	<b>PROMOTER AND PROMOTER GROUP</b>									
(1)	INDIAN									
(a)	Individual /HUF	–	–	–	–	–	–	–	–	–
(b)	Central Government /State Government (s)	–	–	–	–	–	–	–	–	–
(c)	Bodies Corporate	6,65,85,642	–	6,65,85,642	75.00	6,65,85,642	–	6,65,85,642	75.00	–
(d)	Financial Institutions/Banks	–	–	–	–	–	–	–	–	–

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 01/04/2015				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2016				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(e)	Others	-	-	-	-	-	-	-	-	-
	<b>Sub-Total A(1):</b>	<b>6,65,85,642</b>	-	<b>6,65,85,642</b>	<b>75.00</b>	<b>6,65,85,642</b>	-	<b>6,65,85,642</b>	<b>75.00</b>	-
(2)	FOREIGN									
(a)	Individuals (NRIs/Foreign Individuals)	-	-	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-	-	-
	<b>Sub-Total A(2):</b>	-	-	-	-	-	-	-	-	-
	<b>Total A=A(1)+A(2)</b>	<b>6,65,85,642</b>	-	<b>6,65,85,642</b>	<b>75.00</b>	<b>6,65,85,642</b>	-	<b>6,65,85,642</b>	<b>75.00</b>	-
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	19,81,457	-	19,81,457	2.23	44,08,680	-	44,08,680	4.97	-2.74
(b)	Financial Institutions/Banks	40,914	-	40,914	0.05	23,482	-	23,482	0.03	0.02
(c)	Central Government/State Government (s)	-	-	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	91,39,452	-	91,39,452	10.29	80,34,196	-	80,34,196	9.05	1.24
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(i)	Others	-	-	-	-	-	-	-	-	-
	<b>Sub-Total B(1):</b>	<b>1,11,61,823</b>	-	<b>1,11,61,823</b>	<b>12.57</b>	<b>1,24,66,358</b>	-	<b>1,24,66,358</b>	<b>14.05</b>	<b>-1.48</b>
<b>(2)</b>	<b>NON-INSTITUTIONS</b>									
(a)	Bodies Corporate	18,08,687	-	18,08,687	2.04	11,93,716	-	11,93,716	1.34	0.70
(b)	Individuals									
	(i) Individuals holding nominal share capital upto ₹ 1 lakh	36,24,775	14,303	36,39,078	4.10	27,86,820	14,302	28,01,122	3.16	0.94
	(ii) Individuals holding nominal share capital in excess of ₹ 1 lakh	34,75,804	-	34,75,804	3.92	37,51,556	-	37,51,556	4.23	-0.31
(c)	Others									
	Clearing Members	29,627	-	29,627	0.03	9,907	-	9,907	0.01	0.02
	Foreign Bodies	8,24,565	-	8,24,565	0.93	8,24,565	-	8,24,565	0.93	0.00
	Non Resident Indians	1,67,755	-	1,67,755	0.19	1,61,095	-	1,61,095	0.18	0.01
	Trusts	7,54,605	-	7,54,605	0.85	7,22,438	-	7,22,438	0.81	0.04
	HUF	3,33,270	-	3,33,270	0.38	2,63,388	1	2,63,388	0.30	0.08
	NBFC	-	-	-	-	1,069	-	1,069	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
	<b>Sub-Total B(2):</b>	<b>1,10,19,088</b>	<b>14,303</b>	<b>1,10,33,391</b>	<b>12.43</b>	<b>97,14,553</b>	<b>14,303</b>	<b>97,28,856</b>	<b>10.95</b>	<b>1.48</b>
	<b>Total B=B(1)+B(2):</b>	<b>2,21,80,911</b>	<b>14,303</b>	<b>2,21,95,214</b>	<b>25.00</b>	<b>2,21,80,871</b>	<b>14,303</b>	<b>2,21,95,214</b>	<b>25.00</b>	-
	<b>Total (A+B):</b>	<b>8,87,66,553</b>	<b>14,303</b>	<b>8,87,80,856</b>	<b>100.00</b>	<b>8,87,66,553</b>	<b>14,303</b>	<b>8,87,80,856</b>	<b>100.00</b>	-
<b>(C)</b>	<b>Shares held by custodians, against which Depository Receipts have been issued</b>									

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 01/04/2015				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2016				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(1)	Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
(2)	Public	-	-	-	-	-	-	-	-	-
<b>GRAND TOTAL (A+B+C):</b>		<b>8,87,66,553</b>	<b>14,303</b>	<b>8,87,80,856</b>	<b>100.00</b>	<b>8,87,66,553</b>	<b>14,303</b>	<b>8,87,80,856</b>	<b>100.00</b>	<b>-</b>

**(ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year 01/04/2015			Shareholding at the end of the year 31/03/2016			% Change in shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
1	Mahindra & Mahindra Limited	6,65,85,642	75.00	0.00	6,65,85,642	75.00	0.00	0.00
<b>TOTAL</b>		<b>6,65,85,642</b>	<b>75.00</b>	<b>0.00</b>	<b>6,65,85,642</b>	<b>75.00</b>	<b>0.00</b>	<b>0.00</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change):**

Sl. No.	Shareholder's Name	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
1	Mahindra & Mahindra Limited				
	At the beginning of the year 01/04/2015	6,65,85,642	75.00	6,65,85,642	75.00
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment /transfer /bonus/sweat equity etc):	-	-	-	-
	At the end of the year 31/03/2016	6,65,85,642	75.00	6,65,85,642	75.00

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

Sl. No.	Date	Reason for Increase/ Decrease	Name of the Share Holder	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
1	01/04/2015	Opening Balance	GOVERNMENT PENSION FUND GLOBAL	33,00,000	3.72	33,00,000	3.72
	10/04/2015	Purchase		12,000	0.01	33,12,000	3.73
	18/09/2015	Purchase		8,000	0.01	33,20,000	3.74
	25/09/2015	Purchase		2,95,000	0.33	36,15,000	4.07
	09/10/2015	Purchase		29,000	0.03	36,44,000	4.10
	04/12/2015	Sale		24,000	0.03	36,20,000	4.08
	31/12/2015	Sale		1,294	0.00	36,18,706	4.08
	31/03/2016	Closing Balance				36,18,706	4.08

Sl. No.	Date	Reason for Increase/ Decrease	Name of the Share Holder	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
2	01/04/2015	Opening Balance	BNP PARIBAS ARBITRAGE	26,60,029	3.00	26,60,029	3.00
	17/04/2015	Sale		16,489	0.02	26,43,540	2.98
	15/05/2015	Sale		9,857	0.01	26,33,683	2.97
	29/05/2015	Sale		3,101	0.00	26,30,582	2.96
	12/06/2015	Sale		25,673	0.03	26,04,909	2.93
	26/06/2015	Sale		45,675	0.05	25,59,234	2.88
	10/07/2015	Sale		10,56,094	1.19	15,03,140	1.69
	17/07/2015	Sale		1,16,460	0.13	13,86,680	1.56
	24/07/2015	Sale		1,29,420	0.15	12,57,260	1.42
	31/07/2015	Sale		1,54,554	0.17	11,02,706	1.24
	07/08/2015	Sale		3,84,254	0.43	7,18,452	0.81
	14/08/2015	Sale		2,04,292	0.23	5,14,160	0.58
	21/08/2015	Sale		4,22,143	0.48	92,017	0.10
	28/08/2015	Sale		92,017	0.10	0	0.00
31/03/2016	Closing Balance			0	0.00		
3	01/04/2015	Opening Balance	NYLIM JACOB BALLAS ASSET MANAGEMENT COMPANY III LLC A/C NYLIM JACOB BALLAS INDIA (FI) III LLC	11,74,676	1.32	11,74,676	1.32
	31/03/2016	Closing Balance				11,74,676	1.32
4	01/04/2015	Opening Balance	MORGAN STANLEY MAURITIUS COMPANY LIMITED	10,35,271	1.17	10,35,271	1.17
	04/03/2016	Sale		1,046	0.00	10,34,225	1.16
	11/03/2016	Sale		205	0.00	10,34,020	1.16
	18/03/2016	Sale		289	0.00	10,33,731	1.16
	31/03/2016	Closing Balance			0.00	10,33,731	1.16
5	01/04/2015	Opening Balance	AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS MIDCAP FUND	9,00,000	1.01	9,00,000	1.01
	25/09/2015	Sale		9,00,000	1.01	0	0.00
	31/03/2016	Closing Balance				0	0.00
6	01/04/2015	Opening Balance	NYLIM JACOB BALLAS INDIA FUND III, LLC	8,24,565	0.93	8,24,565	0.93
	31/03/2016	Closing Balance				8,24,565	0.93
7	01/04/2015	Opening Balance	MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED EMPLOYEES STOCK OPTION TRUST	7,54,605	0.85	7,54,605	0.85
	18/12/2015	Sale		2,117	0.00	7,52,488	0.85
	25/12/2015	Sale		3,300	0.00	7,49,188	0.84
	15/01/2016	Sale		25,000	0.03	7,24,188	0.82
	19/02/2016	Sale		1,750	0.00	7,22,438	0.81
	31/03/2016	Closing Balance				7,22,438	0.81

Sl. No.	Date	Reason for Increase/ Decrease	Name of the Share Holder	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
8	01/04/2015	Opening Balance	SBI LIFE INSURANCE CO. LTD	6,78,736	0.76	6,78,736	0.76
	10/04/2015	Sale		2,582	0.00	6,76,154	0.76
	17/04/2015	Sale		817	0.00	6,75,337	0.76
	24/04/2015	Sale		10,000	0.01	6,65,337	0.75
	01/05/2015	Sale		45,000	0.05	6,20,337	0.70
	08/05/2015	Sale		7,275	0.01	6,13,062	0.69
	15/05/2015	Sale		22,456	0.03	5,90,606	0.67
	22/05/2015	Sale		32,738	0.04	5,57,868	0.63
	29/05/2015	Sale		12,174	0.01	5,45,694	0.61
	05/06/2015	Sale		24,111	0.03	5,21,583	0.59
	30/06/2015	Sale		4,017	0.00	5,17,566	0.58
	10/07/2015	Sale		1,42,297	0.16	3,75,269	0.42
	31/07/2015	Purchase		23,000	0.03	3,98,269	0.45
	20/11/2015	Sale		11,167	0.01	3,87,102	0.44
	19/02/2016	Sale		4,014	0.00	3,83,088	0.43
	04/03/2016	Sale		6,598	0.01	3,76,490	0.42
	11/03/2016	Sale		6,135	0.01	3,70,355	0.42
	18/03/2016	Sale		3,000	0.00	3,67,355	0.41
31/03/2016	Closing Balance			3,67,355	0.41		
9	01/04/2015	Opening Balance	PPFAS LONG TERM VALUE FUND	5,74,281	0.65	5,74,281	0.65
	10/04/2015	Sale		5,000	0.01	5,69,281	0.64
	22/05/2015	Purchase		5,000	0.01	5,74,281	0.65
	28/08/2015	Sale		5,000	0.01	5,69,281	0.64
	31/03/2016	Closing Balance				5,69,281	0.64
10	01/04/2015	Opening Balance	SCHRODER INTERNATIONAL SELECTION FUND INDIAN OPPORTUNITIES	3,18,779	0.36	3,18,779	0.36
	26/06/2015	Sale		4,061	0.00	3,14,718	0.35
	25/09/2015	Purchase		3,00,000	0.34	6,14,718	0.69
	16/10/2015	Purchase		17,095	0.02	6,31,813	0.71
	23/10/2015	Purchase		50,000	0.06	6,81,813	0.77
	31/03/2016	Closing Balance				6,81,813	0.77
11	01/04/2015	Opening Balance	AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS EQUITY FUND	0	0.00	0	0.00
	07/08/2015	Purchase		48,671	0.05	48,671	0.05
	14/08/2015	Purchase		2,21,226	0.25	2,69,897	0.30
	21/08/2015	Purchase		5,51,663	0.62	8,21,560	0.93
	28/08/2015	Purchase		1,45,791	0.16	9,67,351	1.09
	11/09/2015	Purchase		20,000	0.02	9,87,351	1.11
	25/09/2015	Purchase		3,00,000	0.34	12,87,351	1.45
	19/02/2016	Sale		57,000	0.06	12,30,351	1.39
	26/02/2016	Sale		25,000	0.03	12,05,351	1.36
	31/03/2016	Closing Balance				12,05,351	1.36



Sl. No.	Date	Reason for Increase/ Decrease	Name of the Share Holder	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
12	01/04/2015	Opening Balance	RELIANCE CAPITAL	0	0.00	0	0.00
	10/07/2015	Purchase	TRUSTEE CO LTD-	11,43,400	1.29	11,43,400	1.29
	23/10/2015	Sale	A/C RELIANCE MID & SMALL CAP FUND	1,596	0.00	11,41,804	1.29
	18/03/2016	Sale		20,058	0.02	11,21,746	1.26
	31/03/2016	Closing Balance				11,21,746	1.26

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

Sl. No.	Name of the Share Holder	No of Shares Held as on 01/04/2015	Change in Shareholding	No of Shares Held as on 31/03/2016	% Change in Shareholding
1	Arun Kumar Nanda	6,94,630	0.00	6,94,630	0.00
2	Cyrus Guzder	26,700	0.00	26,700	0.00
3	Vineet Nayar	26,700	0.00	26,700	0.00
4	Rohit Khattar	26,700	0.00	26,700	0.00
	<b>TOTAL</b>	<b>7,74,730</b>	<b>0.00</b>	<b>7,74,730</b>	<b>0.00</b>

None of the other Directors and KMPs hold any shares in the Company.

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

(₹ in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year 01/04/2015				
i) Principal Amount	641.21	-	-	641.21
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i + ii + iii)	641.21	-	-	641.21
Change in Indebtedness during the financial year				
• Addition	-	-	-	-
• Reduction	(641.21)	-	-	(641.21)
Net Change	(641.21)	-	-	(641.21)
Indebtedness at the end of the financial year 31/03/2016				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i + ii + iii)	-	-	-	-

**VI. Remuneration of Directors and Key Managerial personnel**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(₹ in lakh)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Kavinder Singh (Managing Director & CEO)	S Krishnan (CFO & Executive Director)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	235.45	166.31	401.76
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5.10	3.63	8.73
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Kavinder Singh (Managing Director & CEO)	S Krishnan (CFO & Executive Director)	
4.	Commission			
	– as % of profit	–	–	–
	– others, specify	–	–	–
5.	Others, please specify	–	–	–
	Total (A)	240.55	169.94	410.49
	Ceiling as per the Act	₹ 1,778.71 lakh (being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

**B. Remuneration to other directors:**

(₹ in lakh)

Particulars of Remuneration	Name of Directors								Total Amount
	Arun Kumar Nanda	Cyrus Guzder	Rohit Khattar	Sanjeev Aga	Sridar Iyengar	Radhika Shastry	V S Parthasarathy	Vineet Nayyar	
<b>Independent Directors</b>									
• Fee for attending board/committee meetings	–	9.60	2.60	8.10	9.00	4.00	–	–	33.30
• Commission	–	10.00	10.00	10.00	10.00	5.95	–	–	45.95
• Others, please specify	–	–	–	–	–	–	–	–	–
Total (1)	–	19.60	12.60	18.10	19.00	9.95	–	–	79.25
<b>Other Non-Executive Directors</b>									
• Fee for attending board/committee meetings	9.00	–	–	–	–	–	–	–	9.00
• Commission	54.05	–	–	–	–	–	–	–	54.05
• Others, please specify	–	–	–	–	–	–	–	–	–
Total (2)	63.05	–	–	–	–	–	–	–	63.05
Total (B)=(1+2)	63.05	19.60	12.60	18.10	19.00	9.95	–	–	142.30
Total Managerial Remuneration (A+B)									552.79
Overall Ceiling as per the Act (A+B)	₹ 1,956.58 lakh (being 11% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013)								

**C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD:**

(₹ in lakh)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	53.62	Refer Point No. VI A	53.62
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.44		0.44
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	–		–
2.	Stock Option	–		–
3.	Sweat Equity	–		–
4.	Commission - as % of profit -others, specify...	–		–
5.	Others, please specify	–		–
	<b>TOTAL</b>	54.06		54.06

**VII. Penalties/Punishment/Compounding of Offences:**

During the year, no penalties were levied against the Company, its directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its directors or any of its officers.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai  
Date: May 17, 2016

**ANNEXURE 8 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016****A) Conservation of energy:**

(i) The steps taken or impact on conservation of energy:

The operations of your company are not energy intensive. However adequate measures have been initiated to reduce energy consumption further

- Installation of Solar heating at the resorts
- Installation of energy efficient LED lighting at the resorts
- Replacement of fluorescent lamps by LED tubes in resorts
- Installation of low energy efficient variable refrigerator volume in resort
- Using Nano Thermo technology to reduce energy consumption in boiler

(ii) The steps taken by the company for utilizing alternate sources of energy: Solar heating

(iii) The capital investment on energy conservation equipment: ₹ 150 Lakhs

**(B) Technology absorption:**

(i) The efforts made towards technology absorption: The Company has not carried out any technology absorption

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year): Not Applicable

(a) The details of technology imported;

(b) The year of import;

(c) Whether the technology been fully absorbed;

(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) The expenditure incurred on Research and Development: Not Applicable

**(C) Foreign Exchange earnings and outgo:**

Particulars with regard to Foreign Exchange Outgo & Earnings are provided in Note Nos. 32 & 33 to the standalone financial statements.

For and on behalf of the Board

**ARUN KUMAR NANDA**

Chairman

DIN: 00010029

Place: Mumbai

Date: May 17, 2016

## ANNEXURE 9 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

Disclosures required with respect to Section 197(12) of the Companies Act, 2013 ("the Act") read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

### 1. The ratio of the remuneration of each director to the median employees remuneration for the Financial Year:

Name of the Directors	Ratio to median remuneration
<b>Non-Executive Directors*</b>	
Mr. Arun Kumar Nanda	30:1
Mr. Cyrus Guzder	9:1
Mr. Sridar Iyengar	9:1
Mr. Sanjeev Aga	9:1
Mr. Rohit Khattar	6:1
Ms. Radhika Shastri	5:1
Mr. V S Parthasarathy	NA
Mr. Vineet Nayyar	NA
<b>Executive Directors</b>	
Mr. Kavinder Singh	132:1
Mr. S Krishnan	81:1

\*The remuneration of Non-Executive Directors covers sitting fee and commission.

### 2. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Name of the Directors, Chief Financial Officer and Company Secretary	Percentage increase in remuneration
Mr. Arun Kumar Nanda	(-)6.2%
Mr. Cyrus Guzder	14.0%
Mr. Sridar Iyengar	18.4%
Mr. Sanjeev Aga	14.9%
Mr. Rohit Khattar	4.1%
Ms. Radhika Shastri@	148.8%
Mr. V S Parthasarathy	NA
Mr. Vineet Nayyar	NA
Mr. Kavinder Singh, Managing Director & CEO#	NA
Mr. S Krishnan, Chief Financial Officer & Executive Director	20.0%
Mr. Dinesh Shetty, General Counsel & Company Secretary	12.0%

@ became director with effect from August 27, 2014

# appointed w.e.f. November 3, 2014

### 3. The Percentage increase in the median remuneration of employees in the financial year:

The percentage increase in the median remuneration of the employees in the financial year was around 13%. The calculation of percentage increase in median remuneration is done based on comparable employees and for this purpose, we have excluded employees who were not eligible for any increment.

### 4. The number of permanent employees on the rolls of the Company: 3,784

### 5. The explanation on the relationship between average increase in remuneration and company performance:

On an average, employees received an annual increase of around 10.37%. While recommending the increase in remuneration of its employees the Company considered overall organisation performance, industry benchmarking, cost of living adjustment/inflation apart from individual performance on the basis of Balanced Scorecard approach.

The total compensation is a prudent mix of fixed and variable pay in the form of performance pay. The proportion of variable pay to total compensation is higher at senior level and lower at middle level.

The increase in remuneration is a function of the factors outlined above. The performance of the Company has bearing on the quantum of variable pay declared for employees across senior and middle levels.

### 6. Comparison of the remuneration of the Key Managerial Personnel against the performance of the company:

The Total remuneration of Key Managerial Personnel in the FY 2015-2016 was at ₹ 507 lakh, which represent 0.53 % of the Total Income of the Company and 2.95% of the Profit Before Tax (PBT) for the year ended March 31, 2016.

### 7. Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

The Market capitalization of the Company was increased from ₹ 2,28,877 lakh as of March 31, 2015 to ₹ 3,43,182 lakh as of March 31, 2016. Over the same period, the Price to Earnings Ratio moved from 28.71 to 28.99. The Company's stock price as at March 31, 2016 was increased by 51.59% to ₹ 386.55 over the last public offering, i.e. Institutional Placement Programme (IPP) in April 2013 at the price of ₹ 255 per share.

### 8. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for increase in the managerial remuneration:

The average percentage increase made in the salaries of total employees other than the Key Managerial Personnel during the FY2015-16 was around 10.17%, while the average increase in the remuneration of

the Key Managerial Personnel was around 17.7%. For Mr. Kavinder Singh, there was no increase applicable as he joined the Company during the third quarter of the previous financial year. Increase in Key Managerial Personnel remuneration is in line with the factors outlined in point (5) above.

**9. Comparison of the remuneration of each of the Key Managerial Personnel against the performance of the company:**

The comparison of remuneration paid of each of the Key Managerial Personnel against the performance of the Company is as under

Designation	% of PBT for the year ended March 31, 2016
Managing Director & Chief Executive Officer	1.59%
Chief Financial Officer & Executive Director	0.98%
General Counsel & Company Secretary	0.37%

**10. The key parameters for any variable component of remuneration availed by the directors:**

In respect of Non-Executive Directors (NED) the shareholders, at the 19<sup>th</sup> AGM held on July 28, 2015 have approved the payment of commission upto ceiling of 1% of the net profits of the Company as computed under the provisions of the Act. The said commission is decided each

year by the Board of Directors and distributed amongst the NEDs considering the various factors as well as the time spent on strategic matters other than at Meetings.

The following are the broad factors and guidelines considered for the Variable Pay in respect of whole-time Directors:

- a. Overall Organisation performance including revenue growth and profitability of the Company; and
- b. Annual Performance Review based on the Company's Balanced Scorecard.

**11. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:**

Not Applicable

**12. Affirmation that the remuneration is as per the remuneration policy of the Company.**

It is hereby affirmed that the remuneration paid is as per the policy for Remuneration of the Directors, Key Managerial Personnel and Employees.

For and on behalf of the Board

**ARUN KUMAR NANDA**  
Chairman  
DIN: 00010029

Place: Mumbai  
Date: May 17, 2016

## Management Discussion and Analysis

Mahindra Holidays & Resorts India Limited ('Mahindra Holidays' or 'the Company') is a leading player in the leisure hospitality industry. Founded in 1996, it has established vacation ownership in India, and is the market leader in the business. It offers holidays to its customers that are designed for the discerning and differentiated needs of families. Apart from providing quality rooms in the form of furnished apartments and cottages at resorts in unique and popular destinations, Mahindra Holidays offers its members family-friendly amenities including dining, holiday activities, spa and wellness facilities for a complete holiday experience.

This chapter presents an overview of the markets and opportunities as well as the operational and financial performance of the Company during 2015-16. It also highlights Mahindra Holidays' strategy, and discusses important initiatives taken by the Company during the year to achieve its growth and performance objectives.

### Introduction and Key Achievements

Mahindra Holidays' focus during 2015-16 was to achieve continued success in its strategic objective: ensuring that its growing membership gets the best holiday experience. Although the macroeconomic environment witnessed steady improvement, consumer confidence and disposition towards high-value discretionary spends were relatively weak. Despite this, Company's focus on unique family vacation experiences, generating referrals from existing members and focus on digital lead generation, deployment of technology and execution yielded significant improvement in results.

The key highlights are:

- **Mahindra Holidays added around 16,200 members to its vacation ownership business in 2015-16 — taking the total membership base to close to two lakh at the close of 2015-16.** This performance is creditable given the subdued consumer sentiment and was made possible by the Company's successful execution of its marketing strategy, brand building initiatives and a responsive sales organisation. These are discussed in greater detail in the sections on 'Markets and Opportunities' and 'Business Performance'.
- **Mahindra Holidays added 87 new units to its room inventory. Total room inventory touched 2,879 units across its 45 resorts.** Pace of room inventory growth is expected to increase in the near future in line with its long-term strategy for expansion, primarily through own projects and acquisitions. Four projects that are in the pipeline alone are expected to add around 500 units in the next two years. Further details are provided in the section on 'Properties and New Projects'.
- **Mahindra Holidays increased its stake in Holiday Club Resorts Oy, Finland (HCR), to 85.6 per cent. HCR is a leading vacation ownership company in Europe with around 50,000 members and 31 resorts in Finland, Sweden and Spain.** This investment is in line with the Company's vision to widen its international footprint and

opens up growth opportunities in Europe and Middle East. Besides, 'Club Mahindra' members will now also have the option of visiting HCR's resorts in Europe.

- **Occupancy rates remained stable around 81 per cent and member satisfaction improved considerably, both in terms of member services and the holiday experience at the resorts.** These are reflected in improved customer-as-promoter and post-holiday feedback scores. A more exhaustive discussion on the initiatives carried out by the Company and their impact can be found in the sections on 'Member Relations' and 'Resort Operations'.
- **Information technology (IT) continued to actively contribute to the Company's growth and performance. During the year, improvement in online services contributed to significant increase in usage by members — online bookings increased from 52 per cent in 2014-15 to 66 per cent in 2015-16.** Better integration and deployment of advanced lead analytics solutions have improved the conversion of digital and referral leads, increasing their contribution to over 50 per cent of sales during the year. More information on important technology-driven initiatives can be found in the section on 'Information Technology'.

**Mahindra Holidays markets a high-value discretionary product. In a milieu of subdued consumer spending and sentiment, the Company registered creditable results. The key financial results (standalone) for 2015-16 are given below:**

- **Total income (including other income) grew by 19.2 per cent from ₹ 80,756 lakh in 2014-15 to ₹ 96,261 lakh in 2015-16.**
- **Profit before Taxes (PBT), before considering the exceptional item in the previous year, grew by 35.7 per cent from ₹ 12,684 lakh in 2014-15 to ₹ 17,209 lakh in 2015-16.**
- **Profit after Taxes (PAT) grew by 48.5 per cent from ₹ 7,902 lakh in 2014-15 to ₹ 11,735 lakh in 2015-16.**
- **Diluted EPS for the standalone entity increased from ₹ 8.98 in 2014-15 to ₹ 13.29 in 2015-16.**

The rest of this chapter provides details of markets and opportunities, operational and financial performance of the Company, initiatives in the areas of quality, CSR, sustainable development, and key functional areas such as human resources and information technology. The chapter ends with a discussion on risks and concerns, and the Company's outlook for the future.

### Markets and Opportunities

Mahindra Holidays is a leading player in the leisure hospitality industry in India. Built on the vacation ownership model, the Company's principal business is to offer vacation ownership products that provide holiday entitlements to its members over the life of the product.

India's macroeconomic scenario witnessed a steady improvement in 2015-16. According to the advance estimates released by the Central Statistical Organisation (CSO), India's GDP growth is expected to be 7.6 per cent in 2015-16, as compared to 7.2 per cent recorded in the previous year. Inflation and fiscal balance of the government, too, remained stable during the year — prompting the RBI to reduce the policy rate by 100 basis points in the course of the year. However, lending rates of banks did not come down by as much, and improvement in consumer sentiment has been comparatively muted. To that extent, the environment for large discretionary spend categories and consumer confidence to commit resources continued to be relatively weak.

The Indian travel and tourism industry is worth USD 112 billion or roughly 7.5 per cent of India's GDP. This is expected to increase to USD 244 billion by 2024, and 81 per cent of this is expected to be contributed by domestic tourism. As far as the vacation ownership industry in India is concerned, the market penetration is still very low. If one compares the Indian vacation ownership industry with the US in terms of its share in the hospitality sector, the scope for growth in India is around five times of its current size. Similar conclusions can be drawn if one considers other surrogates for the size of the opportunity for the Company's products such as ownership and sales of cars.

Clearly, there is a significant headroom for growth of the business. More so, as holidays have become an essential element in the discretionary spend budget of households. Besides, emerging trends in holidaying preferences are also encouraging from the Company's perspective. For instance, holidays with extended families, short breaks and the demand for variety in experiences and destinations are things that the Company is well placed to offer to its customers.

**Business Performance**

'Club Mahindra' is the Company's flagship product in the vacation ownership business, which entitles its members a week's holiday every year for a period of 10 or 25 years depending upon the membership. Mahindra Holidays has recorded a fair growth in its membership over the last few years despite the challenging environment. It believes that there is a significant potential for further growth of the business, especially with the Indian economy witnessing a revival in its growth prospects.

Buoyed by early gains of the Company's pull-based marketing strategy — comprising non-intrusive sales channels such as alliances, digital and referrals — implemented in the previous year, the focus during 2015-16 was on expanding its coverage and reach with greater vigour. The main objective was to generate high quality leads, prioritise prospects and increase conversion. Several activities were carried out during the year to support this, some of which are outlined below:

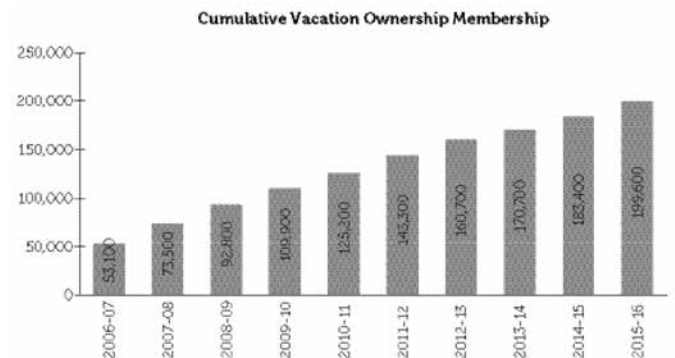
- The Company launched **'Heart-to-Heart'**, a member engagement initiative in their hometowns. Events and activities are being carried out where members and their families meet other members to enjoy various leisure activities. This helps in creating a strong sense of belonging to the 'Club Mahindra' community. This also provides an opportunity to update members, seek referrals and solve any issues they might be facing.

- In another initiative to expand the choices available to members in terms of new vacation experiences, the Company made available house boats in Kashmir and sea-facing luxury tents at 'Festa De Diu' — the longest beach festival in Asia. Encouraged by the success, it is actively considering expansion of the bouquet of such unique experiences to its members.
- **'India Travelogue'**, a 40 episode weekly TV travel-series is being aired on CNBC Awaaz since September 2015. The series showcases the Company's resorts and the experiences that they offer in the backdrop of the destination's points of interest. It has garnered positive word of mouth for Club Mahindra and generated considerable interest among prospective vacation ownership customers.
- Other engagement and brand building initiatives during the year included setting-up of a mini Club Mahindra resort facility within 'Kidzania', the kids edutainment centre inside R City Mall in Mumbai, to give children a sense of what it would be like to work in the hospitality industry.

To support these initiatives, the Company also carried out extensive advertising and brand-building campaigns in print and television. **'Club Mahindra' was selected as a 'Super Brand' for the year 2015 by SuperBrand Council in India.**

As a result of these efforts, digital and referral leads contributed Considerably to sales and now accounts for over 50 per cent of sales during the year. The Company was also successful in expanding its sales network during the year. At the end of 2015-16, it was present in 137 locations in India, versus 124 in the previous year. Its focus on international markets with sizeable Indian population also saw significant progress, with deepening of its presence in the Middle East by way of two new locations. Contribution of international markets to sales, which was negligible a few years back, also increased to 4 per cent during the year. Going forward, focus will be to expand the footprint, both in India and abroad, as well as to explore alternate channels that are in line with the Company's strategy.

**During 2015-16, the Company added around 16,200 members, taking the total membership to close to two lakh as on March 31, 2016.** The chart provides details of the growth in membership in the last 10 years.



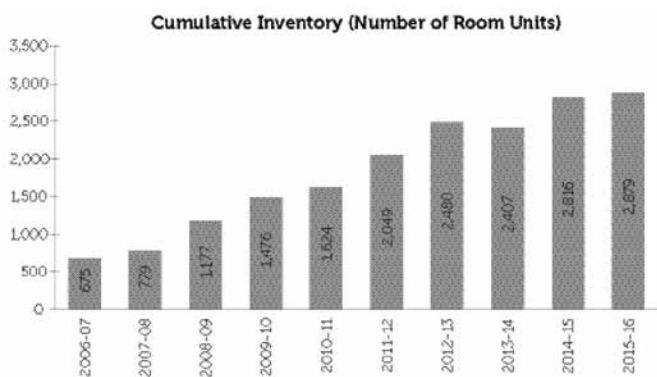
The Company also markets a corporate product called 'Club Mahindra Fundays', which allows enrolled organisations to offer holiday entitlements to its employees or group vacations either as a part of their reward and recognition programme or as an employment perquisite or compensation. During the year, this product performed satisfactorily. New clients were added and there was an increase in the number of room nights utilised under the ambit of this product.

During the year, the Company introduced '**Xperience Breaks**', which offers one week of holiday each in India and international destinations within a year of purchase. It is designed to provide customers a first-hand experience of Club Mahindra membership and is aimed at younger audience in large towns and cities. It is conceived as an exclusively online product and is being marketed through online partnerships.

**Properties and New Projects**

Mahindra Holidays currently has a pan-India presence through its extensive network of resorts across destinations including hill stations, beaches, backwaters, wildlife sanctuaries, forts and heritage. It is also present in international destinations such as Bangkok, Innsbruck (Austria), Kuala Lumpur and Dubai. In addition, with the increase of the Company's stake in Holiday Club Resorts Oy, Finland (HCR), members will now have a choice to visit HCR's 31 resorts in Europe.

During the year, Mahindra Holidays added 87 room units to its inventory. This included 12 units in Kanha, 51 in Munnar and 24 in Kashmir. After accounting for inventory retired, the net addition during the year was **63 units — taking the total inventory to 2,879 units across its 45 resorts by the end of 2015-16**. The chart provides information on growth in inventory over the last 10 years.



In addition, the Company looks for opportunities to provide unique holiday experiences to its members. During the year, it made available luxury tents in Diu and opportunities to experience holidays in multiple locations by virtue of its tie-up with a leading hotel chain.

In line with the Company's strategy, majority of the total inventory is owned by it. In cases where resorts are under long-term lease arrangements, it manages the resorts to ensure delivery of complete range of services to its members. Even in resorts where rooms/units are made available to members

through inventory arrangements, sufficient measures are implemented to give members the best holiday experience.

Increasing room inventory in line with membership additions continues to be a key focus area. **The Company is currently undertaking four projects: Naldhera (Shimla), Assanora (Goa), Ashtamudi (Kerala) and expansion at Kandaghat (Shimla), which are in different stages of planning and development.** Besides, it is also considering acquisition opportunities in different parts of the country. It is expected that these initiatives would eventually add around 700 units to the Company's inventory over the next few years.

Apart from this, the Company also has land bank at nine destinations across six states. Efforts are on to expand this further. Some of its existing resorts also have additional land that can be utilised for further expansion. This will provide the flexibility to build such destinations and add room inventory on an ongoing basis.

**Resort Operations**

Efficient resort operations are central to delivering a holiday experience that meets the expectations of the members. This encompasses three key areas: infrastructure and facilities, holiday activities, and food and beverage (F&B).

As a Company marketing long duration products and services, Mahindra Holidays ensures that quality of infrastructure and facilities are well maintained and upgraded regularly to meet customer expectations. During the year, investments were made to upgrade rooms and common areas across multiple locations. At the same time, focus was also on deploying sustainable and environment friendly technologies such as installation of compost machines and upgrading sewage treatment plants. Spa facilities, which are on offer in 26 resorts, saw introduction of new concepts, therapies and amenities during the year.

Holiday activities continue to be an important focus area. All resorts have activities built around the themes of learning, adventure, relaxation and local experiences, depending on the terrain and type of holiday the destination offers. New activities introduced during the year included cricket simulators, virtual golf and wall climbing. These, along with other activities such as archery and trampoline, will be extended to other resorts in the future. In another important initiative, the Company is upgrading soft-play areas for children across all its resorts. These measures will also contribute to greater resort revenues for the Company.

**With four of the Company's resorts upgraded to Gold Crown during 2015-16, it has a unique distinction of having 26 RCI Gold Crown and 2 Silver Crown resorts in India, which bears testimony to the high standards of resort facilities, amenities and services that its resorts offer. During the year, five resorts won the Platinum Award from RCI. In addition, the resort at Gangtok received the prestigious 'Best Resort (Hospitality)' award from Government of Sikkim.**



Several of your Company's resorts have received awards from Trip Advisor and Holiday IQ in various categories over the years. During the year, the resort in Coorg received '2016 Traveller's Choice Hotel Award' under the category 'Top Hotels for Families – both Asia and India'; resort in Munnar received '2016 Traveller's Choice Hotel Award' under the category 'Top Hotels for Families – India'; and resort in Thekkady received 'Holiday IQ Award' for 'Top Hotel Chain' and 'Top Excellent Services'.

In the area of food and beverage (F&B), efforts are continuously made to increase the variety and make the dining experience more exciting. During the year, the Company launched new dining concepts and restaurants. One new concept is the extension of 'Fun Dining' by bringing together dining with entertainment, music and games for the whole family in an exciting ambience. New restaurants included those featuring cuisines such as Italian, BBQ and Seafood. The Company also introduced 'live counters' and 'regional speciality menus' in selected resorts, besides carrying out unique food promotions. 'Gourmet Express', the Company's innovative in-room dining offering introduced during the previous year, was rolled-out in all its resorts and has been received well by the members.

**Ten of your Company's resorts have the NABCB Branch Hygiene Code (BHC) certification. This certification is awarded upon meeting prescribed standards of hygiene in all activities related to F&B — from procurement of raw materials to preparation and serving it to the customers.**

Mahindra Holidays has institutionalised 'post-holiday feedback' (PHF), which encompasses all key areas of resort operations. This serves as the measure of its success in delivering quality holiday experience to the members as well as identifying and addressing their concerns. **PHF scores have shown consistent improvement since the inception of the programme. During 2015-16, the overall PHF score stood at 4.2 compared to 4.1 in the previous year.**

#### Member Relations – Vacation Ownership

As an enterprise that markets what is essentially a long-duration discretionary product, member satisfaction is the key to Vacation Ownership business of the Company. During 2015-16, the Company took significant strides on its path towards excellence in member services. Deployment of technology based solutions has been an important element of its strategy, which continued to contribute tangible results.

Online services is one such area. During the year, the Company moved its website to an advanced architecture and added a host of features, which have been detailed further in the section on IT. **Consequently, the percentage of online bookings increased to 66 per cent in 2015-16, up from 52 per cent in the previous year. In absolute terms, online bookings increased by over 75,000 during the year.** Better online services have increased the transparency and efficiency of booking process, thereby contributing to a superior member experience. Reservation and payment related grievances also came down significantly.

Occupancy rate remained stable around 81 per cent. The Company also achieved significant success in member on-

boarding process, with the service level in making the first contact of nearly 100 percent. In addition, the Company reaches out proactively to assist new members in booking their first holiday.

The Company has institutionalised a feedback generation mechanism to continuously improve its internal processes. During 2015-16, there has been a steady increase in the loyalty scores based on feedback received through both the Company's internal feedback generation mechanisms as well as external surveys. **Customer-as-promoter score (CAPS), which is determined by IMRB, increased from 31 per cent in 2014-15 to 42 per cent in 2015-16.** At the same time, substantial increase in referrals from members and appreciation in social media are testimony to the improvement in member satisfaction levels.

#### Human Resources (HR)

Given the highly specialised nature of the Company's business and the large number of locations where it operates, attracting and nurturing the right talent is at the core of your Company's strategy for success and growth. Accordingly, the HR function at Mahindra Holidays is organised into three key areas: customer acquisition, resort operations and corporate functions.

During the year, focus was on building capabilities through a structured approach to drive the Company's performance. This encompassed implementing changes across all components of the HR function: recruitment, employee engagement, reward and recognition, skill upgrading, talent management, organisational culture and employee relations. Key developments are discussed below.

In the area of customer acquisition, the Company introduced 'I-ExCEL', a sales training workshop for front-line sales executive, which covered 100 percent of eligible employees, and a mentoring programme where around 80 managers underwent extensive training to build capability as mentors. Over 200 executives have subsequently been identified to be trained by these mentors.

In the area of resort operations, the Company introduced a comprehensive skills training and certification programme for all key functions: F&B, food preparation, front office and housekeeping. It also rolled-out a fast track programme for top performers, with the objective of grooming supervisory and managerial talent from within the organisation for new resorts. During the year, the Company also carried out a scientific benchmarking exercise to optimise and redeploy people across functions and resorts.

On the corporate and organisational development front, the Company regularly nominates executives to participate in development programmes and workshops to enhance their skills. During the year, customised workshops were prepared to align the employees with the culture and business goals of the organisation.

Apart from the specific programmes introduced during the year, the Company continues to provide induction and operational training to its employees. **During the year, the Company provided 30,000 man days and 35,000 man days of training in the areas of customer acquisition and resort operations respectively. Overall, each employee received an average**

**of 11.1 man days of training in 2015-16, up from 7.5 man days in the previous year.**

2015-16 was an important year where the Company transitioned to a new learning and development paradigm based on assessing and building competencies in a structured manner. Going forward, focus will be on institutionalising these initiatives across the organisation. As on March 31, 2016, there were 3,784 people on the rolls of the Company. Industrial and employee relations remained cordial throughout the year.

**Quality**

Mahindra Holidays has adopted the principles of Total Quality Management (TQM) under the banner of 'The Mahindra Way' (TMW) — the Mahindra Group's integrated approach to promote excellence in all spheres of its operations. The Company has successfully institutionalised quality systems in all critical business functions. During the year, the Company witnessed a focussed approach to TMW with participation from all functions and sections of employees. Some of the key developments during the year are discussed below.

One of the biggest achievements in the area of business excellence and quality during the year was the propagation of the Kaizen culture. In December 2015, the Company launched a Kaizen festival to sensitise employees on quality tools and techniques. Participation in the festival went beyond the customer facing functions — such as member relations (MR), resort operations and customer acquisition — and included finance, purchase, legal, marketing and HR. **As a result, the number of Kaizen projects increased over five-fold from 1,000 in 2014-15 to around 6,400 in 2015-16.** The Daily Work Management (DWM) and the plan-do-check-act (PDCA) cycle approach continue to help the MR function to reduce complaints and improve customer satisfaction. Also, resorts have been consistently able to retain and improve upon their PHF scores.

The skills of the Business Excellence (BE) team, which is responsible for in-house training and development of employees, was enhanced by conducting specialised program in quality tools such as 7QC. During the year, participants from MR function underwent training on the QC story methodology and have successfully completed improvement projects. Failure Mode and Effects Analysis (FMEA) tools continue to be utilised for proactive identification of gaps and implementation of suitable preventive actions.

The standardisation process by way of Standard Operating Procedures (SOPs) have already been actively deployed across the resorts. During the year, SOPs were created and adopted for two important support functions, viz. purchase and projects.

Audits are an integral part of process improvements. DWM and ISO audits are conducted regularly. With an increased focus on internal audits, the frequency and coverage has also increased significantly. During the year under review, the BE team had created a centralised dashboard for resorts, enabling access to hard data for preventive and corrective action. Several modules were added to the dashboard during the year, increasing its utilisation and efficacy. Overall, TMW practices are getting increasingly integrated in the business functions, and have started contributing to the Company's performance.

**Information Technology (IT)**

Mahindra Holidays believes that technology today plays an active role in providing a competitive edge in the market and contributes directly to meeting business goals. The Company has invested significant resources in upgrading its IT architecture and is benefiting in all key spheres of its operations — be it customer acquisition, resort operations, member relations or internal controls.

As mentioned earlier, online services continue to be a key focus area for the Company. During 2015-16, the Company launched an upgraded website on a cloud-based architecture, which increased availability, speed, and peak load handling capacity. For members, a host of features were added: online payments using NEFT and e-wallets, waitlisted bookings, online referral and exclusive online offers. From the point of view of prospects, the new website simplified the process of getting information about products and resorts as well as raising membership related enquiries with the Company. These measures have considerably increased online usage and operational efficiencies.

The Company also launched a micro-site for its new one-year product 'Xperience breaks', which allows customers to view and buy the product online. Seamless integration with the Company's payment gateway as well as the inventory and reservation engine has ensured that customers have a smooth experience while purchasing the product and in making reservations. As an exclusively online product, features were built into the website to enable channel partners to access information and increase the visibility of the product.

During the year, the Company made significant progress in its bid to integrate its CRM, Web and SAP-based systems — with the ultimate aim of having a unified view of the customer throughout his engagement with the Company. This will help in designing and implementing customer-centric processes, and improving the overall efficiency of operations. For instance, this integration has paved the way for the Company to develop a full-feature mobile app for its members, which is expected to be launched in 2016-17.

The previous year's report discussed initiatives in the area of business analytics. During 2015-16, the Company implemented advanced models to value and prioritise leads generated from its marketing efforts, referrals and digital channels. These have now been institutionalised in the customer acquisition function resulting in better targeting of effort, and have contributed significantly to sales performance. Another area where the IT infrastructure and analytical prowess has been put to use is the increase in coverage and quality of real-time MIS and dashboards. This has resulted in considerable strengthening of controls in areas of finance, procurement and material management.

**Corporate Social Responsibility (CSR)**

As a part of the Mahindra Group, the Company has been at the forefront of taking affirmative action and seeks to contribute to the socio-economic well-being of the communities that it interacts with in carrying out its business.

Apart from working with NGOs, foundations and trusts, and contributing resources for socially relevant projects, the

Company also encourage community service by its employees by involving them through its 'Employee Social Options Programme'. **During the year, 1,682 employees volunteered 9,987 man hours on CSR initiatives. Overall, the Company carried out around 200 different initiatives, which directly benefitted over 18,000 people during the year.**

Some of the key CSR initiatives undertaken by the Company during 2015-16 are mentioned below:

- **Education, Skill Development and Livelihood:** The Company sponsored the education of 4,531 girls through the 'Nanhi Kali' project. In another major initiative to promote education called 'Gyandeept', 44 projects involving provisioning and upgrading of infrastructure and amenities at government schools were carried out across multiple locations. As a part of 'Hunnar', vocational skill training was carried out at eight locations. Another important initiative of the Company is supporting skill development and generating livelihood opportunities through self-help groups (SHGs). During the year, it supported four SHGs of women across three resort locations in areas such as poultry, fish and goat farming.
- **Environment:** 31,000 trees were planted across 33 locations during the year as a part of 'Mahindra Hariyali' — an initiative of Mahindra Group for tree plantation — taking the total trees planted to 249,468 since the beginning of the project in 2010-11. Initiatives under the aegis of 'Swachh Bharat Abhiyaan' included building of 16 toilets in three schools, cleanliness drives across several resort locations and distribution of 600 dustbins in the vicinity of its resort in Mahabaleshwar, in collaboration with the Municipal Council. In other important projects, 50 solar lights were installed in a village near Kanha and a sparrow conservation initiative was carried out in nine villages around Munnar.
- **Health and Community Welfare:** The Company regularly carries out blood donation and medical check-up camps, awareness sessions in the areas of health, natural remedies, and HIV/AIDS to benefit the local communities in which it operates. During the Chennai floods, the Company, in its first response, provided eight metric tonnes of relief material to 269 families; school bags and stationery were also provided to 108 students. It also adopted four hamlets and disbursed relief material to another 329 families in collaboration with NGOs. In other initiatives during the year, the Company supported palliative care in Mumbai and Poovar, and organised road safety campaigns.

## Sustainability

Sustainable development aims at achieving economic growth and improvement in well-being while preserving the natural resources and ecosystem for future generations. As a part of the Mahindra Group ('the Group'), the Company recognises the importance of sustainability, and is committed to conserve the ecological integrity of its locations through responsible business practices, accountability and transparency.

During the year, the Group's Sustainability Apex Council set the following long term goals for sustainability:

- Carbon neutral by 2030
- Water secure by 2030
- Zero waste by 2030
- EP 100 – double energy productivity by 2030
- RE 100 – increase renewable energy by 100 per cent by 2030

Mahindra Holidays' initiatives in this area are carried out in line with these long term objectives. Accordingly, the Company has set a roadmap that identifies the key areas of focus and parameters that are monitored to measure progress in its sustainability journey. The Company believe that practicing sustainable development makes good business sense and it considers the impact of its actions in making business decisions, thereby demonstrating its commitment to the global sustainable development effort.

Some of the key areas that have been identified for implementing sustainable practices include carbon footprint measurement, conservation of biodiversity and assessment, environment, energy and water, sourcing and community development. During the year, a number of activities were carried out across resort locations. These include use of solar power; environment-friendly energy and water saving equipment; timers and motion sensors for lighting of common areas and other loads where continuous power is not required; eco-friendly bio-block sewage treatment plants and organic waste compost machine for wet garbage process. Across the Company's resorts, all CFLs are being replaced by LED lamps.

Other than these, awareness drives were conducted for the employees and members at resorts about climate change, environment and biodiversity. Training programmes for segregation of waste were successfully implemented at several resort locations. Holidaying members also participated in various activities aimed at generating awareness on water scarcity and pollution.

The Company actively participates in the Mahindra Group's journey for Corporate Sustainability Reporting. The 'Sustainability Report' of the Group is prepared in accordance with the internationally accepted framework specified by the Global Reporting Initiative (GRI). This framework sets out the principles and indicators that should be used to measure and report economic, environmental, and social performance. During 2015-16, the number of resorts that participated in sustainability reporting of the Group increased from 7 to 14.

## Financials

**Table 1: Financial Information – Standalone & Consolidated**

	(₹ lakh)			
	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
Operating Income	95,153	79,485	1,59,859	81,188
Other Income	1,108	1,271	523	1,776
<b>Total Income</b>	<b>96,261</b>	<b>80,756</b>	<b>1,60,382</b>	<b>82,964</b>

(₹ lakh)

	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
Operating & Other Expenses	71,911	61,506	1,31,314	63,151
Financial Expenses	8	25	1,466	259
Depreciation	7,133	6,541	9,753	6,635
<b>Total Expenditure</b>	<b>79,052</b>	68,072	<b>1,42,533</b>	70,045
Profit Before Tax (Before Exceptional item)	17,209	12,684	17,849	12,919
Exceptional Item (Pre-Tax)	-	2,188	-	2,188
Provision for Tax	5,474	2,594	5,937	2,704
<b>Profit After Tax (PAT)</b>	<b>11,735</b>	7,902	<b>11,912</b>	8,027
Share of Profit of Associate	-	-	(1,494)	66
Minority Interest	-	-	(512)	30
<b>Consolidated PAT</b>	<b>-</b>	-	<b>9,906</b>	8,123
Diluted EPS (₹)	13.29	8.98	11.22	9.23
Fixed Assets	95,397	86,761	1,36,988	1,00,777
Cash & Marketable Securities	8,568	2,620	17,032	3,164
Total Debt	-	641	64,337	12,379

Here are the key highlights of the financial performance of the Company:

### Standalone Financial Results

The standalone results for 2015-16 include the financial performance of three (erstwhile) wholly owned subsidiary companies, which got amalgamated with the Company with effect from March 31, 2016, with an appointed date from April 1, 2015. These are: Competent Hotels Private Limited, Divine Heritage Hotels Private Limited and Holiday on Hills Resorts Private Limited.

- Total standalone income, which includes both operating and other income, grew by 19.2 per cent from ₹ 80,756 lakh in 2014-15 to ₹ 96,261 lakh in 2015-16. Income from sale of vacation ownership products, which is the largest component of the Company's operating income, grew at 21.4 per cent to ₹ 53,911 lakh. Resort income, which includes revenues from F&B, resort activities and rooms, grew at 31 per cent to ₹ 17,273 lakh.
- Total expenditure for the standalone entity grew by 16.1 per cent from ₹ 68,072 lakh in 2014-15 to ₹ 79,052 lakh in 2015-16. Employee and Sales & Marketing expenses, which account for around half of the Company's expenditure, grew at 18.5 per cent from ₹ 33,661 lakh in 2014-15 to ₹ 39,894 lakh in 2015-16. Financial expenses remained negligible. Depreciation grew by 9.1 per cent from ₹ 6,541 lakh in 2014-15 to ₹ 7,133 lakh in 2015-16.

- The Company registered a substantially higher profitability during the year. Profit before Taxes (PBT) for the standalone entity, even before considering the exceptional item in the previous year, grew at 35.7 per cent from ₹ 12,684 lakh in 2014-15 to ₹ 17,209 lakh in 2015-16. Profit after Taxes (PAT) of the standalone entity increased from ₹ 7,902 lakh in 2014-15 to ₹ 11,735 lakh in 2015-16 — representing an increase of 48.5 per cent over the previous year. Accordingly, diluted EPS for the standalone entity increased from ₹ 8.98 in 2014-15 to ₹ 13.29 in 2015-16.
- The liquidity situation of the Company remained comfortable during the year and the Company has no long-term debt.

### Consolidated Financial Position

As on March 31, 2016, for the purpose of consolidated financial results of the Company, 41 Subsidiaries, 1 Joint Venture and 4 Associates were considered. This includes results of Holiday Club Resorts Oy, Finland (HCR) with effect from September 2015, which became a subsidiary after the acquisition of a majority stake by the Company through its subsidiary Covington S.à.r.l, Luxembourg. Prior to this, HCR was an Associate of the Company and the Share of Profit of Associate pertaining to HCR is for the period before September 2015.

As a consolidated entity, your Company's total income (including other income) stood at ₹ 1,60,382 lakh in 2015-16. During the year, the consolidated PAT was ₹ 9,906 lakh and the Diluted EPS was ₹ 11.22.

### Internal Controls

The Company has an adequate internal control system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency. During the year under review, the Company engaged a reputed firm specialising in implementation of internal controls to test the effectiveness of existing controls (both manual and system-based) and to fix any issues related to financial reporting and key non-financial processes.

The Company has an Internal Auditor who oversees the entire internal audit function. However, given the size of its operations in terms of number of resort locations and nature of its business, it also uses services of independent audit firms to conduct periodic internal audits in line with an audit plan that is drawn at the beginning of the year. This audit plan, prepared by the Internal Auditor, is approved by the Audit Committee and the Board of Directors. The scope of the exercise includes ensuring adequacy of internal control systems, adherence to management policies and compliance with the laws and regulations of the country. The Internal Auditor also reports on the implementation of the audit recommendations.

The Company's ERP system has appropriate controls embedded in its processes and systems to reduce the need and reliance for compensating manual controls. These have also been strengthened from time to time, and the

standardisation has been a significant source of comfort given the number of locations in which the Company operates.

Internal audit reports are placed periodically before the Audit Committee of the Board of Directors, which reviews the adequacy and effectiveness of the internal control systems and suggests improvements for strengthening them.

### **Threats, Risks and Concerns**

Mahindra Holidays' risk management framework consists of identification of risks, assessment of their nature, severity and potential impact, and measures to mitigate them. This framework is in place for adequate and timely reporting and monitoring. Risks are reviewed periodically and updated to reflect the business environment and change in the size and scope of the Company's operations.

#### **Economic Risks**

Although the macroeconomic situation appears to be stable, cyclical downturns may continue to resurface in the future. Besides, even with the current environment of stable growth and benign inflation, interest rates continue to be relatively high. As a result, consumer confidence to commit resources continue to be relatively weak. As a material portion of the Company's revenue comes from discretionary spending of consumers, this can adversely impact the Company's ability to generate sales and affect its growth prospects.

The Company recognises these risks and has measures in place to mitigate the impact of adverse macroeconomic situation. This includes focusing on pull-based strategy for customer acquisition through referrals and targeted digital marketing, which allows it to reach the right segments and at the same time ensures higher conversion to sales. The Company is also in the process of ramping up its international marketing network to increase their contribution to the sales mix. Another initiative taken during the year was introduction of a one year product 'Xperience Breaks', which allows the Company to reach out to younger prospects who are not ready to commit themselves for the longer duration offerings.

#### **Operational Risks**

Operational risks mainly relate to meeting customer expectations in terms of quality of service and maintaining a balance between the inventory of resorts and growth of customers. These assume significance given the long service duration of the key products. As there are multiple choices, both in terms of location and dates, there could be occasions where the first choice of holiday requested by the customers may not be available, which may result in dissatisfaction. Another operational risk is in the ability to consistently attract, retain and motivate managerial talent and other skilled personnel, especially in a high growth industry with unique characteristics. Further, some of the Company's resorts are located in remote areas and natural calamities such as earthquake, flood, landslide etc. may affect the accessibility of the resort to members as well as online connectivity.

The Company has invested significant resources in systems and processes to mitigate these risks. Customer satisfaction continues to be favourable and on an upward trend.

Regarding room inventory, the Company will continue to be judicious in the use of different options — greenfield projects, expanding inventory at existing locations, lease and inventory arrangements — to meet the expectations of its customers and at the same time maintain a balance between demand and supply. Regarding talent management and retention, the management believes that its HR practices enhance employee engagement and satisfaction to effectively mitigate this risk.

#### **Financial Risks**

The Company's business involves significant investments in building resorts for its operations. These expose it to risks in terms of timely and adequate availability of funds at competitive rates to finance its growth. Besides, the Company offers its customers schemes to finance the purchase of the vacation ownership and similar products, which exposes it to credit risks. Another financial risk that the Company is exposed to is potential non-payment or delayed payment of membership instalments and/or the annual subscription fee by members resulting in higher outstanding receivables.

Currently, Mahindra Holidays has no long-term debt on a standalone basis, and has a strong and stable capital structure to raise money for further expansion, if needed. The Company undertakes comprehensive assessment of the profile of its customers and carefully monitors its exposure to credit risk. Besides, several improvements in control and monitoring mechanisms have been made to reduce risks of potential leakages and aid the management in this process.

#### **Regulatory and Legal Risks**

Mahindra Holidays is exposed to regulatory and legal risks. These include cumbersome processes and risks relating to land acquisition, conversion of land for commercial usage and development of properties, environmental clearances, approvals and activities related to development of new resorts. There are also other regulatory and legal risks pertaining to tax proceedings, legal proceedings on properties, customer complaints, non-compliance of regulations including environmental regulations and those pertaining to the hospitality sector. Further, as the Company has investments and operations in different countries, it is also exposed to political and regulatory risks that emanate from its international presence.

The Company has systems and controls in place to mitigate these risks and minimise instances of non-compliance. It also believes that its proactive stance on sustainability will hold it in good stead for future development and growth.

#### **Outlook**

Mahindra Holidays performed creditably in 2015-16. The Company's strategy to generate more pull-based business and efficiencies in execution has been instrumental in delivering superior performance during the year, even as the Company faced headwinds in the form of low consumer disposition towards high-value discretionary spends.

At a fundamental level, the Company believes that penetration of vacation ownership in India is low and there is considerable room for growth. Consistent improvements in member satisfaction and ability to deliver family-friendly experiences on

a larger scale have validated the Company's investments in technology and processes, and at the same time improved its competitive positioning in the leisure travel industry.

The Company's wide presence with 45 resorts offering a variety of experiences for its members provides it with an unmatched opportunity in the vacation ownership business in India. Four of its greenfield projects currently under execution are on schedule and expected to add another 500 units over the next few years.

Equally, the acquisition of HCR opens up growth opportunities in Europe and Middle East besides allowing 'Club Mahindra' members to visit HCR's resorts in Europe. Improvement in the macroeconomic performance expected in 2016-17, is likely to provide a further boost to the Company's prospects. All of these should augur well for the Company's performance in the future.

### **Cautionary Statement**

*Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include poor macroeconomic growth and consumer confidence, inability to add resorts and increase the inventory of room, cyclical demand and pricing in the Company's principal markets, changes in tastes and preferences, government regulations, tax regimes, economic development within India and the countries in which the Company conduct its business and other incidental factors.*

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Philosophy

Mahindra Holidays & Resorts India Limited ('Mahindra Holidays' or 'the Company') is committed to sound corporate governance practices. This has been integral to the way the Company conducts its business since its inception. The Company's corporate governance framework is a reflection of its culture, policies, relationship with stakeholders and customers, and its commitment to values. Accordingly, the Company always seeks to ensure that Company's performance is driven by integrity.

Mahindra Holidays' corporate governance philosophy is built around the values of transparency, professionalism and accountability. Effective corporate governance is the manifestation of professional beliefs and values, which configures the organisational values, credo, and actions of its employees.

A Report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India (SEBI) and incorporated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the erstwhile Listing Agreement of the Stock Exchanges is given below.

### Board of Directors

#### Board Diversity and Composition of the Board

The Board has adopted the Board Diversity Policy which sets out the approach of the diversity of the Board of Directors. In line with the same, the Company continues to have a very balanced and diverse Board of Directors ("the Board"), which primarily takes care of the business needs and stakeholders' interest. The Board Diversity Policy is available on Company's website. Link: [www.clubmahindra.com/about-us/policies/board\\_diversity.pdf](http://www.clubmahindra.com/about-us/policies/board_diversity.pdf)

The composition of the Board is in conformity with Regulation 17(1) of the SEBI Listing Regulations and also with the provisions of the Companies Act, 2013 ("the Act"). The Chairman of the Board is a Non-Executive Director and half of the Board comprises Independent Directors.

The composition of the Board remained unchanged during the financial year under review. As on March 31, 2016, the Board comprised of ten Directors. Mr. Arun Kumar Nanda is a Non-Executive Chairman of the Company. Mr. Kavinder Singh is Managing Director & Chief Executive Officer (CEO) and Mr. S. Krishnan is Chief Financial Officer (CFO) & Executive Director of the Company. Mr. V. S. Parthasarathy and Mr. Vineet Nayyar are Non-Executive Non-Independent Directors of the Company. Mr. Cyrus Guzder, Mr. Rohit Khattar, Mr. Sridar Iyengar, Mr. Sanjeev Aga and Ms. Radhika Shastry are Independent Directors of the Company.

All Independent Directors have the requisite qualification(s) and experience in general corporate management, finance, hospitality, telecom, financial services, vacation ownership, and other allied fields which enable them to contribute effectively to the Company in their capacity as Directors, while participating in its decision making process. The terms and conditions of appointment of the Independent Directors have been uploaded on the Company's website.

Mr. V. S. Parthasarathy, Non-Executive Director of the Company is a Key Managerial Personnel (KMP) of the Holding Company, and draws remuneration from it. Mr. Vineet Nayyar, Non-Executive Director of the Company, is the Non-Executive Vice-Chairman of Tech Mahindra Limited, an Associate Company of the Holding Company with effect from August 2015 and prior to that he was an Executive Vice-Chairman and was drawing remuneration from it.

Apart from the above, and apart from the reimbursement of expenses incurred in discharge of their duties and the remuneration that the Non-executive Directors, the Managing Director & CEO and the CFO & Executive Director would be entitled to under the Act, none of the Directors have any other pecuniary relationships with the Company, its Holding Company, subsidiaries or associate companies or their Promoters, Directors, which in their judgement would affect their independence.

The Senior Management of the Company have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

### Board Meetings and Attendance

Six Board Meetings were held during the financial year 2015-16 on: May 18, 2015, July 28, 2015, September 8, 2015, October 27, 2015, January 22, 2016 and March 13, 2016. The gap between two Meetings did not exceed one hundred and twenty days. These Meetings were well attended including attendance of the Independent Directors. The Nineteenth Annual General Meeting (AGM) of the Company was held on July 28, 2015. The Chairman of the Audit Committee, the Chairman of the Nomination and Remuneration Committee and the Chairman of the Stakeholders Relationship Committee were present at the AGM.

Directors	Number of Board Meetings		Attendance at the last AGM
	Held	Attended	
Mr. Arun Kumar Nanda	6	6	Y
Mr. Vineet Nayyar	6	2	N
Mr. Cyrus Guzder	6	6	Y
Mr. Rohit Khattar	6	2	N
Mr. Sridar Iyengar	6	6	Y
Mr. Sanjeev Aga	6	6	Y
Mr. V. S. Parthasarathy	6	6	Y
Ms. Radhika Shastry	6	4	Y
Mr. Kavinder Singh	6	5*	Y
Mr. S. Krishnan	6	6	Y

\* In addition, Mr. Kavinder Singh participated in one meeting through telephone/video conference call.

**Details of other directorship and committee membership held:**

The number of Directorships and Committee positions held by them in companies at the end of the year under review are given below. None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees across all the companies in which they are Directors. Further, none of the Directors on the Board is an Independent Director in more than seven listed companies. In addition, none of the Whole Time Directors of the Company and a Director who is the whole-time director in other listed company, are not Independent Directors in more than three listed companies. None of the Directors of the Company are inter se related to each other.

No. of Directorships and Committee Membership held as on March 31, 2016 are given below:

Directors	Category	As on March 31, 2016*			
		Indian Listed Compnies <sup>#</sup>	Total Directorship <sup>#</sup>	Committee Memberships <sup>^</sup>	Committee Chairmanships <sup>^</sup>
Mr. Arun Kumar Nanda	Non-Executive Chairman	3	6	2	2
Mr. Vineet Nayyar	Non-Executive Director	3	5	1	Nil
Mr. Cyrus Guzder	Independent Director	2	3	3	2
Mr. Rohit Khattar	Independent Director	1	3	1	Nil
Mr. Sridar Iyengar	Independent Director	2	5	5	5
Mr. Sanjeev Aga	Independent Director	5	7	7	3
Mr. V. S. Parthasarathy	Non-Executive Director	3	7	6	2
Ms. Radhika Shastry	Independent Director	1	1	Nil	Nil
Mr. Kavinder Singh	Managing Director & CEO	1	1	1	Nil
Mr. S. Krishnan	CFO and Executive Director	1	1	Nil	Nil

\* Excludes private limited companies, foreign companies and companies registered under Section 8 of the Act (erstwhile Section 25 of the Companies Act, 1956).

<sup>^</sup> Committees considered are Audit Committee and Stakeholders Relationship Committee, including that of Mahindra Holidays & Resorts India Limited ("MHRIL").

<sup>#</sup> Excludes Alternate Directorships but includes Additional Directorships and Directorship in MHRIL.

**Shares and Convertible Instruments, if any, held by Directors**

Details of ownership of any shares in the Company by the Directors either on their own or for any other person on a beneficial basis is given below:

Name of Directors	Category	Shares held as on March 31, 2016	No. of Options granted	Date of Grant	Exercise Price (₹)	Vesting Period <sup>^</sup>
Mr. Arun Kumar Nanda	Non-Executive Chairman	6,94,630*	200,000 <sup>#</sup>	February 18, 2016	370	Four equal installments in February 2017, 2018, 2019 and 2020
Mr. Vineet Nayyar	Non-Executive	26,700	-	-	-	-
Mr. Cyrus Guzder	Independent	26,700	-	-	-	-
Mr. Rohit Khattar	Independent	26,700	-	-	-	-
Mr. Sridar Iyengar	Independent	-	27,500	February 21, 2012	323	Four equal installments in February 2013, 2014, 2015 and 2016
Mr. Sanjeev Aga	Independent	-	-	-	-	-
Ms. Radhika Shastry	Independent	-	-	-	-	-
Mr. V. S. Parthasarathy	Non-Executive	-	-	-	-	-
Mr. Kavinder Singh	Managing Director & CEO	-	400,000	January 22, 2015	264	Four equal installments in January 2016, 2017, 2018 and 2019
Mr. S. Krishnan	CFO & Executive Director	-	200,000			

\* In addition 1,02,050 Equity Shares are held by relatives of Mr. Arun Kumar Nanda.

<sup>#</sup> Fresh grant under Mahindra Holidays & Resorts India Limited Employee Stock Option Scheme 2014.

<sup>^</sup> Exercise Period: On the date of vesting or at the end of each year for a period of five years from the date of vesting.



## Board Procedure

A detailed agenda and notes thereon are sent to each Director in advance of Board and Committee Meetings except for the Unpublished Price Sensitive Information which are circulated separately or placed at the Meetings of the Board and the Committees. All material information is incorporated in the agenda for facilitating meaningful and focussed discussions at the meeting. Where it is not practicable to attach any documents of the agenda, it is tabled before the meeting with specific reference to this effect in the agenda. To enable the Board to discharge its responsibilities effectively, the Board is appraised at every meeting on the overall performance of the Company. A detailed report on operations of the Company and quarterly compliance report are also presented at the Board Meetings.

The Board reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any, minutes of the Board Meetings of your Company's subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, approval of Quarterly/half yearly/annual Financial Results, significant labour issues, if any, transaction pertaining to purchase/disposal of property, if any, major accounting provisions and write-offs, corporate restructuring, if any, Quarterly details of foreign exchange exposures, Minutes of meetings of the Audit Committee and other Committees of the Board and information on recruitment of senior officers just below the Board level including appointment or removal of chief financial officer and company secretary.

The Board reviews a compliance certificate issued by the Managing Director & Chief Executive Officer regarding compliance with the requirements of various Statutes, Regulations and Rules as may be applicable to the business of the Company.

The Chairman of the Board and Company Secretary, in consultation with other concerned members of the senior management, finalises the agenda for Board meetings.

## Directors Seeking Re-Appointment

Mr. Arun Kumar Nanda, being longest in the office, retires by rotation at the forthcoming Annual General Meeting. Mr. Nanda being eligible, has offered himself for re-appointment.

Brief resume of Mr. Nanda, Director seeking re-appointment is given below.

### Mr. Arun Kumar Nanda

Mr. Arun Kumar Nanda holds a Degree in Law from the University of Calcutta, is a fellow member of the Institute of Chartered Accountants of India (FCA) and a fellow member of the Institute of Company Secretaries of India (FCS). Mr. Nanda has also participated in a Senior Executive Programme at the London Business School.

He joined the Mahindra Group in 1973 and held several important positions within the Group over the 40 years. He was inducted to the Board of Mahindra & Mahindra Ltd. (M&M) in August 1992 and resigned as Executive Director in March 2010 to focus on the social sector and create a favourable ecosystem for senior citizens. He was a non-executive director of M&M from April 2010 till August 2014.

He is currently the Chairman of Mahindra Holidays & Resorts India Limited and Mahindra Lifespace Developers Limited.

He is also the Chairman of Holiday Club Resorts Oy, Finland, Chairman on the Advisory Board of 3i Investments plc, Chairman of the Tourism & Hospitality Skill Council, Independent Director on the Board of Multi Commodity Exchange of India Ltd., Member of the Advisory Board of TechnoServe India, and a Trustee of Integrity Action, U.K. and Helpage India. He was a Member of the Task Force set up by the B20 on Anti-Corruption which presented the policy paper to President Sarkozy at the G20 Summit held in Cannes in November 2011 and to President Putin in St. Petersburg in June 2013.

He is also Chairman Emeritus of the Indo-French Chamber of Commerce, Member of the Governing Board of the Council of EU Chambers of Commerce in India and Co-Chair of CII National Committee on Tourism and Hospitality 2016-17. He was also Chairman of CII Western Region Council for the year 2010-2011.

Mr. Nanda was honoured with an award of "Chevalier de la Legion d'Honneur" (Knight of the National Order of the Legion of Honour) by the President of the French Republic, Mr. Nicolas Sarkozy in 2008.

Mr. Arun Kumar Nanda is the recipient of the following awards:

- "Real Estate Person of the Year Award from GIREM Leadership Awards in India in 2008.
- "ICSI National Award" for Excellence in Corporate Governance for Mahindra & Mahindra as the best governed company in 2008.
- "CA Business Achiever Award - Corporate" at The Institute of Chartered Accountants of India Award 2009
- "Lifetime Achievement Award" for his outstanding contribution to the Hospitality Industry and the Service Sector by the Golden Star Awards 2010.
- "Aatithya Ratna Award" by the Business Hotels Network and Horwath HTL in 2014 for his contribution to the success of the Hospitality Industry.
- "Lifetime Achievement Award" in December 2014 at the CNBC Awaaz Real Estate Awards for his relentless pursuit of excellence and dynamic leadership that steered the growth of Mahindra Lifespaces.
- "Recognition of CAs in Social Service" for best work for Senior Citizens in August 2015 from the Institute of Chartered Accounts of India.
- "IFCA Award of Excellence" for outstanding contribution to the development of culinary profession and promotion of culinary art in India from Indian Federation of Culinary Association in September, 2015.

Mr. Arun Kumar Nanda is a member of the following Board Committees:

Name of the Company	Name of the Committee	Position Held
Mahindra Holidays & Resorts India Limited	Stakeholders Relationship Committee	Chairman
	Corporate Social Responsibility Committee	Chairman
	Nomination and Remuneration Committee	Member
	Risk Management Committee	Member
	Loans & Investment Committee	Chairman
	Inventory Approval Committee	Chairman
	Strategy and Review Committee	Chairman
	Committee of Directors – Investments	Chairman
Mahindra Lifespace Developers Limited	Stakeholders Relationship Committee	Chairman
	Corporate Social Responsibility Committee	Chairman
	Loan & Investment Committee	Chairman
	Nomination & Remuneration Committee	Member
	Share Transfer and Allotment Committee	Member
	Committee for Large Format Developments	Member
	Committee for Residential Projects in Joint Venture	Member
	Qualified Institutional Placement Committee	Member
Mahindra World City (Jaipur) Limited	Capital Issue Committee	Member
	Loans & Investments Committee	Member
Mahindra Holdings Limited	Loans & Investment Committee	Member
Multi Commodity Exchange of India Limited	Nomination Remuneration Committee	Member
	Investment Committee	Member
	Independent Directors Committee	Member
	Selection Committee	Member
	Corporate Social Responsibility Committee	Member
	Special Committee for Business Plan	Member

Mr. Arun Kumar Nanda holds 6,94,630 Equity Shares in the Company. Further, during the year under review, the Company on the basis of recommendation of Nomination and Remuneration Committee has granted 2,00,000 Options representing 2,00,000 equity shares of ₹ 10/- each at an Exercise Price of ₹ 370/- per Option as the fresh grants under Mahindra Holidays & Resorts India Limited Employee Stock Option Scheme 2014.

#### Meetings of Independent Directors

The Company's Independent Directors meet at least once in every year without the presence of Executive Directors or management personnel. Such meetings are conducted informally to enable Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views. Further, Independent Directors also reviews the performance of the non-Independent Directors, Chairman (after taking into account the views of Executive and Non-Executive Directors) and Board as a whole. During the year under review, one Meeting of Independent Directors was held and the same was attended by three out of the five Independent Directors.

#### Familiarisation Programmes for Independent Directors

Regulation 25(7) of SEBI Listing Regulations requires a Company to familiarise its Independent Directors through various programmes about the Company, including the nature

of industry in which the Company operates; business model of the Company; roles, rights and responsibilities of Independent Directors; and any other relevant information.

In terms of above, the Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices.

The details of familiarization programmes imparted to the Independent Directors are posted on the website of the Company and can be accessed at [http://www.clubmahindra.com/sites/default/files/Familiarisation\\_Programme.pdf](http://www.clubmahindra.com/sites/default/files/Familiarisation_Programme.pdf).

#### Board Committees

##### Audit Committee

The Audit Committee's composition meets with the requirements of Section 177 of the Act and Regulation 18 of SEBI Listing Regulations. As on March 31, 2016, the Committee comprised of 5 Directors: Mr. Sridar Iyengar, Mr. Cyrus Guzder, Mr. Rohit Khattar, Mr Sanjeev Aga and Mr. V. S. Parthasarathy. Mr. Sridar Iyengar is the Chairman of the Committee. Mr. Sridar Iyengar, Mr. Cyrus Guzder, Mr. Rohit Khattar and Mr. Sanjeev Aga are Independent Directors. All members of the Committee are financially literate and the Chairman possesses financial management/accounting expertise. The Company Secretary is the Secretary to the Committee.

The terms of reference of the Committee are in accordance with the requirements of Part C of Schedule II of SEBI Listing Regulations and Section 177 of the Act.

**A. Role of the Audit Committee, inter alia, includes the following:**

- oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - o matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of Sub-section (3) of Section 134 of the Act;
  - o changes, if any, in accounting policies and practices and reasons for the same;
  - o major accounting entries involving estimates based on the exercise of judgment by management;
  - o significant adjustments, made in the financial statements if any, arising out of audit findings;
  - o compliance with listing and other legal requirements relating to financial statements;
  - o disclosure of any related party transactions;
  - o modified opinion(s) in the draft audit report;
- reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- approval or any subsequent modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;

- reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries;
- valuation of undertakings or assets of the listed entity, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- formulating the scope, functioning, periodicity and methodology for conducting the internal audit;
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- discussion with internal auditors of any significant findings and follow up there on;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- to review the functioning of the whistle blower mechanism;
- approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

**B. The audit committee shall mandatorily review the following information:**

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions;
- management letters/letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the chief internal auditor.

- statement of deviations:
  - o quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - o annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

The Committee met six times during the year under review and the gap between two Meetings did not exceed one hundred and twenty days. During the financial year 2015-16, the Committee met on: May 18, 2015, July 20, 2015, July 28, 2015, October 27, 2015, January 22, 2016 and March 13, 2016. All the members of the Committee attended all the meetings, except Mr. Rohit Khattar who has attended one meeting, held during 2015-16.

Invitees to the Meetings of the Audit Committee include Chairman of the Board, Managing Director & CEO, Statutory Auditors, Chief Financial Officer & Executive Director and Internal Auditor.

#### **Nomination and Remuneration Committee**

The broad terms of reference of the Committee are to recommend to the Board about the Company's policy on appointment and remuneration package for Directors, Key Managerial Personnel and Senior Management and to advise the Board in framing the remuneration policy of the Company from time to time, to formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors, to give directions for administration of the ESOP scheme and to attend to any other responsibility as may be entrusted by the Board within the terms of reference.

The Nomination and Remuneration Committee consists of Mr. Arun Kumar Nanda, Mr. Cyrus Guzder, Mr. Vineet Nayyar, Mr. Rohit Khattar and Mr. Sridar Iyengar. Mr. Cyrus Guzder is the Chairman of the Committee.

**Terms of Reference of the Committee, *inter alia*, includes the following:**

- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal;
- To carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees;
- To formulate the criteria for evaluation of Independent Directors and the Board;
- To devise a policy on Board diversity;
- To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria;

- To administer, monitor and formulate detailed terms and conditions of the Employees' Stock Option Scheme;
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable;
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

The Committee's constitution and terms of reference are in compliance with provisions of the Act, SEBI Listing Regulations and SEBI (Share Based Employee Benefits) Regulations, 2014.

The Committee met four times during the year under review on: May 18, 2015, July 28, 2015, October 27, 2015 and January 22, 2016. All the members of the Committee attended all the meetings, except Mr. Vineet Nayyar and Mr. Rohit Khattar who have attended one meeting held during 2015-16.

#### **Performance Evaluation of the Board**

The Act and SEBI Listing Regulations stipulate the performance evaluation of the Directors including Chairperson, Board and its Committees. Considering the said provisions, the Company has devised the process and the criteria for the performance evaluation which had been recommended by the Nomination and Remuneration Committee and approved by the Board.

The performance of the Board, its committees and of every Director was evaluated by the Board and Nomination and Remuneration Committee based on a structured questionnaire duly prepared and circulated amongst the Directors, covering various aspects of the evaluation such as adequacy of the size and composition of the Board and Committee thereof with regard to skill, experience, independence, diversity, attendance and adequacy of time given by the Directors to discharge their duties, preparedness on the issues to be discussed, meaningful and constructive contributions, inputs in the meetings, Corporate Governance practices etc. Evaluation of Independent Directors was also carried out by the entire Board of Directors, excluding the Director being evaluated. The Nomination and Remuneration Committee expressed their satisfaction with the evaluation process.

#### **Remuneration to Directors**

##### **Remuneration Policy**

The Company has formulated a policy on remuneration of Directors and Senior Management Employees. While deciding on the remuneration for Directors, the Board and the Nomination and Remuneration Committee consider the performance of the Company, the current trends in the industry, the qualifications of the appointee(s), their experience, past performance and other relevant factors. The Board and the Nomination and Remuneration Committee regularly track the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

The Company's Remuneration Policy for Directors, Key Managerial Personnel and other employees is annexed and forms part of this Annual Report.

The Company's remuneration policy is directed towards rewarding performance based on review of achievements periodically. The remuneration policy is in consonance with the existing industry practice.

**Remuneration of Non-Executive Directors**

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board/Committee meetings and commission as detailed hereunder. No sitting fee is payable in respect to Corporate Social Responsibility ("CSR") Committee meetings as the same was waived by the Committee Members.

A Non-Executive Director will also be entitled to receive commission on an annual basis of such sum as may be approved by the Board. The total commission payable to the

Directors shall not exceed 1 per cent of the net profit of the Company, calculated as per provisions of the Act.

The Independent Directors of the Company shall not be entitled to participate in Stock Option Scheme of the Company introduced by the Company.

The remuneration paid to Wholetime Directors were fixed by the Nomination and Remuneration Committee which was subsequently approved by the Board of Directors. The Shareholders have approved the remuneration paid/payable to the Managing Director & Chief Executive Officer and Chief Financial Officer & Executive Director.

During the year under review, the Non-Executive Directors were paid a commission of ₹ 100 lakh (as provided in the accounts of the year ended March 31, 2015), distributed amongst themselves as shown in the table below.

(₹ lakh)

Name of Directors	Category	Sitting Fees (Note 1)	Commission	Salary, Performance pay and Perquisites	Superannuation and Provident Fund (Note 2)	Total
Mr. Arun Kumar Nanda (Note: 7)	Non-Executive Chairman	9.00	54.05	-	-	63.05
Mr. Vineet Nayyar	Non-Executive	-	-	-	-	-
Mr. Cyrus Guzder	Independent	9.60	10.00	-	-	19.60
Mr. Rohit Khattar	Independent	2.60	10.00	-	-	12.60
Mr. Sridar Iyengar	Independent	9.00	10.00	-	-	19.00
Mr. Sanjeev Aga	Independent	8.10	10.00	-	-	18.10
Mr. V. S. Parthasarathy	Non - Executive	-	-	-	-	-
Ms. Radhika Shastry	Independent	4.00	5.95	-	-	9.95
Mr. Kavinder Singh	MD & CEO	-	-	224.35	16.20	240.55
Mr. S. Krishnan	CFO & ED	-	-	164.88	5.06	169.94

**Notes:**

1. Non-Executive Chairman and Independent Directors are paid sitting fees for attending meetings of the Board/Committees of the Board of Directors of the Company. The sitting fee has been fixed to ₹ 1,00,000/- for attending meetings of Board and for all other Committee Meetings the same has been fixed to ₹ 30,000/-. In respect of CSR Committee, no sitting fee is paid as the sitting fee has been waived by the members of the CSR Committee.
2. Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.
3. Salary to Mr. Kavinder Singh and Mr. S. Krishnan

(₹ in lakh)

Particulars	Kavinder Singh@	S. Krishnan
Salary and Allowances	185.45	120.06
Perquisites	5.10	3.63
Performance Pay	50.00	46.25

4. The Company has not advanced loans to any Director during the year.
5. The nature of employment of the Managing Director & CEO and Chief Financial Officer & Executive Director with the Company are contractual and can be terminated by giving 3 months' notice from either party. Mr. Kavinder Singh's appointment is for a period of 5 years and Mr. S. Krishnan's appointment is for a period of 3 years. The contract does not provide for any severance fees. Remuneration payable to Mr. Kavinder Singh was approved for a period of 3 years by the shareholders.
6. Performance pay to the Wholetime directors are determined by the NRC and then approved by the Board on the basis of pre-determined performance parameters.
7. During the year under consideration, the Company has granted 2,00,000 Options representing 2,00,000 equity shares of ₹ 10/- each to Mr. Arun Kumar Nanda at an Exercise Price of ₹ 370/- per Option as the fresh grants under Mahindra Holidays & Resorts India Limited Employee Stock Option Scheme 2014.

A commission of ₹ 175 lakh has been provided as payable to the Non-Executive Directors in the accounts of the year under review.

#### **Stakeholders Relationship Committee**

The Company's Stakeholders Relationship Committee functions under the Chairmanship of Mr. Arun Kumar Nanda, Chairman of the Board. Mr. V. S. Parthasarathy, Non-Executive Director and Mr. Kavinder Singh, Managing Director & CEO of the Company are the other members of the Committee. Mr. Dinesh Shetty, Company Secretary, is the Compliance Officer of the Company.

The Committee meets as and when required, to inter alia deal with matters relating to its terms of reference which include transfer of shares and monitoring redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc.

The Committee met four times during the financial year 2015-16 on: May 18, 2015, July 28, 2015, October 27, 2015 and January 22, 2016. All the members of the Committee attended all the meetings held during 2015-16.

During the year under review, 12 complaints were received from the Shareholders, all of which have been attended to/resolved. As of March 31, 2016, there are no pending share transfers or complaints from the shareholders.

#### **Corporate Social Responsibility Committee**

The role of the Corporate Social Responsibility (CSR) Committee is inter alia to approve and monitor the CSR activities of the Company in terms of compliance under provisions of the Act. The Members of the CSR Committee are Mr. Arun Kumar Nanda, as the Chairman, Mr. V. S. Parthasarathy, Mr. Cyrus Guzder and Mr. Kavinder Singh.

The Committee met four times during the financial year 2015-16 on: May 18, 2015, July 28, 2015, October 27, 2015 and January 22, 2016 and all the members of the Committee were attended these meetings.

#### **Loans & Investment Committee**

The Loans & Investment Committee approves the loans, investment, subscription/acquisition, sale/transfer and all related aspects of these transactions. The Committee consists of Mr. Arun Kumar Nanda, Chairman and Mr. Kavinder Singh, Managing Director & CEO as members. There were no meetings of the Committee during the financial year 2015-16 as all loans, investments and subscription/acquisition made during the year were approved by the Committee of Directors-Investments as well as by the Board in its meetings.

#### **Inventory Approval Committee**

Inventory Approval Committee was constituted by the Board for evaluating and approving resort property acquisition by way of outright purchase, long term lease proposals and short term inventory arrangements. Mr. Arun Kumar Nanda, Mr. Kavinder Singh and Mr. Cyrus Guzder are members of the Committee. One meeting of the Committee was held on March 13, 2016 and all members attended the same. Further, during the year under review, the Committee also approved certain transactions by passing of resolutions by circulation.

#### **Strategy and Review Committee**

The Strategy and Review Committee was constituted by the Board to evaluate and review the business plan and make necessary recommendations as well as to review the performance of the Company. Mr. Arun Kumar Nanda, is the Chairman and Mr. Cyrus Guzder, Mr. Rohit Khattar, Mr. Sanjeev Aga and Mr. Kavinder Singh are the other members of the Committee. There were no meetings of the Committee during the financial year 2015-16 as the evaluation and review of business plan was considered and approved by the Board in its meetings.

#### **Committee of Directors - Investment**

The Committee of Directors – Investments, was constituted to inter alia consider in detail the proposal for further investment in Holiday Club Resorts Oy, Finland and to approve the same. Mr. Arun Kumar Nanda, is the Chairman and Mr. V.S. Parthasarathy, Mr. Sanjeev Aga and Mr. Cyrus Guzder are the other members of the Committee. During the year under review, the Committee met once on June 9, 2015. Except Mr. V S Parthasarathy, who attended through telephone/video conference, all other members attended the Meeting.

#### **Risk Management Committee**

The Company has in place the procedure to inform the Board about the risk assessment and minimisation procedures. Your Company has appropriate risk management systems in place for identification and assessment of risks, measures to mitigate them, and mechanisms for their proper and timely monitoring and reporting. Presently, Regulation 21 of the SEBI Listing Regulations with reference to Risk Management Committee is not applicable to your Company. However, your Company has voluntarily constituted a "Risk Management Committee" consisting of Mr. Arun Kumar Nanda, Mr. V. S. Parthasarathy, Mr. Cyrus Guzder and Mr. Kavinder Singh as members of the Committee. The Risk Management Committee's prime responsibility is to implement and monitor the risk management plan and policy of the Company. There were no meetings of the Committee held during 2015-16.

Further, the risk management framework has been discussed in greater detail in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

#### **Other Disclosures**

##### **Code of Conduct**

The Board has laid down two separate Codes of Conduct ("Codes"), one for Board Members and other for Senior Management and Employees of the Company. These Codes have been posted on the Company's website [www.clubmahindra.com](http://www.clubmahindra.com). All Board Members and Senior Management personnel of the Company have affirmed compliance with these Codes. A declaration signed by Managing Director & CEO confirming the same is attached at the end of this report.

##### **CEO and CFO Certification**

Certificate issued by Mr. Kavinder Singh, Managing Director & Chief Executive Officer (MD & CEO) and Mr. S. Krishnan, Chief Financial Officer & Executive Director (CFO & ED) of the

Company, for the financial year under review, was placed before the Board of Directors at its meeting held on May 17, 2016, in terms of Regulation 17(8) of SEBI Listing Regulations. The MD & CEO and CFO & ED also gave quarterly certification on financial results while placing the financial results before the Board in terms of Regulation 33(2)(a) of the SEBI Listing Regulations.

#### **Compliance Certificate of the Auditors**

Certificate from the Company's Auditors, M/s Deloitte Haskins & Sells confirming compliance with conditions of Corporate Governance as stipulated under Clause E of the Schedule V of SEBI Listing Regulations, is attached to this Report.

#### **Subsidiary Companies**

All subsidiary companies are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As of March 31, 2016, the Company does not have any material unlisted subsidiary incorporated in India, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary. The policy for determining material subsidiaries as approved by the Board may be accessed on the Company's website at the link: [http://www.clubmahindra.com/sites/default/files/Policy\\_For\\_Determining\\_Material\\_Subsidiaries.pdf](http://www.clubmahindra.com/sites/default/files/Policy_For_Determining_Material_Subsidiaries.pdf)

The Company monitors performance of subsidiary companies, inter alia, through Financial statements, in particular investments made by unlisted subsidiary companies, are reviewed by the Company's Audit Committee; Minutes of Board meetings of unlisted subsidiary companies are placed before the Company's Board; A statement containing all significant transactions and arrangements, if any, entered into by unlisted material subsidiary companies is placed before the Company's Board.

#### **Related Party Transactions**

During 2015-16, there were no materially significant transactions entered into between the Company and its Promoters, Directors or the management, holding company, subsidiaries or relatives that may have potential conflict with the interests of the Company at large except those mentioned in the Directors Report. Further, details of related party transactions form part of notes to the standalone accounts of the Annual Report.

The Policy on materiality of and dealing with the related party transactions as approved by the Audit Committee and the Board is available on the website of the Company at the following link: [http://www.clubmahindra.com/sites/default/files/Policy\\_on\\_RPT.pdf](http://www.clubmahindra.com/sites/default/files/Policy_on_RPT.pdf).

#### **Accounting Treatment in Preparation of Financial Statements**

In the preparation of the standalone and consolidated financial statements, the Company has followed the Accounting Standards, the Generally Accepted Accounting Principles in India, provision of the Act and Rules framed thereunder.

#### **Details of Non-compliance Relating to Capital Markets**

The Company has complied with all the requirements of regulatory authorities with respect to capital markets. There were no instances of non-compliances by the Company and

no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets during the year under review.

#### **Code for Prevention of Insider Trading Practices**

The Company had adopted a comprehensive Code of Conduct for prevention of insider trading for its Directors and designated persons. The Code lays down guidelines, through which it advises the designated persons or directors on procedures to be followed and disclosures to be made, while dealing with securities of the Company and cautions them of the consequences of violations.

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (the new PIT Regulations) became effective from May 15, 2015. In accordance with the new PIT Regulations, the Company has formulated and adopted "Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information" and "Code of Conduct for Prevention of Insider Trading in Securities of Mahindra Holidays & Resorts India Limited", which were made effective from May 15, 2015.

#### **Proceeds from Public Issues**

During the year under review, the Company has not raised any proceeds from public issue, right issue or preferential issue.

#### **Details of Establishment of Vigil Mechanism, Whistle Blower Policy etc.**

The Company has established a vigil mechanism by adopting Whistle Blower Policy pursuant to which whistle blowers can raise concerns in prescribed manner. Further, the mechanism adopted by the Company encourages a whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of the whistle blower who avails of such mechanism as well as direct access to the Chairman of the Audit Committee. The functioning of the vigil mechanism is reviewed by the Audit Committee from time to time.

None of the whistle blowers have been denied access to the Audit Committee of the Board. The details of the Whistle Blower Policy is available on the website of the Company [http://www.clubmahindra.com/sites/default/files/MHRIL\\_Whistle\\_Blower\\_Policy.pdf](http://www.clubmahindra.com/sites/default/files/MHRIL_Whistle_Blower_Policy.pdf).

#### **Details of Unclaimed Shares**

In compliance with the provisions of Regulation 39 of the SEBI Listing Regulations (erstwhile Clause 5A of the Listing Agreements with the Stock Exchanges), the Company has a Demat account titled "Mahindra Holidays & Resorts India Limited - Unclaimed Shares Demat Suspense Account" ("Demat Suspense Account") for holding the unclaimed shares which were allotted pursuant to Initial Public Offer (IPO) of the Company.

As on March 31, 2016, the Company has 6 shareholders with 262 unclaimed shares lying in the suspense account. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. The details as required to be disclosed in the Annual Report are given below:

Particulars	No. of cases	No. of shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e. April 1, 2015	6	262
Number of shareholders who approached Issuer / Registrar and Share Transfer Agent for transfer of shares from suspense account during the year 2015-16	Nil	Nil
Number of shareholders to whom shares were transferred from suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. March 31, 2016	6	262

### Management Discussion and Analysis Report

Management Discussion and Analysis Report (MDA) has been attached as a separate chapter and forms part of this Annual Report.

### Compliance with Regulations pertaining to Corporate Governance

The Company has complied with all mandatory requirements of the SEBI Listing Regulations (w.e.f. December 1, 2015) and

the Listing Agreements with Stock Exchanges (Upto November 30, 2015) relating to Corporate Governance.

As regards the discretionary requirements, there is no modified audit opinion in the Company's financial statements. The Company continues to adopt best practices to ensure that its financial statements remained with unmodified audit opinion. The Company is maintaining the separation in the post of Chairperson and Chief Executive officer. Further, the Internal Auditors do report to the Audit Committee of the Board of Directors of the Company.

### General Body Meetings

#### Details of Annual General Meetings held during past three years and Special Resolutions passed

Year	Date	Time	Venue	Special Resolutions Passed
2013	July 29, 2013	3.00 PM	Tapovan Hall, Chinmaya Heritage Centre, No.2, 13 <sup>th</sup> Avenue, Harrington Road, Chetpet, Chennai – 600 031.	No Special Resolution was passed.
2014	August 27, 2014	3.00 PM	Vani Mahal, Main Hall, T. Nagar, Chennai – 600017	Consent to the Board of Directors to exercise power to create charges, mortgages, hypothecations and pledges under Section 180(1)(a) of the Companies Act, 2013.
2015	July 28, 2015	3.00 PM	Mini Hall, The Music Academy, No. 168, T.T.K. Road, Chennai – 600 014	<ol style="list-style-type: none"> <li>1. Appointment of and Remuneration payable to Mr. S. Krishnan, Chief Financial Officer and Executive Director of the Company.</li> <li>2. Payment of Commission to Directors other than Managing Director and Whole time Director</li> <li>3. Alteration of Articles of Association to align it with the provisions of the Companies Act, 2013</li> </ol>

#### Details of Extraordinary General Meeting (EGM)/Court Convened Meeting (CCM) held during past three years and Special Resolutions passed

Year	Date	Time	Venue	Special Resolutions Passed at EGM/CCM
2013	February 23, 2013	3.00 PM	Mahindra Towers, 4th Floor, No. 17/18, Patullos Road, Chennai – 600 002.	Approval for further Issue of Shares under Institutional Placement Programme (IPP).
2014	February 19, 2014*	3.00 PM	Mahindra Towers, 4th Floor, No. 17/18, Patullos Road, Chennai – 600 002.	Approval of the Scheme of Amalgamation & Arrangement of Bell Tower Resorts Private Limited with Mahindra Holidays & Resorts India Limited and their shareholders and creditors.
2015	September 10, 2015*	3.00 PM	Mahindra Towers, Roof Top, No. 17/18, Patullos Road, Chennai – 600 002.	Approval of the Scheme of Amalgamation & Arrangement of Competent Hotels Private Limited, Divine Heritage Hotels Private Limited and Holiday on Hills Resorts Private Limited with Mahindra Holidays & Resorts India Limited and their shareholders and creditors.

\* Meeting of the Equity Shareholders of the Company pursuant to the Orders of the Hon'ble High Court of Judicature at Madras dated December 9, 2013 and July 10, 2015 respectively directing the said meeting to be held.

No Special Resolution(s) requiring a Postal Ballot was passed last year or is being proposed at the ensuing Annual General Meeting.



**General Shareholder Information**

**Twentieth Annual General Meeting**

Day & Date : Friday, July 29, 2016  
 Time : 3.00 PM  
 Venue : Rani Seethai Hall, No. 603,  
 Anna Salai, Chennai - 600006.

**Dates of Book Closure/Record Date**

Dates of book closure for dividend will be from July 23, 2016 to July 29, 2016, both days inclusive.

**Dividend Payment Date**

Dividend if declared at the Annual General Meeting will be paid on or after July 30, 2016.

**Financial Year**

The financial year covers the period from April 1 to March 31.

**Financial Reporting for 2016-17**

The First Quarter Results – June 30, 2016	By end of July, 2016
The Half Yearly Results – September 30, 2016	By end of October, 2016
Third Quarter Results – December 31, 2016	By end of January, 2017
Approval of Annual Accounts – March 31, 2017	By second week of May, 2017

Note: The above dates are indicative.

**Means of Communication**

The quarterly, half-yearly and yearly results are normally published in Business Standard (English editions) and Makkal

Kural (Tamil edition). These are not sent individually to the Shareholders.

The Company's results and official news releases are displayed on the Company's website at [www.clubmahindra.com](http://www.clubmahindra.com) and also available the website of National Stock Exchange of India Ltd. and BSE Ltd.

Presentations are also made to international and national institutional investors and analysts, which are also put up on the website of the Company.

**Listing on Stock Exchanges**

The Equity Shares of the Company are listed on the following Stock Exchanges

Name and address of Stock Exchanges	Stock Code/ Symbol
(1) National Stock Exchange of India Limited (NSE) Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051	MHRIL
(2) BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	533088

The requisite listing fees have been paid in full to the Stock Exchanges where the Company's shares are listed.

**Demat International Security Identification Number (ISIN) in NSDL and CDSL for equity shares**

ISIN: INE998I01010

**Stock Performance**

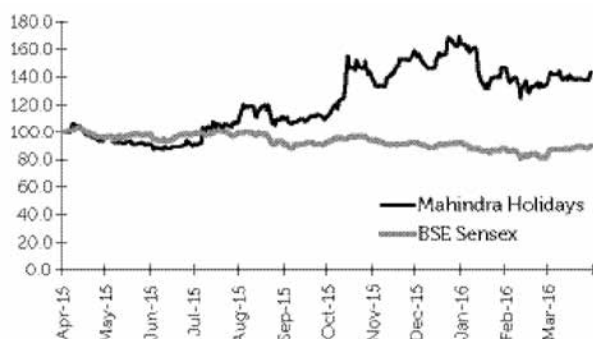
**BSE and NSE – Monthly High/Low and Volumes**

	National Stock Exchange			BSE Limited		
	High (₹)	Low (₹)	Monthly Volume	High (₹)	Low (₹)	Monthly Volume
April, 2015	297.00	248.00	9,73,027	297.00	249.00	2,29,850
May, 2015	266.00	240.10	5,42,683	265.00	243.00	1,52,117
June, 2015	261.90	234.05	6,27,147	261.45	231.70	1,90,022
July, 2015	302.80	242.20	41,59,782	302.60	243.95	7,70,910
August, 2015	337.90	271.00	34,52,364	337.75	262.00	18,34,408
September, 2015	312.00	282.20	12,95,011	311.00	283.85	6,41,893
October, 2015	424.00	299.00	30,45,558	422.95	297.95	8,34,506
November, 2015	444.00	350.10	13,57,174	443.75	352.00	2,84,304
December, 2015	474.80	382.00	13,21,207	474.95	383.30	2,97,613
January, 2016	464.35	345.15	9,37,651	463.55	347.50	1,94,566
February, 2016	402.00	325.00	5,09,304	400.85	322.40	1,13,555
March, 2016	395.00	357.00	3,15,060	394.00	361.40	62,639

**Performance in comparison to BSE – Sensex, NSE Nifty and BSE 500 Index**

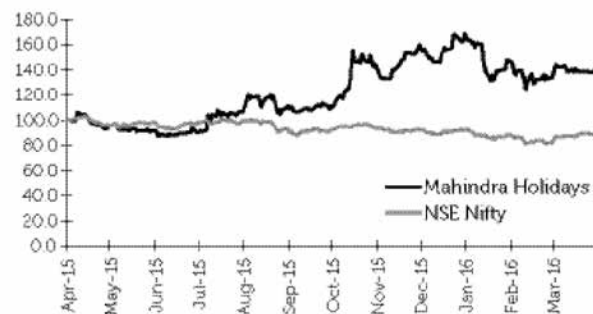
Month	MHRIL's Closing Price on NSE on the last trading day of month (₹)	BSE Sensex at the Close of last trading day of the month	NSE Nifty at the Close of last trading day of the month	BSE 500 Index at the Close of last trading day of the month
April, 2015	257.60	27,011.31	8,181.50	10,696.83
May, 2015	247.70	27,828.44	8,433.65	11,023.76
June, 2015	243.05	27,780.83	8,368.50	10,903.53
July, 2015	287.35	28,114.56	8,532.85	11,233.42
August, 2015	300.60	26,283.09	7,971.30	10,536.38
September, 2015	300.25	26,154.83	7,948.90	10,498.27
October, 2015	390.50	26,656.83	8,065.80	10,671.58
November, 2015	431.60	26,145.67	7,935.25	10,580.88
December, 2015	456.80	26,117.54	7,946.35	10,634.22
January, 2016	398.60	24,870.69	7,563.55	10,014.03
February, 2016	361.45	23,002.00	6,987.05	9,206.02
March, 2016	386.55	25,341.86	7,738.40	10,185.12

**Mahindra Holidays' Share Performance versus BSE Sensex**



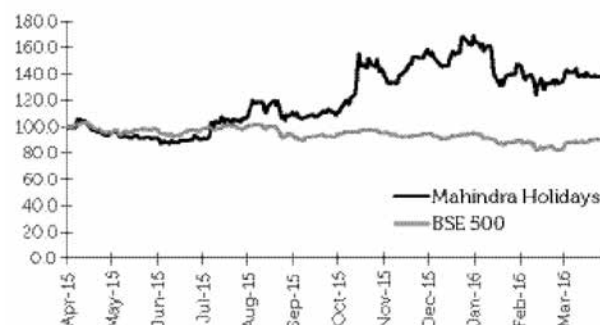
Note: Share price of Mahindra Holidays and BSE Sensex have been indexed to 100 on April 1, 2015

**Mahindra Holidays' Share Performance versus NSE NIFTY**



Note: Share price of Mahindra Holidays and NSE NIFTY have been indexed to 100 on April 1, 2015

**Mahindra Holidays' Share Performance versus BSE 500**



Note: Share price of Mahindra Holidays and BSE 500 have been indexed to 100 on April 1, 2015

**Share Transfer System**

Trading in equity shares of the Company through recognised Stock Exchanges is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of fifteen days from the date of receipt of the documents, provided the documents are valid and complete in all respects.

The Stakeholders Relationship Committee meets as and when required to consider the other transfer proposals and attend to Shareholders' grievances. As of March 31, 2016, there were no pending share transfers pertaining to the year under review.

**Distribution of Shareholding as on March 31, 2016**

Category (Shares)	Number of Shareholders	% to Shareholders	Number of Shares	% to shares
1 - 100	13,090	75.22	5,15,408	0.58
101 - 500	2,948	16.94	7,76,400	0.87
501 - 1000	619	3.56	4,86,805	0.55
1001 - 5000	520	2.99	11,68,979	1.32
5001 - 10000	91	0.52	6,93,075	0.78
10001 - 50000	90	0.52	21,39,518	2.41
50001 - 100000	14	0.08	10,31,577	1.16
100001 & above	30	0.17	8,19,69,094	92.33
<b>Total:</b>	<b>17,402</b>	<b>100.00</b>	<b>8,87,80,856</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2016**

Category of Shareholders	Total Holdings	Holdings in Percentage
Promoters holdings	6,65,85,642	75.00
Foreign Portfolio Investors, Foreign Institutional Investors and Foreign Bodies	88,58,761	9.98
Mutual Funds	44,08,680	4.97
Banks, Financial Institutions & others	23,482	0.03
Bodies Corporate	11,93,716	1.34
NRIs/OCBs/Foreign Nationals	1,61,095	0.18
Indian Public	75,49,480	8.50
<b>Total</b>	<b>88,780,856</b>	<b>100.00</b>

**Dematerialisation of Shares**

As on March 31, 2016, 99.98 per cent of the paid-up Equity Share Capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. The market lot is one share, as trading in the Equity Shares of the Company on exchanges is permitted only in dematerialised form. Non-Promoters' holding is 25 per cent.

**Outstanding ADRs/GDRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity**

The Company has not issued any ADRs/GDRs/Warrants or any convertible instruments.

**Offices of the Company****Registered Office:**

Mahindra Towers, 2nd Floor,  
No.17/18, Patullos Road,  
Chennai - 600 002.  
Tel: +91 44 3988 1000  
Fax: +91 44 3027 7778  
e: investors@mahindaholidays.com  
w: www.clubmahindra.com

**Corporate Office:**

Mahindra Towers, 1<sup>st</sup> Floor, 'A' Wing,  
Dr. G.M. Bhosle Marg, P.K. Kurne Chowk,  
Worli, Mumbai - 400 018.  
Tel: +91 22 3368 4722  
Fax: +91 22 3368 4721  
e: investors@mahindaholidays.com

Apart from the registered & corporate office, the Company has an extensive network of branch offices, including site offices at the resorts to carry out the business of the Company. Details of these offices can be found at the Company's website [www.clubmahindra.com](http://www.clubmahindra.com)

**Registrar and Transfer Agents**

M/s. Karvy Computershare Private Limited  
Unit: Mahindra Holidays & Resorts India Limited  
Karvy Selenium Tower B, Plot No. 31-32,  
Gachibowli, Financial District, Nanakramguda,  
Hyderabad – 500 032,  
Tele no: +91 40 6716 2222/6716 1551  
Fax No.: +91 40 2300 1153  
Toll Free no. 18003454001  
e: einward.ris@karvy.com

**Chennai Office:**

F-11, First Floor, Akshya Plaza  
108 Adithanar Salai, Egmore  
Chennai - 600 002  
Phone: +91 44 2858 7781

**Address for Correspondence**

Shareholders may correspond with the Company at its Corporate Office or with the Registrar and Transfer Agents M/s. Karvy Computershare Private Limited at the above mentioned address in respect of all matters relating to transfer/dematerialisation of shares, payment of dividend and any other query relating to Equity Shares of the Company.

**Company Secretary & Compliance Officer**

Mr. Dinesh Shetty  
Mahindra Towers, 1st Floor, 'A' Wing,  
Dr. G.M. Bhosle Marg,  
P.K. Kurne Chowk,  
Worli, Mumbai - 400 018.  
Tel: +91 22 3368 4722  
Fax: +91 22 3368 4721  
e: investors@mahindaholidays.com

**Company's Investor E-mail ID**

The Company has also designated investors@mahindaholidays.com as an exclusive email ID for Shareholders for the purpose of registering complaints. This has also been displayed on the Company's website.

**Company's website**

www.clubmahindra.com

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**Declaration on Codes of Conduct**

To  
The Members of Mahindra Holidays & Resorts India Limited

I, Kavinder Singh, Managing Director & CEO of Mahindra Holidays & Resorts India Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2016.

Place: Mumbai  
Date: May 17, 2016

**Kavinder Singh**  
Managing Director & CEO  
DIN: 06994031

## INDEPENDENT AUDITORS' CERTIFICATE

To the members of  
Mahindra Holidays & Resorts India Limited

1. We have examined the compliance of conditions of Corporate Governance by **Mahindra Holidays & Resorts India Limited** ("the Company"), for the year ended on March 31, 2016, as stipulated in:
  - Clause 49 (excluding clause 49(VII) (E)) of the Listing Agreements of the Company with stock exchanges for the period from April 01, 2015 to November 30, 2015.
  - Clause 49(VII) (E) of the Listing Agreements of the Company with the stock exchanges for the period from April 01, 2015 to September 01, 2015.
  - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
  - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on

Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.

4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 008072S)

**M. K. Ananthanarayanan**  
*Partner*  
(Membership No. 19521)

Place: Mumbai  
Date: May 17, 2016  
MKA/MHRIL/CG/2016-17/01

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Mahindra Holidays & Resorts India Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the 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 prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 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 and the Order under section 143(11) of the Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 March 31, 2016, its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. 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 prescribed under section 133 of the Act, as applicable.
  - (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 008072S)

**M. K. Ananthanarayanan**  
Partner  
(Membership No. 19521)

Mumbai, May 17, 2016

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 Mahindra Holidays & Resorts India Limited (“the Company”) as of March 31, 2016 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. 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.

#### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 whether a risk material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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, to the best of our information and according to the explanations given to us, 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 March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No. 008072S)

**M. K. Ananthanarayanan**  
Partner  
(Membership No. 19521)

Mumbai, May 17, 2016

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

- (i) In respect of fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and based on the examination of the registered sale deeds and Court orders approving schemes of arrangements/amalgamations provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year. There were no unclaimed deposits outstanding at any time during the year.
- (vi) Having regard to the nature of the Company’s business/ activities, reporting under clause (vi) of the order is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Luxury Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Luxury Tax, Service Tax,

Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Service Tax and Luxury tax which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of the Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs.)	Amount Unpaid (Rs.)
Income Tax Act	Income Tax	Commissioner of income Tax – Appeals	2009-10, 2011-12 & 2012-13	2,710,056,141	1,835,752,605
Finance Act	Service Tax	Central Excise & Service Tax Appellate Tribunal	2005 to 2014	714,839,337	675,238,131
Tamilnadu Luxury Tax Act	Luxury Tax	Deputy Commissioner/ Commissioner – Appeals	2002-03 to 2005-06, 2010-11, 2011-12	8,149,692	8,149,692
Kerala Luxury Tax Act	Luxury Tax	Intelligence Officer – Debikulam	2008-09 to 2010-11	65,930,400	65,930,400
		Assessing Officer	2011-12	6,236,697	6,236,697
		High Court – Kerala	2012-13 to 2014-15	227,873,625	227,873,625
		Appellate Commissioner	2013-14	129,870	129,870

- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance



with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS**  
*Chartered Accountants*  
(Firm's Registration No. 008072S)

**M. K. Ananthanarayanan**  
*Partner*  
(Membership No. 19521)

*Mumbai, May 17, 2016*

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

Particulars	Note No.	(In ₹)	
		As At March 31, 2016	As At March 31, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share Capital .....	3	880,584,180	880,262,510
Employee stock option outstanding .....		1,983,830	238,374
Reserves and Surplus .....	4	6,036,053,375	6,428,436,247
		<u>6,918,621,385</u>	<u>7,308,937,131</u>
<b>Non-Current liabilities</b>			
Deferred tax liabilities (net) (See Note No. 2 (vii) (a)) .....	5	663,327,783	604,405,409
Deferred Income - Entitlement fee .....		16,893,250,223	15,086,632,248
Other long term liabilities .....	6	871,797	50,444,931
Long term provisions .....	7	68,242,450	49,763,667
		<u>17,625,692,253</u>	<u>15,791,246,255</u>
<b>Current liabilities</b>			
Short term borrowings .....	8	-	64,121,146
Trade payables .....	9		
Due to micro enterprises and small enterprises .....		1,760,722	2,699,881
Due to others .....		1,262,928,419	1,134,408,936
Deferred Income - Entitlement fee (See Note No. 2 (vii) (a)) .....		964,626,911	851,778,117
Deferred Income - Annual subscription fee (See Note No. 2 (vii) (b)) .....		949,511,980	817,292,263
Other current liabilities .....	10	745,596,687	739,616,287
Short term provisions .....	11	536,561,248	429,130,053
		<u>4,460,985,967</u>	<u>4,039,046,683</u>
		<u>29,005,299,605</u>	<u>27,139,230,069</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets			
Tangible assets .....	12	9,016,817,783	7,734,800,880
Intangible assets .....		162,584,575	224,353,232
Capital work in progress .....	41	325,354,449	643,833,393
Intangible assets under development .....		34,977,134	73,088,979
		<u>9,539,733,941</u>	<u>8,676,076,484</u>
Non-current investments .....	13	800,311,283	1,415,016,691
Long term loans and advances .....	14	1,730,157,124	1,956,281,690
Other non-current assets .....	15	5,146,277,406	4,370,238,603
		<u>7,676,745,813</u>	<u>7,741,536,984</u>
<b>Current assets</b>			
Current investments .....	16	578,877,159	95,826,402
Inventories .....	17	58,897,276	53,363,129
Trade receivables .....	18	9,919,328,953	8,704,466,501
Cash and bank balances .....	19	277,924,571	166,144,985
Short term loans and advances .....	20	835,095,280	1,539,486,804
Other current assets .....	21	118,696,612	162,328,780
		<u>11,788,819,851</u>	<u>10,721,616,601</u>
		<u>29,005,299,605</u>	<u>27,139,230,069</u>

See accompanying notes forming part of the financial statements.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**M. K. Ananthanarayanan**  
Partner

Place: Mumbai  
Date: May 17, 2016

For and on behalf of the Board of Directors

**A. K. Nanda**  
Chairman

**S. Krishnan**  
Chief Financial Officer &  
Executive Director

Place: Mumbai  
Date: May 17, 2016

**Kavinder Singh**  
Managing Director & CEO

**Dinesh Shetty**  
Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	Note No.	(In ₹)	
		Year ended March 31, 2016	Year ended March 31, 2015
<b>REVENUE:</b>			
Revenue from operations.....	22	9,515,339,986	7,948,508,218
Other Income.....	23	110,767,172	127,069,094
<b>Total Revenue</b> .....		<b>9,626,107,158</b>	<b>8,075,577,312</b>
<b>EXPENDITURE:</b>			
Employee benefits expense.....	24	1,915,406,718	1,619,766,584
Finance costs.....	25	805,228	2,500,122
Depreciation and amortisation expense.....	12	713,272,033	654,058,265
Other expenses.....	26	5,275,694,984	4,530,802,662
<b>Total Expenditure</b> .....		<b>7,905,178,963</b>	<b>6,807,127,633</b>
<b>Profit before exceptional item and tax</b> .....		<b>1,720,928,195</b>	<b>1,268,449,679</b>
<b>Exceptional item</b> .....		–	218,797,194
<b>Profit before tax</b> .....		<b>1,720,928,195</b>	<b>1,049,652,485</b>
Less: Tax expense			
- Current tax.....		498,420,000	192,000,000
- Deferred tax.....		49,052,508	67,410,300
<b>Profit for the year</b> .....		<b>1,173,455,687</b>	<b>790,242,185</b>
<b>Earnings per share:</b>			
Basic.....	38	13.33	8.98
Diluted.....		13.29	8.98

See accompanying notes forming part of the financial statements.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**M. K. Ananthanarayanan**  
Partner

Place: Mumbai  
Date: May 17, 2016

For and on behalf of the Board of Directors

**A. K. Nanda**  
Chairman

**S. Krishnan**  
Chief Financial Officer &  
Executive Director

Place: Mumbai  
Date: May 17, 2016

**Kavinder Singh**  
Managing Director & CEO

**Dinesh Shetty**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before exceptional items and tax .....	<b>1,720,928,195</b>	1,268,449,679
Adjustments:		
Depreciation and amortisation expense .....	<b>713,272,033</b>	654,058,265
Finance costs .....	<b>805,228</b>	2,500,122
Interest income .....	<b>(76,969,130)</b>	(104,571,050)
Dividend income .....	<b>(17,602,303)</b>	(16,477,181)
Profit on sale of Investment in Subsidiary .....	-	(6,020,863)
Loss on fixed assets sold/scrapped (net) .....	<b>1,211,702</b>	1,327,859
Provision for doubtful receivables and advances .....	<b>12,500,000</b>	14,056,243
	<b>633,217,530</b>	544,873,395
Operating profit before working capital changes .....	<b>2,354,145,725</b>	1,813,323,074
Changes in working capital:		
Deferred income - Entitlement fee & Annual subscription fee .....	<b>2,051,686,486</b>	1,411,300,306
Trade and other receivables .....	<b>(2,220,616,257)</b>	(363,328,832)
Inventories .....	<b>792,788</b>	42,537,573
Trade and other payables .....	<b>(486,606,051)</b>	191,581,164
	<b>(654,743,034)</b>	1,282,090,211
Income taxes paid .....	<b>(513,415,582)</b>	(404,497,167)
<b>NET CASH FROM OPERATING ACTIVITIES</b> .....	<b>1,185,987,109</b>	2,690,916,118
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets including capital work in progress and expenditure pending allocation .....	<b>(943,826,571)</b>	(1,416,923,271)
Proceeds from sale of fixed assets .....	<b>6,098,672</b>	6,803,144
Investments in subsidiaries and joint venture .....	-	(459,764,997)
Proceeds from sale/dissolution of investments in subsidiaries .....	-	6,066,366
Earmarked deposits not considered as part of Cash and cash equivalents (including acquired on account of amalgamation) .....	<b>14,205,822</b>	(32,913,627)
Advances to subsidiaries and joint venture .....	<b>742,381,226</b>	(730,409,525)
Interest received .....	<b>34,280,104</b>	22,208,173
Dividend income .....	<b>17,602,303</b>	16,477,181
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b> .....	<b>(129,258,444)</b>	(2,588,456,556)

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayments of borrowings .....	(64,121,146)	34,985,490
Dividends paid .....	(355,031,744)	(355,054,872)
Dividend distribution tax paid .....	(72,294,773)	(60,353,226)
Loan recovered from ESOP Trust.....	16,000,000	–
Finance cost paid .....	(805,228)	(2,500,122)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES .....</b>	<b>(476,252,891)</b>	<b>(382,922,730)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) .....</b>	<b>580,475,774</b>	<b>(280,463,168)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Opening balance .....	225,672,448	510,051,166
Add: Acquired on account of amalgamation .....	28,560,391	3,915,550
Total.....	254,232,839	513,966,716
Closing balance.....	834,708,613	225,672,448
	<b>580,475,774</b>	<b>(280,463,168)</b>
<b>Reconciliation of Cash and Cash equivalents with the Balance Sheet</b>		
Cash and cash equivalents as per Balance Sheet .....	277,924,571	166,144,985
Less: Bank balances not considered as Cash and cash equivalents .....	22,093,117	36,298,939
Net Cash and cash equivalents.....	255,831,454	129,846,046
Add: Current investments considered as part of Cash and cash equivalents (Investment in units of Mutual Funds) .....	578,877,159	95,826,402
<b>Cash and cash equivalents at the end of the year.....</b>	<b>834,708,613</b>	<b>225,672,448</b>

See accompanying notes forming part of the financial statements.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**M. K. Ananthanarayanan**  
Partner

Place: Mumbai  
Date: May 17, 2016

For and on behalf of the Board of Directors

**A. K. Nanda**  
Chairman

**S. Krishnan**  
Chief Financial Officer &  
Executive Director

Place: Mumbai  
Date: May 17, 2016

**Kavinder Singh**  
Managing Director & CEO

**Dinesh Shetty**  
Company Secretary

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

### 1. Corporate Information

The Company was incorporated on September 20, 1996, and is in the business of selling vacation ownership and providing holiday facilities.

### 2. Significant Accounting Policies

#### (i) Basis for preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") as applicable. 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.

#### (ii) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the years in which the results are known/materialise.

#### (iii) Inventories:

Inventories are carried at lower of cost and net realisable value. Cost is determined on First-in-First-out basis. Cost includes the purchase price, non refundable taxes and delivery handling cost. Net realisable value is determined at the expected selling price less cost of sales.

#### (iv) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### (v) Cash flow statements:

Cash flows are reported using the indirect method, whereby profit before extra-ordinary items and 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. The cash flow from operating, investing and financing activities of the Company are segregated based on the available information.

#### (vi) Depreciation and amortisation:

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.

- Leasehold land and buildings are amortised over the period of lease.
- Floating cottages grouped under building are depreciated over the useful life of 25 years.
- Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months.
- Motor vehicles/other assets provided to employees are depreciated over a period of 48/60 months respectively.
- Assets individually costing less than ₹ 5000 each are fully depreciated in the year of capitalisation.

#### Intangible assets:

- Expenditure incurred towards software is amortised over a period of 36 months.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of the each financial year and the amortisation method is revised to reflect the changed pattern, if any.

#### (vii) Revenue recognition:

- The Company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full upfront, or on a deferred payment basis. Admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee (disclosed under Deferred income – Entitlement fee), which entitles the vacation ownership members for the vacation ownership facilities is recognized as income equally over the tenure of membership (33 years / 25 years / 10 years or any other tenure applicable to the respective member), commencing from the year of admission of each member. Requests for cancellation of membership are accounted for when it is accepted by the Company. In respect of installments considered doubtful of recovery by the management, the membership is treated as cancelled and related revenues are de-recognised.
- Annual subscription fee dues from members are recognised as income over the period of subscription as per terms agreed with the members. Subscription pertaining to the period beyond the date of the Balance Sheet is grouped under Deferred Income- Annual subscription fee.
- Interest on installment sales is recognised as income on an accrual basis.
- Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.
- Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On being derecognised, the excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.
- Income from travel services includes commission on tickets/ hotel booking, service charges from customers, etc. and is recognised when services are rendered.

#### (viii) Other Income:

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

#### (ix) Fixed assets – Tangible and intangible:

Fixed assets are carried at cost less accumulated depreciation/ amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

#### Capital work-in-progress:

Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest. Revenue expenses incurred in connection with construction of resorts insofar as such expenses relate to the period prior to the date the resort is put to use are treated as part of project cost and capitalised.

**(x) Foreign currency transactions and translations:**

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Exchange differences arising on settlement/restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss. Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

**(xi) Investments:**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

**(xii) Employee benefits:**

Employee benefits include provident fund, superannuation fund, employee state insurance scheme, gratuity fund and compensated absences.

Defined contribution plans:

The Company's contribution to provident fund, superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans:

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

Employee Stock Option Scheme:

The compensation cost of stock option granted to employees is measured by Intrinsic Value method, which is the excess of market price of the underlying equity shares as of the date of grant over the exercise price of the option. This is recognised and amortised on straight line basis over the vesting period.

**(xiii) Borrowing Cost:**

Borrowing cost that are attributable to the acquisition, construction or production of qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred.

**(xiv) Segment reporting:**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure.

**(xv) Leases:**

Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

**(xvi) Earnings per share:**

Basic earnings per share is computed by dividing the profit after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

**(xvii) Taxes on income:**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet

date for their realisability. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

**(xviii) Impairment of assets:**

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Statement of Profit and Loss.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss.

**(xix) Provision and contingencies:**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to

settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are disclosed in the notes.

**(xx) Share issue expenses:**

Share issue expenses are adjusted against the Securities Premium Account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities Premium Account. Share issue expenses in excess of the balance in the Securities Premium Account is expensed in the Statement of Profit and Loss.

**(xxi) Insurance claims:**

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

**(xxii) Service tax input credit:**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing/utilising the credits.

**(xxiii) Operating cycle:**

Based on the nature of services/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**Note 3: Share Capital**

**Particulars**

**Authorised:**

100,000,000 (Previous year 100,000,000) equity shares of ₹ 10 each .....

**Issued, Subscribed & Paid up:**

**Equity (Net of shares allotted to ESOP Trust but not exercised by employees)**

88,780,856 (previous year 88,780,856) equity shares of ₹ 10 each fully paid .....

Less: 722,438 (previous year 754,605) equity shares of ₹ 10 each fully paid up allotted to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust ("ESOP Trust") but not exercised by employees.....

Particulars	As At	As At	As At	As At
	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015
	No. of shares	In ₹	No. of shares	In ₹
100,000,000 (Previous year 100,000,000) equity shares of ₹ 10 each .....	100,000,000	1,000,000,000	100,000,000	1,000,000,000
<b>100,000,000</b>	<b>100,000,000</b>	<b>1,000,000,000</b>	<b>100,000,000</b>	<b>1,000,000,000</b>
<b>Issued, Subscribed &amp; Paid up:</b>				
<b>Equity (Net of shares allotted to ESOP Trust but not exercised by employees)</b>				
88,780,856 (previous year 88,780,856) equity shares of ₹ 10 each fully paid .....	88,780,856	887,808,560	88,780,856	887,808,560
Less: 722,438 (previous year 754,605) equity shares of ₹ 10 each fully paid up allotted to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust ("ESOP Trust") but not exercised by employees.....	722,438	7,224,380	754,605	7,546,050
<b>88,058,418</b>	<b>880,584,180</b>	<b>88,026,251</b>	<b>880,262,510</b>	<b>880,262,510</b>

**Notes:**

3 a) Terms/rights attached to equity shares:

- i) The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity share is entitled to one vote per share.
- ii) The dividends proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.
- iii) For the year ended March 31, 2016, the amount of dividend proposed to be distributed to equity shareholders is ₹ 443,904,280 at ₹ 5 per share (Previous year ₹ 355,123,424 at ₹ 4 per share).
- iv) Repayment of capital will be in proportion to the number of equity shares held.

3 b) Shares in the Company held by Holding Company and each shareholder holding more than 5% shares specifying the number of shares held.

Name of share holder	No. of shares	% held as at March 31, 2016	No. of shares	% held as at March 31, 2015
Mahindra & Mahindra Limited (Holding Company).....	66,585,642	75.00%	66,585,642	75.00%

3 c) The reconciliation of the number of shares outstanding as at March 31, 2016 and March 31, 2015 is set out below:

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	In ₹	No. of Shares	In ₹
Number of shares at the beginning.....	88,026,251	880,262,510	88,024,173	880,241,730
Add: Shares issued on exercise of employee stock options.....	32,167	321,670	2,078	20,780
Number of shares at the end.....	<b>88,058,418</b>	<b>880,584,180</b>	88,026,251	880,262,510



- 3 d)
- i) Under the Employee Stock Option Scheme (“ESOS 2006”) equity shares are allotted to the ESOP Trust set up by the Company. The ESOP Trust holds these shares for the benefit of the eligible employees/directors as defined under the scheme and transfers these shares to them as per the recommendation of the remuneration committee.
- ii) The Company formulated the Employee Stock Option Scheme (“ESOS 2014”), under which the Company has the option to issue and allot the shares either directly to the eligible employees/directors or to ESOP Trust. To the extent allotted, ESOP Trust would hold these shares for the benefit of the eligible Employees/Directors as defined under the scheme and would transfer the shares to them as per the recommendation of the remuneration committee.
- iii) The details of the Employees’ Stock Option Schemes are as under:
- |                      |  |
|----------------------|--|
| Type of Arrangement  | ESOS 2006 – Equity settled option plan administered through Employee Stock Option Trust.                 |
|                      | ESOS 2014 – Equity settled option plan issued directly/administered through Employee Stock Option Trust. |
| Method of Settlement | By issue of shares at Exercise Price.  |

Particulars	Date of Grant	Exercise price (in ₹)	Average Exercise Price (in ₹)	Vesting period (in Yrs)	No. of options granted	Contractual life	Vesting condition	No. of options exercisable in each tranche	
Grant I (ESOS 2006)	15/07/2006	16.00	6.00	5	759,325	6 yrs from the date of grant	refer note (a) below	Minimum of 25 and a maximum of all the options vested but not exercised till that date.	
Grant II (ESOS 2006)	30/03/2007	52.00	19.50	4	122,235	5 yrs from the date of each vesting	25% each on expiry of 12,24,36 and 48 months from the date of grant.		
Grant III (ESOS 2006)	11/01/2007	52.00	19.50	4	56,700				
Grant V (ESOS 2006)**	11/01/2008	52.00	52.00	4	261,590				
Grant VI (ESOS 2006) #	21/02/2012	370.00	–	4	400,000				
Grant VII (ESOS 2006) ##	21/02/2012	323.00	–	4	186,500				
Grant VIII (ESOS 2006)**	21/02/2013	323.00	–	4	130,000				
Grant IX (ESOS 2006)**	29/01/2014	253.00	–	4	35,000				
Grant I (ESOS 2014)	22/01/2015	264.00	–	4	620,000				refer note (b) below
Grant II (ESOS 2014)**	27/10/2015	365.00	–	4	110,000				
Grant III (ESOS 2014)	18/02/2016	370.00	–	4	200,000				
Note (a) 35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.									
Note (b) Minimum of 100 and a maximum of all the options vested but not exercised till that date.									

iv) Summary of Stock options (including bonus shares)

Particulars	Date of Grant	Options outstanding as on April 1, 2015	Options granted	Options vested during the year	Options exercised during the year	Options lapsed during the year	Options outstanding as on March 31, 2016	Options vested but not exercised
Grant I (ESOS 2006)	15/07/2006					Closed		
Grant II (ESOS 2006)	30/03/2007	1,400	–	–	–	1,400	–	–
Grant III (ESOS 2006)	11/01/2007	4,234	–	–	2,117	–	2,117	2,117
Grant V (ESOS 2006)**	11/01/2008	18,838	–	–	1,750	9,148	7,940	7,940
Grant VI (ESOS 2006) #	21/02/2012	200,000	–	–	25,000	–	175,000	175,000
Grant VII (ESOS 2006) ##	21/02/2012	107,750	–	6,875	–	13,500	94,250	94,250
Grant VIII (ESOS 2006)**	21/02/2013	130,000	–	32,500	–	–	130,000	97,500
Grant IX (ESOS 2006)**	29/01/2014	35,000	–	–	3,300	26,250	5,450	5,450
Grant I (ESOS 2014)	22/01/2015	620,000	–	155,000	–	–	620,000	155,000
Grant II (ESOS 2014)**	27/10/2015	–	110,000	–	–	–	110,000	–
Grant III (ESOS 2014)	18/02/2016	–	200,000	–	–	–	200,000	–
Total		1,117,222	310,000	194,375	32,167	50,298	1,344,757	537,257

\*\* Issued out of lapsed options.

# Out of the above 90,000 shares has been issued out of lapsed options.

## Out of the above 86,500 shares has been issued out of lapsed options.

- v) In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to ESOP Trust including bonus shares but not exercised by the employees have been reduced from the share capital by ₹ 7,224,380 (previous year ₹ 7,546,050) and securities premium account reduced by ₹ 136,136,140 (previous year 145,180,792). The said shares will be added to the issued share capital as and when ESOP Trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from ESOP Trust is disclosed under “other current liabilities”.
- vi) The Company has adopted the intrinsic value method in accounting for employee cost on account of ESOS for Grant I (ESOS 2006), Grant II (ESOS 2006), Grant III (ESOS 2006) and Grant V (ESOS 2006) and for all the other grants, the fair value method has been adopted. The intrinsic value of the shares granted under Grant I (ESOS 2006), Grant II (ESOS 2006), Grant III (ESOS 2006) and Grant V (ESOS 2006) based on the valuations obtained from an independent valuer is ₹ 16 per equity share as on 31st March, 2006, ₹ 52 per equity share as on 1st January, 2007, 31st August, 2008 and 1st November 2008, based on the Discounted Cash Flow Method. The fair value of the shares granted under Grant VI (ESOS 2006), Grant VII (ESOS 2006), Grant VIII (ESOS 2006), Grant IX (ESOS 2006)

and Grant III (ESOS 2014) based on the fair value market price is ₹ 370, ₹ 323, ₹ 323, ₹ 253 and ₹ 370 per share respectively. As the difference between the intrinsic value/fair value and the exercise price per share is ₹ Nil, no employee compensation cost has been charged.

vii) In respect of the options granted under the Grant I (ESOS 2014) and Grant II (ESOS 2014) of Employee Stock Option Plan, in accordance with guidelines issued by SEBI, the accounting value of the options is accounted as deferred employee compensation, which is amortised on a straight line basis over the period between the date of grant of options and the date of vesting. Consequently, employee compensation cost include ₹ 1,745,456 (previous year ₹ 238,374) being the amortisation of deferred employee compensation.

viii) Fair Value of options based on Black Scholes option pricing model:

(a) The fair value of options based on the valuation of the independent valuer for Grant I (ESOS 2006), Grant II (ESOS 2006), Grant III (ESOS 2006) and Grant V (ESOS 2006) as of the respective dates of grant i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 1st November 2008 is ₹ 4.28, ₹ 16.36, ₹ 16.55 and ₹ 16.04 respectively.

(b) The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. 21st February 2012 is ₹ 113.81 for Grant VI (ESOS 2006), ₹ 129.93 for Grant VII (ESOS 2006), 21st February 2013 is ₹ 94.43 for Grant VIII (ESOS 2006), 29th January 2014 is ₹ 83.75 for Grant IX (ESOS 2006), 22nd January 2015 is ₹ 97.24 for Grant I (ESOS 2014), 27th October 2015 is ₹ 158.85 for Grant II (ESOS 2014), 18th February 2016 is ₹ 126.91 for Grant III (ESOS 2014).

(c) Had the Company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is ₹ 118,351,450 and the impact on the financial statements would be:

(In ₹)

Particulars	Year ended	
	March 31, 2016	March 31, 2015
Increase in employee compensation cost .....	21,471,186	6,339,644
Decrease in profit after tax .....	21,471,186	6,339,644
Decrease in basic & diluted earnings per share .....	(0.24)	(0.07)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant Date	Risk free interest rate	Expected life	Expected volatility	Expected dividend yield
Grant I (ESOS 2006)	15/07/2006	7.82%	4.50	Nil	Nil
Grant II (ESOS 2006)	30/03/2007	7.92%	5.00	Nil	Nil
Grant III (ESOS 2006)	11/01/2007	7.72%	5.00	Nil	Nil
Grant V (ESOS 2006)	11/01/2008	7.34%	5.00	Nil	Nil
Grant VI & VII (ESOS 2006)	21/02/2012	8.00%	6.00	33%	₹ 4.00
Grant VIII (ESOS 2006)	21/02/2013	7.78%	3.50	31%	1.38%
Grant IX (ESOS 2006)	29/01/2014	8.81%	3.50	29%	1.66%
Grant I (ESOS 2014)	22/01/2015	7.74%	3.50	29%	1.48%
Grant II (ESOS 2014)	27/10/2015	7.52%	3.50	30%	1.01%
Grant III (ESOS 2014)	18/02/2016	7.51%	3.50	34%	1.15%

**Note 4: Reserves & Surplus**

(In ₹)

	(In ₹)		(In ₹)	
	As At March 31, 2016	As At March 31, 2015	As At March 31, 2016	As At March 31, 2015
<b>Capital Reserve</b>				
As per last balance sheet.....	1,474,577	1,474,577	765,158,251	686,134,032
Add: On account of Amalgamation (Refer Note No. 43) .....	3,000,000	-	117,000,000	79,024,219
	<u>4,474,577</u>	<u>1,474,577</u>	<u>4,747,756</u>	<u>-</u>
			<u>886,906,007</u>	<u>765,158,251</u>
<b>Capital Redemption Reserve</b>				
On account of Amalgamation (Refer Note No. 43) .....	14,580,000	-	2,112,040	2,156,870
	<u>14,580,000</u>	<u>-</u>	<u>889,018,047</u>	<u>767,315,121</u>
<b>Amalgamation Reserve Account</b>				
Adjustment arising on Amalgamation (Refer Note No. 43) .....	931,661,409	306,065,684	3,406,944,284	3,768,805,861
Less: Transferred to Securities Premium Account .....	931,661,409	306,065,684	151,596,481	456,076,659
	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,974,662</u>
<b>Securities Premium Account</b>				
As per last balance sheet	2,397,883,057	2,703,948,741	-	102,610,025
Add: On account of Amalgamation (Refer Note No. 43) .....	20,364,500	-	1,173,455,687	790,242,185
Less: Adjustment arising on Amalgamation (Refer Note No. 43) .....	931,661,409	306,065,684	4,428,803,490	3,913,386,700
	<u>1,486,586,148</u>	<u>2,397,883,057</u>	<u>651,272,747</u>	<u>506,442,416</u>
Less: Premium on shares allotted to ESOP Trust but not exercised by employees ....	136,136,140	145,180,792	3,777,530,743	3,406,944,284
	<u>1,350,450,008</u>	<u>2,252,702,265</u>	<u>6,036,053,375</u>	<u>6,428,436,247</u>
<b>General Reserve</b>				
As per last balance sheet.....				
Add: Transfer from Statement of Profit & Loss .....				
Add: On account of Amalgamation (Refer Note No. 43) .....				
Add: Bonus shares issued to ESOP Trust but not exercised by employees .....				
<b>Surplus in Statement of Profit &amp; Loss</b>				
As per last balance sheet.....				
Less: On account of Amalgamation (Refer Note No. 43) .....				
Less: Loss of erstwhile Bell Tower Resorts Private Limited.....				
Less: Depreciation adjustment consequent to transition to Schedule II of The Companies Act 2013 net of deferred tax of ₹ 52,836,157 .....				
Add: Profit for the current year .....				
<b>Appropriations:</b>				
Transfer to General Reserve.....				
Proposed Dividend.....				
Tax on Proposed Dividend.....				

**Note 5: Deferred Tax Liability (net)**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
<b>Deferred tax asset</b>		
Provision for doubtful receivables.....	12,596,396	8,270,396
Provision for compensated absences .....	22,825,343	17,814,649
Others .....	18,619,101	22,149,120
	<u>54,040,840</u>	<u>48,234,165</u>
<b>Deferred tax liability</b>		
Difference between book and tax depreciation .....	717,368,623	652,639,574
<b>Deferred tax liability (net) .....</b>	<u>663,327,783</u>	<u>604,405,409</u>
<b>Reconciliation of Deferred Tax expenses for the year:</b>		
Increase in deferred tax liability (net) during the year .....	58,922,374	14,574,143
Less: Deferred tax liability (net) taken over on account of Amalgamation (Refer Note No. 43) .....	9,869,866	-
Add: Deferred tax impact netted off from depreciation on tangible fixed assets on transition to Schedule II of the Companies Act, 2013 adjusted to opening surplus ...	-	52,836,157
<b>Net deferred tax expense charged to statement of Profit and Loss .....</b>	<u>49,052,508</u>	<u>67,410,300</u>

**Note 6: Other Long Term Liabilities**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
Retention monies payables on purchase of fixed assets, due after one year from the Balance Sheet date .....	871,797	50,444,931
	<u>871,797</u>	<u>50,444,931</u>

**Note 7: Long Term Provisions**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
Compensated absences (Refer Note No. 36.2) .....	68,242,450	49,763,667
	<u>68,242,450</u>	<u>49,763,667</u>

**Note 8: Short Term Borrowings**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
<b>Secured:</b>		
<b>Loans repayable on demand</b>		
- Cash credit from Banks.....	-	64,121,146
	<u>-</u>	<u>64,121,146</u>

Loans from banks are secured by an exclusive charge on inventories, receivables and other moveable assets, both present and future.

**Note 9: Trade Payables**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
Dues to micro enterprises and small enterprises .....	1,760,722	2,699,881
Dues to others .....	1,262,928,419	1,134,408,936
	<u>1,264,689,141</u>	<u>1,137,108,817</u>

Trade payable are dues in respect of goods purchased and services rendered in the normal course of business.

There are no overdues outstanding to micro enterprises and small enterprises any time during the year. The identification of micro enterprises and small enterprises has been done on the basis of information available with the Company. This has been relied upon by the auditors.

**Note 10: Other Current Liabilities**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
Capital creditors.....	132,329,523	236,761,005
Dues to Statutory Authorities (PF, ESI & other taxes) .....	66,242,300	70,438,521
Gratuity (Refer Note No. 36.1) .....	430,007	8,203,783
Unpaid dividend* .....	340,688	249,008
Other payables** .....	546,254,169	423,963,970
	<u>745,596,687</u>	<u>739,616,287</u>

\* There are no amounts due and outstanding to be transferred to Investor Education and Protection Fund as at March 31, 2016.

\*\* Other payables mainly represent the Commission payable to non-whole time directors, amounts received from ESOP Trust on issue of shares, provision for estimated cost of offers made to members on acquisition, deferred rent on rent equalization, renovation and resort pre-opening expenses.

**Note 11: Short Term Provisions**

	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
Provision for compensated absences (Refer Note No. 36.2) .....	2,288,501	1,711,856
Provision for Proposed Dividend .....	443,904,280	355,123,424
Provision for Tax on Proposed Dividend....	90,368,467	72,294,773
	<u>536,561,248</u>	<u>429,130,053</u>

**Note 12: Fixed Assets**

Description of Assets	Gross block (at cost)						Depreciation/Amortisation				Net block	
	As at April 1, 2015	Additions on account of Amalgamation*	Adjustments	Additions	Deductions	As at March 31, 2016	Additions on account of Amalgamation*	Adjustments	Transfer to Reserve	For the year	As at March 31, 2016	As at March 31, 2015
<b>A: Tangible Assets</b>												
Land.....	1,071,281,822	84,492,919	-	412,392,666	-	1,568,167,407	-	-	-	-	1,568,167,407	1,071,281,822
Land- Leasehold .....	1,021,491,999	8,275,505	-	41,514,318	-	1,071,281,822	-	(1,287)	-	-	1,071,281,822	1,021,491,999
Buildings.....	864,000	-	-	-	-	864,000	130,809	-	-	8,641	725,837	733,191
Buildings- Leasehold .....	864,000	-	-	-	-	864,000	122,168	-	-	8,641	733,191	741,832
Plant and Equipments	5,391,394,521	473,279,345	-	518,425,846	4,172,853	6,378,926,859	495,357,459	(1,725)	-	121,227,148	5,716,352,383	4,896,037,062
Furniture and Fittings	4,269,301,390	323,704,073	-	798,389,058	-	5,391,394,521	34,268,358	-	7,774,998	80,401,674	4,896,037,062	3,896,388,961
Vehicles .....	15,608,588	-	-	-	-	15,608,588	11,094,612	-	-	234,703	4,279,273	4,513,976
Office Equipment .....	15,608,588	-	-	-	-	15,608,588	10,659,909	-	-	234,703	4,513,976	4,748,679
<b>Sub Total A .....</b>	<b>10,009,452,407</b>	<b>753,695,988</b>	<b>(715,881)</b>	<b>1,222,800,062</b>	<b>88,340,775</b>	<b>11,897,697,892</b>	<b>2,274,651,527</b>	<b>(933)</b>	<b>550,867,770</b>	<b>39,383,708</b>	<b>9,016,817,783</b>	<b>7,734,800,880</b>
<b>Previous Year .....</b>	<b>8,173,874,306</b>	<b>589,357,992</b>	<b>-</b>	<b>1,293,762,113</b>	<b>47,542,004</b>	<b>10,009,452,407</b>	<b>1,504,437,968</b>	<b>-</b>	<b>155,017,803</b>	<b>509,748,348</b>	<b>7,734,800,880</b>	<b>6,669,436,338</b>
<b>B: Intangible Assets</b>												
Software .....	485,687,659	8,027,202	-	100,636,539	-	586,324,198	261,334,427	933	-	162,404,263	162,584,575	224,353,232
Development Expenditure .....	401,707,072	-	-	142,389,154	66,435,769	485,687,659	175,433,078	-	428,379	144,309,917	224,353,232	226,273,994
Non-Compete Fees ..	38,540,065	-	-	-	-	38,540,065	-	-	-	-	-	-
Vacation ownership weeks .....	20,000,000	-	-	-	20,000,000	20,000,000	-	-	-	20,000,000	-	-
<b>Sub Total B .....</b>	<b>6,226,938</b>	<b>-</b>	<b>-</b>	<b>100,636,539</b>	<b>66,435,769</b>	<b>586,324,198</b>	<b>261,334,427</b>	<b>933</b>	<b>-</b>	<b>162,404,263</b>	<b>162,584,575</b>	<b>224,353,232</b>
<b>Previous Year .....</b>	<b>466,474,075</b>	<b>8,027,202</b>	<b>-</b>	<b>142,389,154</b>	<b>131,202,772</b>	<b>485,687,659</b>	<b>240,200,081</b>	<b>-</b>	<b>428,379</b>	<b>144,309,917</b>	<b>224,353,232</b>	<b>226,273,994</b>
<b>TOTAL (A+B) .....</b>	<b>10,495,140,066</b>	<b>753,695,988</b>	<b>-</b>	<b>1,323,526,601</b>	<b>88,340,775</b>	<b>12,484,021,890</b>	<b>2,535,985,954</b>	<b>-</b>	<b>550,867,770</b>	<b>713,272,033</b>	<b>9,179,402,358</b>	<b>7,959,154,112</b>
<b>Total Previous Year ...</b>	<b>8,640,348,381</b>	<b>597,385,194</b>	<b>-</b>	<b>1,436,151,267</b>	<b>178,744,776</b>	<b>10,495,140,066</b>	<b>1,744,638,049</b>	<b>-</b>	<b>155,446,182</b>	<b>654,038,265</b>	<b>7,959,154,112</b>	<b>6,895,710,332</b>

**Notes:**

Figures in italics are in respect of the previous year.

\*Refer Note No. 43

**Note 13: Non current investments (At cost, unless otherwise specified)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
<b>Long term Investments (Un-Quoted):</b>		
<b>Investment in Equity Shares (non trade, fully paid up)</b>		
Mahindra World City Developers Ltd..... (1 equity share of ₹ 10 each)	10	10
<b>Investment in Equity Shares (trade, fully paid up)</b>		
<b>Subsidiaries:</b>		
Heritage Bird (M) Sdn. Bhd..... (300,002 shares of one Ringgit each)	4,026,772	4,026,772
Mahindra Hotels and Residences India Ltd. .... (49,994 equity shares of ₹ 10 each)	499,940	499,940
Divine Heritage Hotels Private Limited - Amalgamated with the Company during the year (Refer Note No. 43)..... (700,000 Shares of ₹ 10/- each)	-	92,497,545
Gables Promoters Private Limited..... (49,678,600 (previous year 13,200,000) Shares of ₹ 10/- each) (Refer Note (b) below)	501,164,037	136,378,036
Holiday on Hills Resort Private Limited - Amalgamated with the Company during the year (Refer Note No. 43)..... (1,000,000 Shares of ₹ 10/- each)	-	438,739,417
MH Boutique Hospitality Limited..... (49,000 shares of THB 100 each)	9,538,138	9,538,138
Infinity Hospitality Group Company Limited (734,850 shares of THB 100 each)	268,110,663	268,110,663
Competent Hotels Private Limited - Amalgamated with the Company during the year (Refer Note No. 43)..... (308,300 shares of ₹ 100/- each)	-	448,254,447
MHR Holdings (Mauritius) Limited..... (145,000 shares of Eur 1/- each)	11,510,550	11,510,550
<b>Joint venture:</b>		
Arabian Dreams Hotel Aparments LLC .... (147 shares of AED 1000/- each)	5,211,172	5,211,172
<b>Others:</b>		
Mahindra Hotels and Resorts Limited..... (20,011 shares of ₹ 10/- each)	1	1
<b>Investment in Preference Shares (non trade fully paid up)</b>		
Guestline Hospitality Management and Development Services Limited..... (25,000 7% non-cumulative redeemable participating optionally convertible preference shares of ₹ 10/- each) (Refer Note (a) below)	250,000	250,000
	<u>800,311,283</u>	<u>1,415,016,691</u>

**NOTE:**

- a) The preference shares of Guestline Hospitality Management and Development Services Limited can be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003 or at the option of the holder be convertible into fully paid equity shares of the face value of ₹ 10 each anytime after thirty six months from the date of allotment.
- b) During the year 36,478,600 equity shares of ₹ 10 each were allotted at par by Gables Promoters Private Limited in lieu of outstanding ICD of ₹ 364,786,000 by conversion as on 21st March 2016.

**Note 14: Long Term Loans & Advances (Unsecured, considered good)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
Payments towards Income Tax (net of provision).....	1,148,560,262	1,133,564,680
Security deposits.....	421,051,037	499,548,861
Capital advances.....	83,102,146	242,336,294
Loans and advances to related parties (Refer Note No. 44).....	77,443,679	80,831,855
	<u>1,730,157,124</u>	<u>1,956,281,690</u>

**Note 15: Other Non-Current Assets (Unsecured, considered good)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
Long term trade receivables - due for payment after one year from the date of Balance Sheet.....	5,146,277,406	4,370,238,603
	<u>5,146,277,406</u>	<u>4,370,238,603</u>

**Note 16: Current investments (At lower of cost and fair value)**

	(In ₹)			
	As At March 31, 2016		As At March 31, 2015	
	Units	Value	Units	Value
Birla Sun Life Floating Rate Fund - STP - Reg - Dly Dividend.....	602,246	60,259,181	-	-
Birla Sun Life Savings Fund.....	-	-	200,463	20,105,882
DWS Ultra Short Term Fund - DDRE	-	-	2,095,991	20,997,428
ICICI Prudential Liquid - Reg - Dly Dividend.....	769,568	77,032,923	-	-
ICICI Prudential Liquid Reg DDRE..	-	-	125,488	12,556,820
Kotak Floater - ST - Reg - Dly Dividend	145,618	147,310,148	-	-
HDFC Liquid Fund - Dly Dividend.....	144,418	147,280,658	-	-
Tata Liquid Fund - Reg - Dly Dividend	68,762	76,637,142	-	-
Franklin India Ultra Short Bond Fund - SIP-DDRE.....	-	-	2,109,683	21,264,132
Reliance Medium Term Fund - DDRE	-	-	1,222,641	20,902,140
Tata Money Market Fund - Reg - Dly Dividend.....	70,157	70,263,526	-	-
ICICI Liquid Plan Retail Growth.....	268	93,581	-	-
		<u>578,877,159</u>		<u>95,826,402</u>

**Note 17: Inventories (At lower of cost & net realisable value)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
<b>Stores:</b>		
Food, beverages and smokes .....	10,465,524	10,342,893
Operating supplies .....	48,431,752	43,020,236
	<u>58,897,276</u>	<u>53,363,129</u>

**Note 18: Trade Receivable (Unsecured)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
<b>Trade receivables outstanding for more than six months from the date they are due for payment</b>		
Considered good.....	3,610,935,291	3,655,908,491
Considered doubtful.....	11,397,352	11,397,352
Less: Allowance for trade receivables .....	11,397,352	11,397,352
	<u>3,610,935,291</u>	<u>3,655,908,491</u>
<b>Others considered good (Refer note below) .....</b>	<u>6,308,393,662</u>	<u>5,048,558,010</u>
	<u>9,919,328,953</u>	<u>8,704,466,501</u>

Note: Others include outstanding for less than six months from the date they are due for payment and amounts due within one year from the date of Balance Sheet.

**Note 19: Cash & Bank balances**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
<b>Cash on hand .....</b>	<u>7,851,667</u>	<u>6,463,927</u>
	<u>7,851,667</u>	<u>6,463,927</u>
<b>Balances with Banks</b>		
Current accounts .....	240,082,679	123,382,119
Deposit account – with maturity of less than 3 months.....	7,897,108	–
Deposit account – others .....	21,730,583	2,503,902
<b>Earmarked accounts</b>		
Margin money deposits (towards guarantees) .....	21,846	33,469,453
Unpaid dividend accounts .....	340,688	325,584
	<u>270,072,904</u>	<u>159,681,058</u>
	<u>277,924,571</u>	<u>166,144,985</u>

**Note 20: Short Term Loans & Advances (Unsecured, Considered good - unless otherwise stated)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
Inter corporate deposits, loan & advances to subsidiaries (Refer Note No. 44) .....	438,396,707	1,177,389,757
Loan to ESOP Trust .....	109,000,000	125,000,000
Balances with Statutory Authorities .....	47,857,628	372,516
Others (Prepaid expenses, claims receivable) .....	120,191,997	127,950,963
Advances to suppliers/ employees:		
Considered good.....	119,648,948	108,773,568
Considered doubtful.....	25,000,000	12,500,000
Less: Provision for doubtful advances .....	25,000,000	12,500,000
	<u>119,648,948</u>	<u>108,773,568</u>
	<u>835,095,280</u>	<u>1,539,486,804</u>

**Note 21: Other Current Assets (Unsecured, Considered good)**

	(In ₹)	
	As At	As At
	March 31, 2016	March 31, 2015
Interest accrued on Inter corporate deposits, loans and advances:		
Subsidiaries.....	117,890,570	161,356,232
Others.....	806,042	972,548
	<u>118,696,612</u>	<u>162,328,780</u>

**Note 22: Revenue from Operations**

	(In ₹)	
	Year ended	Year ended
	March 31, 2016	March 31, 2015
<b>Revenue from Operations</b>		
<b>Income from operations:</b>		
Income from sale of vacation ownership	5,391,124,369	4,439,384,806
Income from Resorts:		
– Room rentals.....	303,226,968	163,195,382
– Food and beverages .....	1,054,517,118	855,594,421
– Wine and liquor .....	34,674,570	28,345,093
– Others.....	334,922,450	270,965,571
Annual subscription fee.....	1,729,675,217	1,556,098,019
Income from travel services .....	–	22,795,344
	<u>8,848,140,692</u>	<u>7,336,378,636</u>
<b>Other Operating Income:</b>		
Interest Income on Instalment sales.....	659,005,996	597,985,963
Income from securitization (Refer Note No. 27) .....	(2,439,518)	6,575,718
Miscellaneous income.....	10,632,816	7,567,901
	<u>667,199,294</u>	<u>612,129,582</u>
	<u>9,515,339,986</u>	<u>7,948,508,218</u>

**Note 23: Other Income**

	(In ₹)	
	Year ended	Year ended
	March 31, 2016	March 31, 2015
<b>Dividend income:</b>		
Dividend income from current investments...	17,602,303	16,477,181
<b>Interest income:</b>		
On deposits with bank .....	5,478,088	3,607,746
On others – related parties .....	71,491,042	100,963,304
Others.....	16,195,739	6,020,863
	<u>110,767,172</u>	<u>127,069,094</u>

**Note 24: Employee benefits expense**

	(In ₹)	
	Year ended	Year ended
	March 31, 2016	March 31, 2015
Salaries, wages and bonus.....	1,687,370,632	1,436,175,956
Contribution to Provident & other funds.....	80,979,332	60,774,348
Staff welfare .....	147,056,754	122,816,280
	<u>1,915,406,718</u>	<u>1,619,766,584</u>

**Note 25: Finance costs**

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
Interest on short term borrowings .....	805,228	2,500,122
	<u>805,228</u>	<u>2,500,122</u>

**Note 26: Other expenses**

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Food, Beverages and smokes Consumed:</b>		
Opening stock.....	10,342,893	10,860,164
Add: Purchases .....	327,771,895	262,379,099
Add: On account of Amalgamation (Refer Note No. 43) .....	961,649	639,513
	<u>339,076,437</u>	<u>273,878,776</u>
Less: Closing Stock.....	10,465,524	10,342,893
	<u>328,610,913</u>	<u>263,535,883</u>
Operating supplies .....	343,809,111	313,781,866
Power and fuel.....	326,525,064	284,376,535
Rent (including lease rentals)....	727,189,811	597,343,272
Rates and taxes .....	39,615,265	35,447,992
Insurance.....	19,848,770	32,420,558
<b>Repairs and maintenance:</b>		
-Buildings and Resorts .....	93,968,802	116,362,315
-Office equipment .....	28,599,684	32,775,233
-Others .....	264,050,714	223,986,901
Communication.....	101,497,890	88,511,094
Software charges.....	25,402,054	20,290,626
Consultancy charges .....	197,710,146	120,010,268
Sales commission .....	278,433,728	252,450,793
Sales promotion expenses .....	1,678,217,315	1,337,291,873
Discounts .....	117,359,874	156,588,073
Travelling .....	187,382,644	184,764,226
Service charges.....	199,190,480	209,042,072
Provision for doubtful receivables and advances .....	12,500,000	14,056,243
<b>Auditors' remuneration:</b>		
-Audit fees .....	5,300,000	5,300,000
-Other services .....	3,836,425	2,100,000
-Reimbursement of expenses/levies	71,665	35,501
Director's fees .....	4,230,000	3,230,000
Commission to non whole time directors .....	17,500,000	10,000,000
Loss on exchange fluctuation (net) .....	-	5,904,388
Loss on fixed assets sold/Write-off (net) .....	1,211,702	1,327,859
Bank charges.....	95,762,756	82,957,289
Expenditure on corporate social responsibility (Refer Note No. 40)	28,014,710	30,397,176
Miscellaneous .....	149,855,461	106,514,626
	<u>5,275,694,984</u>	<u>4,530,802,662</u>

**27 Securitisation:**

The Company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Particulars</b>		
Value of Accounts receivable.....	-	586,013,212
Less: Future interest receivable .....	-	123,953,981
Principal amount of receivables.....	-	462,059,231
Consideration received.....	-	500,000,000
Profit on securitisation .....	-	37,940,769
Less: Reversals in respect of cancelled members .....	2,439,518	31,365,051
Income/(Loss) from securitisation.....	<u>(2,439,518)</u>	<u>6,575,718</u>

**28** The Company did not enter into any derivative contracts during the year. There are no losses on long term contracts entered into by the Company.

**29 Lease commitments:**

The Company has taken certain properties under operating leases with varying lease terms, cancellable at the option of the Company. The future minimum lease payments (within the lock-in period) are given below.

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Particulars</b>		
Future minimum lease payments		
Not later than one year .....	345,609,923	385,764,907
Later than one year .....	1,163,033,289	1,508,643,212

**30 Capital commitments:**

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Particulars</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).....	450,234,795	241,222,451

**31 CIF Value of Imports:**

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Particulars</b>		
Capital goods.....	10,608,979	48,834,258

**32 Expenditure in foreign currency:**

	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
<b>Particulars</b>		
Salaries.....	54,679,361	43,245,765
Travel .....	8,507,050	7,432,834
Consultancy .....	9,111,870	15,867,297
Marketing expenses.....	85,681,123	54,255,064
Lease rent .....	139,255,466	91,959,105
Others.....	33,284,311	30,635,864

33 Earnings in foreign currency:

Particulars	(In ₹)	
	Year ended March 31, 2016	Year ended March 31, 2015
Room rentals and restaurant sales....	4,299,157	5,601,985
Interest (including Inter corporate deposits, loan & advances to subsidiaries and joint venture) .....	44,536,498	43,277,579
Other receipts in foreign currency .....	13,997,640	39,010,059

34 Particulars of consumption:

Particulars	2015-16		2014-15	
	% of total value	Consumption ₹	% of total value	Consumption ₹
Provisions, beverages (excluding wine, liquor and smokes).....	96	314,880,339	97	255,532,928
Wine, Liquor and Smokes....	4	13,730,574	3	8,002,955
Indigenous .....	100	328,610,913	100	263,535,883

35 Contingent Liabilities

Particulars	(In ₹)	
	As At March 31, 2016	As At March 31, 2015
<b>(A) Receivables securitised, with recourse:</b>		
Certain specified Receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the Company. In such cases, the Company has recourse to the customer. ....	683,531,332	1,867,971,631
<b>(B) Claims against the Company not acknowledged as debts:</b>		
i) Luxury tax claimed on members' stay at resorts (inclusive of penalty) .....	308,190,414	251,052,544
ii) Service tax claimed on interest on instalments and other items (inclusive of penalty where quantified in demand) .....	714,839,337	638,770,100
Interest (estimated) [₹ 156,594,381 (2015: ₹ 120,780,224)]		
iii) Income tax matters in dispute		
<b>a) Pertaining to Revenue Recognition (timing differences)*</b>		
<u>Assessment Years 1998-99 to Assessment Year 2010-11</u> The matter has been decided in favour of the Company by the appellate authorities, the Department has filed an appeal before the Madras High Court; Tax (excluding interest) .....	2,714,060,681	1,978,570,362
<u>Assessment Years 2011-12 to Assessment Year 2012-13</u> Company's appeal before the CIT(A) is pending; Tax (including interest of ₹ 483,585,612) .....	1,789,436,843	2,753,180,338

Particulars	(In ₹)	
	As At March 31, 2016	As At March 31, 2015

b) Pertaining to other matters (mainly timing differences)\*

From Assessment Year 2005-06 onwards	As At March 31, 2016	As At March 31, 2015
Company's appeal before Appellate authorities is pending; Tax (including interest of ₹ 76,297,746).....	326,917,723	324,338,723

\* For matters pertaining to timing differences, if liability were to crystallise, there would be future tax benefits, except to the extent of tax rate differences and interest, if any.

Notes:

- 1) The above amounts are based on demands raised, which the Company is contesting with the concerned authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decision of the appellate authorities and the Company's rights for future appeals. No reimbursements are expected.
- 2) In respect of above matters, it is not practicable for the Company to estimate the closure of these issues and the consequential timing of cash flows if any; the Company has also been legally advised that the consequential impact of matters referred in (i) and (ii) above in respect of assessments remaining to be completed may not be material.

(C) Guarantees given by the Company for subsidiaries:

Value in EURO	As At March 31, 2016	As At March 31, 2015
Amount of guarantees given.....	68,100,000	11,200,000
Outstanding amount against guarantees .....	54,550,000	10,924,562
<u>Value in ₹</u>		
Amount of guarantees given.....	5,105,457,000	757,736,000
Outstanding amount against guarantees .....	4,089,613,500	739,101,242

(D) Other matters under appeal:

(i) Property Related:

- (a) The Government of Kerala through the Sub Collector, District of Devikulam issued an Order dated July 3, 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the ground that it is agricultural land and cannot be used for commercial purposes. The Company has filed an appeal before the Commissioner of Land Revenue, Trivandrum against the said Order stating that the Patta issued does not specify that the land should be used only for agricultural purpose. The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company and cancelled the assignment of land underlying the Munnar Resort and further directed repossession of land on the ground that it is agricultural land and cannot be used



for commercial purposes. The Company has filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

- (b) With respect to the land underlying the resort at Tungli:

The Collector Pune, vide his order, has cancelled the Non-Agricultural ("NA") status of the land. Against this order, the Company has filed an appeal before the Additional Divisional Commissioner (ADC), Pune challenging the cancellation of the NA status of the land. The matter is pending for orders. The Company has also filed a Civil Suit at Civil Court, Pune against the State of Maharashtra and others, inter alia, seeking declaration that the proceedings and orders in respect of the cancellation of the NA status of the land underlying the resort property at Lonavala are not enforceable and sought other reliefs. An ad-interim stay has been granted against the State of Maharashtra and the Collector, Pune, not to give effect to the orders of NA cancellation and the matter is pending for further hearing;

In respect of certain claims of a neighboring property owner, the Company has filed a suit in the Civil Court, Pune seeking inter-alia permanent injunction against him disturbing the possession of the Company's resort property at Lonavala, Maharashtra and obtained an ad-interim stay. In another development, notwithstanding these proceedings, the neighboring property owner obtained an order from the local Mamlatdar's Court for alleged access to his property through the resort property. The Company obtained a stay against the said order of the Mamlatdar. All matters with respect to the neighboring property owner are currently pending before the Civil Court, Pune.

- (c) Pursuant to a "public interest litigation" filed before the Gujarat High Court, the officials of the Forest and Revenue departments undertook an inspection of all resorts (including the Company's resort) at Gir in March 2015. Consequently, the Forest Department has alleged certain irregularities and sealed some structures/rooms in April 2015. The Company has denied the alleged violations and made its representations before a Committee constituted by the Gujarat High Court and the matter is pending hearing.

None of the matters contained in (a) to (c) above affect the routine operations of the resorts.

(ii) Others:

- (a) The Company had engaged a building contractor for construction of a resort. As the construction did not proceed as per agreed timelines the Company terminated the contract. The contractor has claimed ₹ 125,614,668 as damages for termination of the Contract. The Company has made a counter claim of ₹ 200,356,002 towards liquidated damages and other losses. The matter is pending before the Arbitrator.
- (b) The Regional Provident Fund Commissioner, Chennai had issued Summons initiating proceedings under Section 7A of the Employees Provident Fund Act for failing to remit contributions on allowances relating to employees for the period from March 2011 to Feb 2013 in respect of Indian employees and from April 2010 to Feb 2013 in respect of international employees. The PF Authorities have made a claim of ₹ 18,993,169. The Company has filed a Writ Petition No. 2408/2014 before the Madras High Court and the Court has granted an Interim stay of the above proceedings.
- (c) With respect to member complaints pending before various consumer fora and other matters: Estimated amount of claims ₹ 94,901,717/- (previous year: ₹ 82,650,033/-).

**36 Employee Benefits:**

**36.1 Defined benefit plans**

The Company has a funded Gratuity Scheme for its employees and gratuity liability has been provided based on the actuarial valuation done at the year end. The following table sets out the funded status of the defined benefit scheme and amount recognised in the financial statements.

	(In ₹)	
Particulars	2015-16	2014-15
<b>a. Net Asset/(Liability) recognized in the balance sheet</b>		
Present value of funded obligation ..	40,209,111	31,772,222
Fair value of plan assets .....	39,779,104	23,568,439
Net asset/(Liability) .....	(430,007)	(8,203,783)
<b>b. Expense recognized in the Statement of profit and loss</b>		
Current service cost .....	9,710,524	7,732,041
Interest cost .....	2,490,785	2,333,285
Expected return on plan assets .....	(2,967,918)	(1,983,342)
Actuarial (gains)/losses .....	1,545,245	(1,309,717)
Total expense .....	10,778,636	6,772,267
<b>c. Change in present value of obligation</b>		
Present value of defined benefit obligation as at the beginning of the year .....	31,772,222	27,951,110
Add: On account of Amalgamation (Refer Note No. 44) .....	1,607,123	-
Current service cost .....	9,710,524	7,732,041
Interest cost .....	2,490,785	2,333,285
Actuarial (gains)/losses .....	(840,723)	(1,342,752)
Benefits paid .....	(4,530,820)	(4,901,462)
Present value of defined benefit obligation as at the end of the year	40,209,111	31,772,222
<b>d. Change in fair value of plan assets</b>		
Plan assets at the beginning of the year .....	23,568,439	21,034,394
Add: On account of Amalgamation (Refer Note No. 44) .....	1,138,483	-
Expected return on plan assets .....	2,967,918	1,983,342
Actuarial (gains)/losses .....	(2,385,967)	(33,035)
Contributions by employer .....	19,021,051	5,485,200
Benefits paid .....	(4,530,820)	(4,901,462)
Plan assets at the end of the year	39,779,104	23,568,439
<b>e. Principal actuarial assumptions</b>		
Discount rate .....	7.75%	8.00%
Expected return on plan assets .....	9.30%	9.30%
Salary Escalation .....	5.00%	5.00%
Attrition .....	1%-3%	1%-3%
Mortality table .....	IALM (2006-2008) ULT	IALM (2006-2008) ULT

Discount rate is based on prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

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

**f. Experience Adjustment to the extent provided by actuary:**

Particulars	2016	2015	2014	2013	2012
Present value of commitments	40,209,113	31,772,222	27,951,110	27,354,662	19,152,550
Fair value of the Plans	39,779,104	23,568,439	21,034,394	17,104,972	12,655,898
Surplus/ (Deficit)	(430,009)	(8,203,783)	(6,916,716)	(10,249,690)	(6,496,652)
Experience adjustment on plan liabilities	(2,066,855)	(5,465,888)	(15,152,629)	56,790	56,790
Experience adjustment on plan assets	(2,385,967)	(33,035)	5,522	1,923,330	1,923,330

**g.** In the absence of the relevant information from the actuary/insurer, the above details do not include the composition of plan assets. The estimated amount of contribution in the immediate next year is ₹ 95 lacs.

**36.2 Compensated Absences**

The key assumptions used in the computation of provision for long term compensated absences are given below.

Particulars	2015-16	2014-15
<u>Principal actuarial assumptions</u>		
a. Discount rate	7.75%	8.00%
b. Salary Escalation	5.00%	5.00%
c. Attrition	1%-3%	1%-3%
d. Mortality table	IALM (2006-2008) ULT	IALM (2006-2008) ULT

**37 Segment Reporting:**

The Company is primarily engaged in the business of sale of Vacation Ownership and other related services in India. As such, the Company operates in a single segment and there are no separate business and geographic reportable segments for the purpose of Accounting Standard 17 on Segment Reporting.

**38 Earnings per share:**

Particulars	2015-16	2014-15
Net profit after tax (in ₹) .....	1,173,455,687	790,242,186
Weighted average number of Equity Shares used in computing basic earnings per share (Nos.) .....	88,035,064	88,025,625
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos.) on account of ESOP.....	88,293,782	88,045,717
Earnings Per Share – Basic (in ₹)...	13.33	8.98
Earnings per share – Diluted (in ₹) ..	13.29	8.98
Par value of shares (in ₹) .....	10.00	10.00

**39** The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As At March 31, 2016		As At March 31, 2015	
	Amount in FCY	Amount In ₹	Amount in FCY	Amount In ₹
<b>Payables:</b>				
MYR	–	–	198,309	3,334,044
EURO	7,719	580,968	1,394	91,630
THB	22,140,459	41,454,186	15,222,588	29,186,121
AED	63,987	1,066,647	332,415	5,586,152
<b>Receivables</b>				
USD	17,810	1,173,104	–	–
MYR	4,488,201	76,703,351	4,763,836	80,091,522
THB	197,522,444	373,317,419	192,533,643	368,441,686
AED	5,863,110	105,812,173	6,010,714	102,338,746

**40 Expenditure on Corporate Social Responsibility**

As per Section 135 of the Companies Act 2013, the Company needs to spend 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The Company has incurred CSR expenditure on activities specified in Schedule VII of the Companies Act, 2013.

- Gross amount required to be spent by the Company during the year is ₹ 27,189,781/-.
- Amount spent during the year on:

Particulars	In Cash	Yet to be paid in cash	Total
(i) Construction/ Acquisition of any asset.....	–	–	–
(ii) On purposes other than (i) above .....	28,014,710	–	28,014,710

**41 Capital work in progress (CWIP) and expenditure during construction pending allocation included therein:**

Particulars	As At March 31, 2016	As At March 31, 2015
Capital Work-in-progress.....	325,354,449	643,833,393
(including on account of amalgamation ₹ 4,705,036 – Refer Note No. 43)		

**Expenditure during construction pending allocation included in (CWIP) above:**

Salaries, Wages & Bonus.....	70,050,084	103,049,793
Staff welfare Expenses .....	922,595	1,347,999
Power & Fuel .....	81,340	209,957
Rent.....	561,763	826,294
Rates & Taxes .....	834,451	1,599,922
Repairs-Others .....	1,527,137	2,062,029
Travelling .....	7,286,378	14,589,371
Communication.....	825,154	1,683,121

Particulars	As At	As At
	March 31, 2016	March 31, 2015
Printing & Stationery.....	366,834	677,558
Insurance .....	-	27,162
Consultancy Charges .....	13,643,202	22,639,925
Freight .....	1,056,505	1,549,319
Interest – Others .....	30,102	77,702
Bank Charges .....	77,760	181,780
Miscellaneous .....	3,495,302	6,172,926
Total.....	<b>100,758,607</b>	<b>156,694,858</b>

**42 Joint Venture Disclosures:**
**i. Interest in Joint Ventures**

Name of the Jointly Controlled Entity	Country of Incorporation	Proportion of ownership interest	
		2015-2016	2014-2015

Arabian Dreams Hotels Apartments LLC, Dubai (since March 26, 2013)	United Arab Emirates	49%	49%
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**ii. Interest in assets, liabilities, income, expenses and capital commitment with respect to the Jointly controlled entity:**

(In ₹)

Particulars	2015-2016	2014-15
<b>Liabilities:</b>		
Short term borrowings.....	51,847,965	50,145,986
Other liabilities .....	4,471,404	2,815,313
<b>Assets:</b>		
Fixed Assets.....	1,093,916	925,998
Short term loans and advances.....	11,022,801	9,625,810
Trade receivables.....	2,435,559	3,307,550
Cash and cash equivalents.....	4,522,885	4,640,149
Income .....	81,286,349	59,335,221
Expenses.....	81,991,650	77,436,897
Contingent liabilities/Capital commitments .....	NIL	NIL

**43 Details of Amalgamations and Arrangements**

In terms of the Scheme of Amalgamation and Arrangement, ('the Scheme'), erstwhile Competent Hotels Private Limited, Divine Heritage Hotels Private Limited and Holiday on Hills Resorts Private Limited, wholly owned subsidiaries of the Company (referred to as 'transferor companies'), engaged in the business of rendering resort facilities) have been merged with the Company ('Transferee Company'), upon which the entire business, including all assets, liabilities and reserves of the Transferor Companies stand transferred to and vested in the Transferee Company. The amalgamation has been accounted under the 'pooling of interest method' and the assets and liabilities transferred have been recorded at their book values as on the Appointed Date.

The Scheme filed by the Company has been approved by the Hon'ble High Courts of judicature at New Delhi, Rajasthan (Jaipur Bench), Himachal Pradesh (Shimla) and Chennai with an Appointed Date of April 1, 2015 and effective date of March 31, 2016 ('the Effective Date'), being the date on which all the requirements under the Companies Act, 2013 have been completed.

There was no allotment of shares to the Transferor Companies' equity shareholders since the Transferor Companies were wholly owned subsidiaries of the Company.

Details of assets, liabilities and reserves acquired on amalgamation and

treatment of the difference between the Share capital of the Transferor Company and cost of investment in the books of the Transferee Company are summarized below:

Particulars	On the appointed date as at April 1, 2015			
	Competent Hotels Private Limited	Divine Heritage Hotels Private Limited	Holiday on Hills Resorts Private Limited	Total
<u>Value of assets, liabilities and reserves acquired at their book values as at the Appointed Date:</u>				
Fixed assets	58,941,763	263,374,631	312,867,367	635,183,761
Other assets	31,175,212	6,803,170	28,314,791	66,293,173
Inter-Company assets (Cancelled upon merger)	2,363,655	-	-	2,363,655
Liabilities	(17,840,552)	(8,198,360)	(4,733,567)	(30,772,479)
Inter-Company liabilities (Cancelled upon merger)	-	(340,234,197)	(393,908,138)	(734,142,335)
<b>Net Assets taken over</b>	<b>74,640,078</b>	<b>(78,254,756)</b>	<b>(57,459,547)</b>	<b>(61,074,225)</b>
General Reserve	(4,747,756)	-	-	(4,747,756)
Capital Reserve	-	-	(3,000,000)	(3,000,000)
Capital Redemption Reserve	(14,580,000)	-	-	(14,580,000)
Securities Premium Account	-	(20,364,500)	-	(20,364,500)
(Surplus)/Deficit in Statement of profit & loss	(24,482,322)	105,619,256	70,459,547	151,596,481
<b>Reserves taken over</b>	<b>(43,810,078)</b>	<b>85,254,756</b>	<b>67,459,547</b>	<b>108,904,225</b>
Carrying value of investments in the books of the Transferee Company	448,254,447	92,497,545	438,739,417	979,491,409
Less: Share capital of the transferor Company	30,830,000	7,000,000	10,000,000	47,830,000
<b>Difference adjusted in the 'Amalgamation Reserve Account' and the same transferred to 'Securities Premium Account' on the Appointed Date as per the approved scheme.</b>	<b>417,424,447</b>	<b>85,497,545</b>	<b>428,739,417</b>	<b>931,661,409</b>

**Details of Amalgamations and Arrangements during the previous year**

In terms of the Scheme of Amalgamation and Arrangement, ('the Scheme'), the erstwhile Bell Tower Resorts Private Limited (a wholly owned subsidiary of the Company)(referred to as 'Transferor Company'), had been merged with the Company ('Transferee Company'), upon which the entire business, including all assets and liabilities of the Transferor Company stood transferred to and vested in the Transferee Company. The amalgamation had been accounted under the 'pooling of interest method' and the assets and liabilities transferred were recorded at their book values as on the Appointed Date.

The Scheme filed by the Company had been approved by the Hon'ble High Court of Bombay at Goa on May 2, 2014 and by the Hon'ble High Court of Madras on June 23, 2014 with the Appointed Date of April 1, 2013 and an effective date of July 31, 2014 ('the Effective Date'), being the date on which the copies of the orders of the Hon'ble High Court has been filed with the Registrar of Companies.

There was no allotment of shares to the Transferor Company's equity shareholders since the Transferor Company was a wholly owned subsidiary of the Company.

Details of assets and liabilities acquired on amalgamation and treatment of the difference between the net assets acquired and cost of investment by the Transferee Company in the Transferor Companies are summarized below:

Particulars	(In ₹)	
	On the appointed date – As at April 1, 2013	
<b>Value of assets and liabilities acquired at their book values as at the Appointed Date:</b>		
Fixed assets	464,113,654	–
Add: Other assets taken over	47,867,344	–
Less: Other liabilities taken over	(768,670,917)	–
Net Assets		(256,689,919)
Add: Deficit in statement of Profit & Loss adjusted in the Surplus in statement of Profit & Loss		456,076,659
Share Capital of the transferor company	A	199,386,740
Less: Carrying value of investments in the books of the Transferee Company	B	505,452,424
Difference between A and B above adjusted in the 'Amalgamation Reserve Account' and the same transferred to 'Securities Premium Account' on the Appointed Date as per the Scheme.	A-B	306,065,684

Further, the loss of the transferor Company for the year ended March 31, 2014 had been adjusted against the Surplus in Statement of Profit and Loss at the beginning of the year.

**44 Related Party Transactions:**

**(i) Names of related parties and nature of relationship where control exists:**

A.	Holding Company	Mahindra & Mahindra Limited
B.	Subsidiary Companies	Mahindra Hotels & Residences India Limited
		Gables Promoters Private Limited
		Divine Heritage Hotels Private Limited (till March 31, 2015)*
		Holiday on Hills Resorts Private Limited (till March 31, 2015)*
		Competent Hotels Private Limited (till March 31, 2015)*
		Mahindra Holidays and Resorts USA Inc. (till May 19, 2014)
		Heritage Bird (M) Sdn Bhd.
		Infinity Hospitality Group Company Limited **
		MH Boutique Hospitality Limited ***
		MHR Holdings (Mauritius) Limited
		Covington S.a.r.l (Step down subsidiary)

C.	Fellow Subsidiaries with whom the company has transactions during the year	Bristlecone India Limited
		Defence Land Systems India Limited
		Mahindra Automobile Distributor Private Limited
		Mahindra Consulting Engineers Limited
		Mahindra EPC Services Private Limited
		Mahindra First Choice Services Limited
		Mahindra First Choice Wheels Limited
		Mahindra Integrated Township Limited
		Mahindra Intergrated Business Solutions Private Limited
		Mahindra Intertrade Limited
		Mahindra Life Space Developers Limited
		Mahindra Logistics Limited
		Mahindra Residential Developers Limited
		Mahindra Retail Private Limited
		Mahindra Shubhlabh Services Limited
		Mahindra Two Wheelers Limited
		Mahindra World City (Jaipur) Limited
		Mahindra World City Developers Limited
		Tech Mahindra Limited
		Mahindra Defence Systems Limited
		Mahindra Rural Housing Finance Limited
		Mahindra Bebanco Developers Limited
D.	Other entities under the control of the company	Mahindra Holidays & Resorts India Limited
		Employees' Stock Option Trust
E.	Entity in which the company has joint control	Arabian Dreams Hotels Apartments LLC
F.	Key Management Personnel	Mr. Kavinder Singh (Managing Director & CEO)
		Mr. Dinesh Shetty (Company Secretary)
		Mr. S Krishnan (Chief Financial Officer & Executive Director)

\* Merged with the company with appointed date from April 1, 2015.

\*\* By virtue of management control. Further MH Boutique Hospitality Limited holds balance 51% equity.

\*\*\* By virtue of management control.

**(ii) Related Party Transactions and balances**

Particulars	March 31, 2016	March 31, 2015
		(In ₹)
<b>Holding company</b>		
<b>Transactions during the year:</b>		
Sale of services.....	2,567,030	379,867,057
Purchases of fixed assets .....	6,919,525	1,277,046
Purchase of services .....	65,530,598	9,759,648
Dividend paid/Proposed .....	–	266,342,568
<b>Balances as at:</b>		
Outstanding: Payable .....	135,596,191	82,955,486
Outstanding: Receivable .....	10,483,122	16,918,336
<b>Subsidiary companies</b>		
<b>Transactions during the year:</b>		
<b>Investments made:</b>		
Gables Promoters Private Limited .....	364,786,000	–
Competent Hotels Pvt Ltd.....	–	448,254,447
MHR Holdings (Mauritius) Limited.....	–	11,510,550

Particulars	(In ₹)		Particulars	(In ₹)	
	March 31, 2016	March 31, 2015		March 31, 2016	March 31, 2015
<b>ICD, loans and advances given:</b>			<b>Interest accrued but not due:</b>		
Divine Heritage Hotels Private Limited ..	-	107,733,000	Divine Heritage Hotels Private Limited ..	-	26,567,551
Holiday on Hills Resorts Private Limited	-	3,280,000	Holiday on Hills Resorts Private Limited	-	59,587,138
Gables Promoters Private Limited .....	178,000,000	104,180,000	Gables Promoters Private Limited .....	37,016,300	12,759,691
Mahindra Hotels & Residences India Ltd	50,000	-	Infinity Hospitality Group Company Limited .....	46,973,292	42,340,132
MHR Holdings (Mauritius) Limited .....	18,742,500	-	MH Boutique Hospitality Limited .....	14,495,322	10,349,842
Gables Promoters Private Limited (Conversion of ICD to Investment) .....	(364,786,000)	-	Mahindra Hotels & Residences India Ltd .....	2,764	-
<b>Purchase of services:</b>			MHR Holdings (Mauritius) Limited .....	1,177,295	-
Divine Heritage Hotels Private Limited ..	-	13,179,568	<b>Outstanding: Receivable</b>		
Holiday on Hills Resorts Private Limited ..	-	25,255,000	Divine Heritage Hotels Private Limited ..	-	17,233,646
Heritage Bird (M) Sdn Bhd. ....	14,092,062	15,886,536	MHR Holdings (Mauritius) Limited .....	16,185,457	2,615,600
Infinity Hospitality Group Company Limited .....	41,433,233	15,131,532	Covington S.a.r.l .....	3,857,207	-
Competent Hotels Private Limited .....	-	4,346,250	<b>Deposits Given:</b>		
<b>Interest Income:</b>			Divine Heritage Hotels Private Limited ..	-	20,000,000
Divine Heritage Hotels Private Limited .....	-	16,464,888	Holiday on Hills Resorts Private Limited .....	-	38,770,000
Heritage Bird (M) Sdn Bhd. ....	6,568,598	7,407,485	<b>Outstanding: Payable</b>		
Gables Promoters Private Limited .....	26,951,789	13,449,115	Infinity Hospitality Group Company Limited .....	41,454,186	29,186,121
Holiday on Hills Resorts Private Limited	-	27,771,721	Heritage Bird (M) Sdn Bhd. ....	-	3,334,044
Infinity Hospitality Group Company Limited .....	24,116,001	24,708,810	Competent Hotels Private Limited .....	-	2,363,655
MH Boutique Hospitality Limited .....	4,928,818	5,049,976	<b>Outstanding: Corporate guarantees on behalf of</b>		
Mahindra Hotels & Residences India Ltd	2,764	-	MHR Holdings (Mauritius) Limited – Euro 57,100,000 (F2015: Euro 11,200,000) .....	4,280,787,000	757,736,000
MHR Holdings (Mauritius) Limited .....	1,159,555	-	Covington S.a.r.l – Euro 11,000,000 .....	824,670,000	-
<b>Commission on Corporate Guarantee:</b>			Loan outstanding against above guarantees:		
MHR Holdings (Mauritius) Limited .....	12,136,818	2,288,868	MHR Holdings (Mauritius) Limited (Euro 44,550,000) .....	3,339,913,500	739,101,242
Covington S.a.r.l .....	3,368,702	-	Covington S.a.r.l (Euro 10,000,000) .....	749,700,000	-
<b>Dividend Income:</b>			<b>Fellow Subsidiaries</b>		
Mahindra Holidays and Resorts USA Inc.	-	6,020,863	<b>Transactions during the year:</b>		
<b>Corporate guarantees given on behalf of:</b>			<b>Sale of services:</b>		
MHR Holdings (Mauritius) Limited – Euro 50,000,000 (F2015: Euro 11,200,000) .....	3,748,500,000	757,736,000	Mahindra Intertrade Ltd .....	92,874	1,524,399
Covington S.a.r.l – Euro 11,000,000 .....	824,670,000	-	Mahindra First Choice Wheels Ltd .....	-	1,048,192
<b>Balances as at:</b>			Mahindra Lifespace Developers Ltd .....	-	4,314,190
<b>Investment:</b>			Mahindra Two Wheelers Limited .....	365,270	3,546,120
Mahindra Hotels & Residences India Limited .....	499,940	499,940	Mahindra Shubhlabh Services Limited .....	-	452,907
Heritage Bird (M) Sdn Bhd. ....	4,026,772	4,026,772	Mahindra Integrated Township Ltd .....	-	103,163
Divine Heritage Hotels Private Limited ..	-	92,497,545	Mahindra World City Developers Ltd .....	-	1,098,155
Gables Promoters Private Limited .....	501,164,036	136,378,036	Mahindra World City (Jaipur) Ltd .....	-	1,277,067
Holiday on Hills Resorts Private Limited .....	-	438,739,417	Mahindra Defence Systems Limited .....	-	4,008,576
Infinity Hospitality Group Company Limited .....	268,110,663	268,110,663	Bristlecone India Limited .....	324,425	779,342
MH Boutique Hospitality Limited .....	9,538,138	9,538,138	Defence Land Systems India Private Limited .....	-	1,628,657
Competent Hotels Private Limited .....	-	448,254,447	Mahindra Consulting Engineers Limited ..	-	2,039,304
MHR Holdings (Mauritius) Limited .....	11,510,550	11,510,550	Mahindra EPC Services Private Limited .....	-	3,592,864
<b>Loans and Advances:</b>			Mahindra Logistics Limited .....	271,098	5,079,542
Mahindra Hotels & Residences India Limited .....	740,333	740,333	Mahindra First Choice Services Ltd .....	-	1,951,282
Heritage Bird (M) Sdn Bhd. ....	73,572,450	72,377,382	Mahindra Automobile Distributor Pvt Ltd	-	27,553
Heritage Bird (M) Sdn Bhd. (Interest accrued on above loan) .....	3,130,896	7,714,140	Tech Mahindra Limited .....	-	72,399,623
<b>ICD Outstanding:</b>			Mahindra Residential Developers Limited .....	-	100,000
Divine Heritage Hotels Private Limited ..	-	276,433,000	Mahindra Rural Housing Finance Limited .....	218,841	-
Holiday on Hills Resorts Private Limited ..	-	295,551,000	<b>Purchase of Fixed Assets:</b>		
Gables Promoters Private Limited .....	25,000,000	211,786,000	Mahindra Two Wheelers Limited .....	-	232,976
Infinity Hospitality Group Company Limited .....	258,930,000	262,164,570	Mahindra Retail Private Limited .....	53,573	-
MH Boutique Hospitality Limited .....	52,919,357	53,587,142			
Mahindra Hotels & Residences India Ltd	50,000	-			
MHR Holdings (Mauritius) Limited .....	18,742,500	-			

Particulars	(In ₹)	
	March 31, 2016	March 31, 2015
<b>Purchase of services:</b>		
Mahindra Integrated Business Solutions Private Limited .....	418,552	–
Mahindra Defence Systems .....	245,000	599,077
Mahindra Consulting Engineers Limited .....	720,000	375,000
Bristlecone India Limited .....	17,189,593	2,594,974
Tech Mahindra Ltd .....	167,537,502	184,282,854
<b>Balances as at:</b>		
<b>Outstanding: Payable</b>		
Mahindra Retail Pvt Ltd .....	–	70,508
Tech Mahindra Ltd .....	14,070,765	19,804,676
Bristlecone India Limited .....	–	2,701,996
<b>Outstanding: Receivable</b>		
Mahindra Lifespace Developers Ltd .....	2,281,933	2,401,145
Mahindra Consulting Engineers Limited .....	–	140,722
Mahindra Intertrade Limited .....	–	194,076
Mahindra Shubhlabh Services Limited .....	–	59,088
Mahindra Two Wheelers Limited .....	645,298	645,298
Mahindra Defence Systems Limited .....	–	84,270
Mahindra Logistics Limited .....	261,924	821,175
Mahindra First Choice Services Ltd .....	39,713	39,713
Mahindra Bebanco Developers Limited .....	70,851	70,851
Tech Mahindra Limited .....	1,148,431	506,391
<b>Entity in which the company has joint control</b>		
<b>Transactions during the year:</b>		
Investments made: .....	–	–
ICD, loans and advances given: .....	–	30,872,900
Purchase of services: .....	94,355,253	51,365,851
Interest Income: .....	7,763,525	6,111,309
<b>Balances as at:</b>		
Investment: .....	5,211,172	5,211,172
Outstanding: Receivable .....	4,831,734	14,718,823
ICD Outstanding: .....	82,754,849	77,868,045
Interest accrued but not due: .....	18,225,593	9,751,878

Particulars	(In ₹)	
	March 31, 2016	March 31, 2015
<b>Other entities under the control of the company</b>		
<b>Balances as at:</b>		
<b>Outstanding: Receivable</b>		
Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust .....	109,000,000	125,000,000
<b>Key Management Personnel</b>		
<b>Transactions during the year:</b>		
<b>Managerial remuneration:</b>		
Mr. Kavinder Singh .....	24,055,008	7,894,958
Mr. Dinesh Shetty .....	5,405,720	4,660,098
Mr. S Krishnan .....	16,994,789	9,508,914

45. The figures for the previous year have been regrouped/reclassified to correspond with the current year's classification/disclosure. The figures are not comparable with the previous year on account of the amalgamations that were given effect to in the current year.

For and on behalf of the Board of Directors

**A. K. Nanda**  
Chairman

**Kavinder Singh**  
Managing Director &  
CEO

**S. Krishnan**  
Chief Financial Officer &  
Executive Director

**Dinesh Shetty**  
Company Secretary

Place: Mumbai  
Date: May 17, 2016

Form AOC - 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of the Companies (Accounts) Rules, 2014  
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A" Subsidiaries

Sl no	Name of the Subsidiary	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting Currency	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before tax	Provision for taxation	Profit after tax	Proposed dividend	Proportion of ownership interest
1	Gables Promoters (P) Ltd		INR	496,786,000	(5,433,313)	570,495,716	79,143,029	-	12,082	(4,861,491)	-	(4,861,491)	-	100%
2	Mahindra Hotels and Residences India Ltd		INR	500,000	(1,354,988)	20,300	875,288	-	-	(71,211)	-	(71,211)	-	100%
3	Heritage Bird (M) Sdn Bhd		MYR	5,127,034	(12,965,004)	73,959,914	81,797,884	-	15,471,252	(1,276,999)	(87,159)	(1,364,158)	-	100%
4	MH Boutique Hospitality Ltd		THB	18,900,000	(17,205,934)	71,938,168	70,244,103	71,820,000	441	(5,115,737)	-	(5,115,737)	-	49%
5	Infinty Hospitality Group Company Ltd		THB	283,500,000	(204,318,001)	400,126,536	320,944,536	-	82,115,867	918,217	-	918,217	-	73.99%
6	Covington S.a.r.l.		EUR	937,125	1,672,038,966	4,010,606,367	2,337,630,276	4,005,751,534	-	(57,645,408)	-	(57,645,408)	-	100%
7	MHR Holdings (Mauritius) Ltd		EUR	10,870,650	(91,935,711)	3,302,660,157	3,383,725,218	1,737,992,025	-	(79,949,957)	-	(79,949,957)	-	100%
8	Holiday Club Resorts Oy		EUR	896,577,176	3,217,350,998	8,965,892,312	4,851,964,138	721,915,569	12,395,537,564	(278,321,536)	355,258	(277,966,278)	71,261,429	85.61%
9	Carbia Service Oy		EUR	599,760	(289,970)	310,790	-	-	-	(103,671)	-	(103,671)	-	85.61%
10	Kiinteistö Oy Himoksen Tähti 2		EUR	187,425	50,018,180	50,286,625	81,019	-	-	(631,714)	-	(631,714)	-	85.61%
11	Holiday Club Canarias Investment S.L.U.		EUR	232,407	(183,751)	10,409,585	10,360,929	464,814	-	(94,687)	-	(94,687)	-	85.61%
12	Holiday Club Canarias Resort Management S.L.U.		EUR	232,407	206,211,507	649,749,396	443,305,482	-	187,686,570	28,519,937	(8,008,370)	20,511,567	-	85.61%
13	Holiday Club Canarias Sales & Marketing S.L.U.		EUR	232,407	288,669,061	1,428,666,255	1,139,764,787	1,248,850	390,206,255	(21,782,983)	8,135,894	(13,647,089)	-	85.61%
14	Holiday Club Rus LLC	December 31, 2015	RUB	294,000	(77,605,000)	40,670,000	117,981,000	-	9,093,000	(30,439,000)	5,791,000	(24,648,000)	-	85.61%
15	Holiday Club Sweden AB		SEK	817,000	1,131,731,000	2,221,633,000	1,089,085,000	87,675,000	506,493,000	(67,681,000)	-	(67,681,000)	1,131,731	85.61%
16	Kiinteistö Oy Himos Gardens		EUR	187,425	79,983,512	79,698,347	127,411	-	-	1,179,905	(208,998)	970,906	-	85.61%
17	Kiinteistö Oy Kuusamon Pulkkajärvi 1		EUR	189,135	20,309,506	27,267,130	6,768,489	-	1,712,465	628,468	(125,965)	502,503	-	85.61%
18	Kiinteistö Oy Rauhan Ranta 1		EUR	187,425	9,153,948	9,452,928	111,555	-	-	(297,194)	-	(297,184)	-	85.61%
19	Kiinteistö Oy Rauhan Ranta 2		EUR	187,425	15,311,549	15,672,492	173,518	-	-	(460,605)	-	(460,605)	-	85.61%
20	Kiinteistö Oy Kaitimurikka		EUR	187,425	23,006,782	23,194,207	-	-	-	(69,179)	-	(69,179)	-	85.61%
21	Kiinteistö Oy Turunmienti		EUR	187,425	27,094,347	27,325,728	43,956	-	-	(43,796,532)	-	(43,796,532)	-	85.61%
22	Kiinteistö Oy Tenelintiehti		EUR	187,425	8,032,171	8,221,928	2,332	-	-	(70,574)	-	(70,574)	-	85.61%
23	Kiinteistö Oy Tunturimäki		EUR	1,235,687	7,382,075	8,617,762	-	-	-	(378,973)	-	(378,973)	-	85.61%
24	Kiinteistö Oy Vanha Ykköstie		EUR	187,425	3,732,807	3,932,163	11,931	-	-	(144,824)	-	(144,824)	-	85.61%
25	Suomen vapaa-aikakiinteistö Oy		SEK	187,425	1,329,980	1,516,405	-	-	-	(56,245)	-	(56,245)	-	85.61%

Form AOC – 1

Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of the Companies (Accounts) Rules, 2014  
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A" Subsidiaries

SI no	Name of the Subsidiary	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting Currency	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit / (Loss) before tax	Provision for taxation	Profit after tax	Proposed dividend	Proportion of ownership interest
26	Ownership Service Sweden AB		SEK	817,000	16,063,780	79,181,099	62,300,319	-	-	(370,126)	-	(370,126)	16,063,780	85.61%
27	Äre Semesterby A AB	December 31, 2015	SEK	817,000	(67,403)	749,598	-	-	-	(5,719)	-	(5,719)	-	85.61%
28	Äre Semesterby B AB	December 31, 2015	SEK	817,000	(67,403)	749,598	-	-	-	(5,719)	-	(5,719)	-	85.61%
29	Äre Semesterby C AB	December 31, 2015	SEK	817,000	(64,135)	752,866	-	-	-	(5,719)	-	(5,719)	-	85.61%
30	Äre Semesterby D AB	December 31, 2015	SEK	817,000	(67,403)	749,598	-	-	-	(5,719)	-	(5,719)	-	85.61%
31	Kiinteistö Oy Kivijäntorni 1		EUR	187,425	18,669,994	18,860,956	3,538	-	233,831	74,522	-	74,522	-	85.61%
32	Kiinteistö Oy Rauhan Liiketeistöt 1		EUR	187,425	146,254,365	770,028,289	623,586,498	-	98,337,968	(16,480,870)	-	(16,480,870)	-	85.61%
33	Äre Villas 1 AB		SEK	408,500	14,187,001	14,718,051	122,550	-	101,520,420	9,472,911	-	9,472,911	-	85.61%
34	Äre Villas 2 AB		SEK	408,500	11,703,321	12,234,371	122,550	-	101,520,420	9,472,911	-	9,472,911	-	85.61%
35	Holiday Club Sport and Spa Hotels AB		SEK	8,170,000	112,364,608	399,314,853	278,780,245	-	453,975,601	18,402,835	(4,078,227)	14,324,608	112,364,608	43.66%
36	Kiinteistö Oy Spa Lofts 2		EUR	187,425	10,657,969	10,939,050	93,656	-	-	(244,286)	-	(244,286)	-	85.61%
37	Kiinteistö Oy Spa Lofts 3		EUR	187,425	10,481,986	10,767,363	97,952	-	-	(265,150)	-	(265,150)	-	85.61%
38	Kiinteistö Oy Mällosniemi		EUR	674,730	21,789,304	22,534,166	70,132	-	623,451	(40,645,226)	-	(40,645,226)	-	85.61%
39	Supermarket Capri Oy		EUR	7,497,000	1,255,988	11,789,651	3,036,663	74,970	55,069,922	(5,913,385)	-	(5,913,385)	-	85.61%
40	Saimaa Gardens Arena Oy		EUR	187,425	16,881	13,761,058	13,556,752	-	13,353,656	431	(86)	345	-	85.61%
41	HCR Management Oy		EUR	187,425	41,920,135	157,064,257	114,956,697	157,037,800	-	(1,619,675)	-	(1,619,675)	-	100%

Notes:

1 Translated at exchange rate prevailing as on 31st March 2016 MYR 1 = INR 17.09, THB 1 = INR 1.89, EUR 1 = INR 74.97, AED 1 = INR 18.03, RUB 1 = INR 0.99, and SEK 1 = INR 8.17



**Statement pursuant to section 129 (3) of the Companies Act 2013 related to Associate Companies and Joint Ventures**
**Part “B” Associate & Joint Venture**

In ₹

Sl. no.	Name of the Associate/Joint-Ventures	Latest audited Balance Sheet Date	Share of Associates/Joint Ventures held by the Company on the year end			Description how there is significant influence	Reason why the joint venture/ associate not consolidated	Net worth attributable to shareholding as per latest audited Balance Sheet.	Profit/(Loss) for the year	
			No of Shares held	Amount of investment in Associate /Joint venture	Extent of holding - %				Considered in consolidation	Not considered in consolidation
<b>Associate:</b>										
1	Guestline Hospitality Management and Development Services Limited	March 31, 2016	25,000	250,000	49.94%	Voting rights	Refer Note no 1 below	5,613,037	-	983,250
2	Kiinteistö Oy Seniori-Saimaa	December 31, 2015	950,000	12,161,429	26.67%	Voting rights	Refer Note no 4 below	28,721,604	-	(99,304,137)
3	Holiday Club Adventures Oy	December 31, 2015	30	-	25.68%	Voting rights	NA	74,860	-	-
4	Koy Sallan Kylpylä	Refer note 2 below	49	-	41.95%	Voting rights	Refer Note no 3 below	-	-	(2,888,894)
<b>Joint-Venture:</b>										
1	Arabian Dreams Hotel Apartments L.L.C.	March 31, 2016	147	5,211,172	49%	Voting rights	NA	(37,197,815)	(705,168)	(733,950)

**Note:**

- The financials of Guestline Hospitality Management and Development Services Limited has not been considered for consolidation as the investment is acquired and held exclusively with a view to its subsequent disposal in the near future.
- Koy Sallan Kylpylä was incorporated during the year and will prepare it's first statutory accounts for the period ending December 31, 2016.
- The losses incurred by Koy Sallan Kylpylä is in excess of carrying value of investment, hence not considered for consolidation.
- The impairment impact considered in the carrying value of investment in the books of the holding company (Holiday Club Resorts Oy) is higher than the loss incurred by Kiinteistö Oy Seniori-Saimaa, hence not considered for consolidation.

**For and on behalf of the Board of Directors**
**A. K. Nanda**  
Chairman

**Kavinder Singh**  
Managing Director & CEO

**S. Krishnan**  
Executive Director & Chief Financial Officer

**Dinesh Shetty**  
Company Secretary

 Place: Mumbai  
Date : May 17, 2016

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in the sale and trade of real estates, property management, investment activities and dealing in securities. The company may own and manage real estates, own other shares and securities.

There have been no significant changes in the nature of the principal activities during the financial period under review.

The Company owns 4.24% of the shares of Holidays Club Resorts Oy (Corporate ID 2033337-1) as at March 31, 2016.

There were no personnel employed and no employee expenses were paid during the financial period.

### Financial Highlights

The results for the financial period and financial position of the Company are as shown in the annexed Financial Statements.

### Dividends

The Company's assets eligible for distribution are Euro 559,158.80 (INR 41,920,135.24). The Company's assets for profit distribution are Euro 225,858.80 (INR 16,932,634.24) of which loss for the financial period Euro -21,604.31 (INR -1,619,675.12) and retained earnings Euro 247,463.11 (INR 18,552,309.36).

The Board proposes to the Annual General Meeting that the assets eligible for profit distribution be appropriated as follows; no dividends are distributed and the profit for the financial period is retained in equity.

### Directors

The directors shown below have held office during the financial period under review:

Mr. Arunkumar Nanda, Chairman

Mr. Krishnan Sadasivan

Mr. Vesa Tengman

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Shares of the Company

The total number of shares is 124,320 shares. These shares have no nominal value. The Company did not issue shares during the financial period under review. All the shares have the same right to dividends and Company's assets.

### Holding Company

The Company is wholly owned subsidiary of Covington S.a.r.l. which in turn is a subsidiary of MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

### Signing of the Board of Directors Report.

Helsinki 9<sup>th</sup> May, 2016

**Arunkumar Nanda**  
Chairman of the Board

**Krishnan Sadasivan**  
Member of the Board

**Vesa Tengman**  
Member of the Board, CEO

## AUDITOR'S REPORT

To the Annual General Meeting of HCR Management Oy

I have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of HCR Management Oy for the financial period 1.10.2015-31.3.2016. The financial statements comprise of the balance sheet, the income statement, the cash flow statement and notes to the financial statements

### Responsibility of the Board of Directors and the Managing Directors

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's responsibility

My responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on my audit. The Auditing Act requires that I comply with the requirements of professional ethics. I conducted my audit in accordance with good auditing practice in Finland. Good auditing practice requires that I plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors or the Managing Director are guilty of an act or negligence which may result in a liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with laws and regulations governing the preparation of the financial statements and the report of Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

**Eero Suomela**

Authorised Public Accountant  
Nokkalankulma 7 B  
02230 Espoo

Place: Helsinki,  
Date: 10<sup>th</sup> May. 2016

## **ACCOUNTING PRINCIPLES**

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average

of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

**PROFIT AND LOSS STATEMENT**

	<b>Eur</b>	<b>Rs.</b>	<b>Eur</b>	<b>Rs.</b>
	<b>1.10.2015- 31.3.2016</b>	<b>1.10.2015- 31.3.2016</b>	<b>1.10.2014- 30.9.2015</b>	<b>1.10.2014- 30.9.2015</b>
Other operative expenses .....	(151.84)	(11,383.44)	(240.00)	(17,992.80)
<b>PROFIT (LOSS) .....</b>	<b>(151.84)</b>	<b>(11,383.44)</b>	<b>(240.00)</b>	<b>(17,992.80)</b>
Dividend income.....	–	–	58,553.60	4,389,763.39
Interest expenses.....	(21,452.47)	(1,608,291.68)	(42,276.00)	(3,169,431.72)
<b>PROFIT (LOSS) BEFORE TAXES .....</b>	<b>(21,604.31)</b>	<b>(1,619,675.12)</b>	<b>16,037.60</b>	<b>1,202,338.87</b>
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR.....</b>	<b>(21,604.31)</b>	<b>(1,619,675.12)</b>	<b>16,037.60</b>	<b>1,202,338.87</b>

**BALANCE SHEET**

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2015	30.9.2015
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investments				
Other shares.....	2,094,675.20	157,037,799.74	2,094,675.20	157,037,799.74
<b>TOTAL FOR NON-CURRENT ASSETS</b>	<b>2,094,675.20</b>	<b>157,037,799.74</b>	<b>2,094,675.20</b>	<b>157,037,799.74</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents .....	352.91	26,457.66	421.28	31,583.36
<b>TOTAL FOR CURRENT ASSETS</b> .....	<b>352.91</b>	<b>26,457.66</b>	<b>421.28</b>	<b>31,583.36</b>
<b>TOTAL ASSETS</b> .....	<b>2,095,028.11</b>	<b>157,064,257.41</b>	<b>2,095,096.48</b>	<b>157,069,383.11</b>
<b>Liabilities</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital .....	2,500.00	187,425.00	2,500.00	187,425.00
Reserve for invested non-restricted equity.....	333,300.00	24,987,501.00	333,300.00	24,987,501.00
Retained earnings .....	247,463.11	18,552,309.36	231,425.51	17,349,970.48
Profit (loss) for the period .....	(21,604.31)	(1,619,675.12)	16,037.60	1,202,338.87
<b>TOTAL FOR SHAREHOLDERS' EQUITY</b> .....	<b>561,658.80</b>	<b>42,107,560.24</b>	<b>583,263.11</b>	<b>43,727,235.36</b>
<b>LIABILITIES</b>				
Long Term Liabilities .....	29,350.00	2,200,369.50	1,508,000.00	113,054,760.00
Short Term Liabilities .....	1,504,019.31	112,756,327.67	3,833.37	287,387.75
<b>TOTAL FOR LIABILITIES</b> .....	<b>1,533,369.31</b>	<b>114,956,697.17</b>	<b>1,511,833.37</b>	<b>113,342,147.75</b>
<b>TOTAL LIABILITIES</b> .....	<b>2,095,028.11</b>	<b>157,064,257.41</b>	<b>2,095,096.48</b>	<b>157,069,383.11</b>

**CASH FLOW STATEMENT**

	<b>Eur</b>	<b>Rs.</b>	<b>Eur</b>	<b>Rs.</b>
	<b>1.10.2015- 31.3.2016</b>	<b>1.10.2015- 31.3.2016</b>	<b>1.10.2014- 30.9.2015</b>	<b>1.10.2014- 30.9.2015</b>
<b>Operative Cash Flow</b>				
Cash paid to suppliers and employees .....	(151.84)	(11,383.44)	(240.00)	(17,992.80)
<b>Operative Cashflow before financing items and taxes</b>	<b>(151.84)</b>	<b>(11,383.44)</b>	<b>(240.00)</b>	<b>(17,992.80)</b>
Paid interest and other payments related to financing activities .....	(21,266.53)	(1,594,351.75)	(46,950.62)	(3,519,887.98)
Dividends received .....	-	-	58,553.60	4,389,763.39
<b>Operative Cash Flow .....</b>	<b>(21,418.37)</b>	<b>(1,605,735.20)</b>	<b>11,362.98</b>	<b>851,882.61</b>
<b>Financing Cash Flow</b>				
Withdrawals of Long Term Loans .....	21,350.00	1,600,609.50	11,000.00	824,670.00
Re-payments of Long Term Loans .....	-	-	(10,000.00)	(749,700.00)
Dividends paid.....	-	-	(12,432.06)	(932,031.54)
<b>Financing Cash Flow.....</b>	<b>21,350.00</b>	<b>1,600,609.50</b>	<b>(11,432.06)</b>	<b>(857,061.54)</b>
<b>Net increase/decrease in cash and cash equivalents .....</b>	<b>(68.37)</b>	<b>(5,125.70)</b>	<b>(69.08)</b>	<b>(5,178.93)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>421.28</b>	<b>31,583.36</b>	<b>490.36</b>	<b>36,762.29</b>
<b>Cash and cash equivalents at the end of the period .....</b>	<b>352.91</b>	<b>26,457.66</b>	<b>421.28</b>	<b>31,583.36</b>

## NOTES TO THE ACCOUNTS

## NON CURRENT ASSETS

## INVESTMENTS

Eur	Shares, other	Total		Eur	Rs.
				31.3.2016	31.3.2016
			<b>Reserve for Invested non-restricted equity 31.3.2016</b>	<b>333,300.00</b>	<b>24,987,501.00</b>
Acquisition Cost 30.9.2015	2,094,675.20	2,094,675.20	Retained earnings 30.9.2015	247,463.11	18,552,309.36
Additions	-	-	Dividends	-	-
Transfers between items	-	-	<b>Retained earnings 31.3.2016</b>	<b>247,463.11</b>	<b>18,552,309.36</b>
<b>Acquisition Cost 31.3.2016</b>	<b>2,094,675.20</b>	<b>2,094,675.20</b>	<b>Loss for the period</b>	<b>(21,604.31)</b>	<b>(1,619,675.12)</b>
<b>Book value 30.9.2015</b>	<b>2,094,675.20</b>	<b>2,094,675.20</b>			

## INVESTMENTS

Rs.	Shares, other	Total
Acquisition Cost 30.9.2015	157,037,799.74	157,037,799.74
Additions	-	-
Transfers between items	-	-
<b>Acquisition Cost 31.3.2016</b>	<b>157,037,799.74</b>	<b>157,037,799.74</b>
<b>Book value 30.9.2015</b>	<b>157,037,799.74</b>	<b>157,037,799.74</b>

HCR Management Oy owns 4.24 % of the shares of Holiday Club Resorts Oy.

## SHAREHOLDERS' EQUITY

	Eur	Rs.
	31.3.2016	31.3.2016
Share Capital 30.9.2015	2,500.00	187,425.00
Share Issue	-	-
<b>Share Capital 31.3.2016</b>	<b>2,500.00</b>	<b>187,425.00</b>
Reserve for invested non-restricted equity 30.9.2015	333,300.00	24,987,501.00
Share Issue	-	-

## SHORT TERM LIABILITIES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2016	30.9.2016
Bank Loans	1,500,000.00	112,455,000.00	-	-
Accrued interest	4,019.31	301,327.67	3,833.37	287,387.75
<b>Total</b>	<b>1,504,019.31</b>	<b>112,756,327.67</b>	<b>3,833.37</b>	<b>287,387.75</b>

## OTHER NOTES

## COLLATERALS GIVEN

## ASSETS PLEDGED AND MORTGAGES GIVEN FOR FINANCIAL LIABILITIES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2016	30.9.2016
Other Loans	1,500,000.00	112,455,000.00	1,500,000.00	112,455,000.00
<b>Total</b>	<b>1,500,000.00</b>	<b>112,455,000.00</b>	<b>1,500,000.00</b>	<b>112,455,000.00</b>
Pledged assets	2,094,675.20	157,037,799.74	2,094,675.20	157,037,799.74
<b>Total</b>	<b>2,094,675.20</b>	<b>157,037,799.74</b>	<b>2,094,675.20</b>	<b>157,037,799.74</b>



## NOTES TO THE ACCOUNTS

Signing of the annual report and the board of directors report.

Helsinki 9<sup>th</sup> May, 2016

**Arunkumar Nanda**  
Chairman of the Board

**Krishnan Sadasivan**  
Member of the Board

**Vesa Tengman**  
Member of the Board, CEO

**APPROVAL OF THE ANNUAL REPORT**

The audit report has been given today.

**Eero Suomela**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Group for the Financial Period commencing from October 1, 2014 and ended on March 31, 2016. Financial year of the Group companies was extended to 18 months due to the change of control.

### Operations/State of the Company's Affairs

The Group is the largest operator of leisure hotels in Finland and the largest vacation ownership company in Europe.

The Group has 31 resorts in Finland (23), Sweden (2) and in Spain (6). These resorts were fully operational.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Significant Changes in the Group Structure and its Business

In October 2014 the parent company Holiday Club Resorts Oy acquired the shares of Koy Spa Lofts 2, Koy Spa Lofts 3 and Koy Lappeenrannan Saimaan Kreivi.

In November 2014 the business of Holiday Club Ylläs Saaga was sold to a new owner.

In November 2014 the parent company Holiday Club Resorts sold the shares of Koy Rauhan Uusi Paviljonki.

In January 2015 the parent company Holiday Club Resorts acquired 51% of the shares of Heimon Tukku Saimaa Oy increasing its ownership to 100%. Heimon Tukku Saimaa Oy changed its name to Supermarket Capri Oy.

In March 2015 the parent company Holiday Club Resorts Oy sold the shares of Koy Lappeenrannan Saimaan Kreivi.

In July 2015 the parent company Holiday Club Resorts Oy sold the shares of Koy Mällönsniemi.

In August 2015 Holiday Club Resorts Oy established a company Koy Sallan Kylpylä together with Salla municipality. The company was registered in September 2015. Holiday Club Resorts Oy owns 49% of the shares of the company.

In August 2015 Holiday Club Resorts Oy acquired the business of Turku Caribia hotel from Sokotel Oy. The business was transferred to Holiday Club Resorts Oy on October 1, 2015.

In October 2015 Koy Haka Perusyhtiö 79, Himos Hillside Golf Oy, Holiday Club Katinkullan Villas Oy, Koy Katinpalsta, Koy Paviljongin Pysäköinti, Koy Pisterinniementie 2, Koy Rauhan Parkki, Koy Rauhan Ranta 6, Saariselkä Resort Oy and Saimaan Palvelukiinteistöt Oy were merged to Holiday Club Resorts Oy.

In December 2015 subsidiary Holiday Club Sweden AB subscribed the shares of Holiday Club Sport and Spa Hotels AB. Holiday Club Sweden AB owns 51% shares of the company. Before the subscription of the shares Holiday Club Sport and Spa Hotels AB acquired the business of Holiday Club Åre.

In January 2016 the parent company Holiday Club Resorts Oy purchased 76% of the shares of Saimaa Gardens Arena Oy increasing its ownership to 100%.

In March 2016 the parent company Holiday Club Resorts Oy sold the shares of Koy Ulkuvuoma, Koy Jalomella, Koy Outapalas and Koy Lovinoida.

In March 2016 Holiday Club Golf Saimaa Oy, Koy Katinkullan Villas Parkki, Koy Kulennoinen, Kongressi- and Kylpylähotelli Caribia Oy, Saimaa Action Park Oy and Sallan Tunturipalvelut Oy were merged to Holiday Club Resorts Oy.

### Financial Highlights

The results for the financial period and financial position of the Group are as shown in the annexed Financial Statements.

During the period under review (1.10.2014-31.3.2016) the Group has earned a revenue of Euro 183.4 million (INR 13,749,498,000) and made a loss of Euro -7.2 million (INR -539,784,000). The parent company revenue for the same period was Euro 151.4 million (INR 11,350,458,000) and loss Euro -3.7 million (INR -277,389,000).

As part of its yearly processes the management conducted an assessment of assets, liabilities and financial items appearing on the balance sheet. This assessment was advanced to take effect on August 31, 2015 prior to the transfer of shares and consequent change of control of the Company to a single majority shareholder in September 2015. Based on this work a write off consisting Euro 3.6 million (INR 269,892,000) from the inventory and receivables and Euro 5.3 million (INR 397,341,000) from fixed assets and financial items was done.

### Dividends

The parent company's assets eligible for distribution are Euro 42,915,179.38 (INR 3,217,350,998.12). The parent's company's assets for profit distribution are Euro 3,520,004.74 (INR 263,894,755.36) of which loss for the financial period Euro -3,707,700.12 (INR -277,966,278.00) and retained earnings Euro 7,227,704.86 (INR 541,861,033.35).

The Board proposes to the Annual General Meeting that the assets eligible for profit distribution be appropriated as follows:

0.30 Euro/share, distributed as dividends	950,532.60	Euro
Retained in equity	2,569,472.14	Euro
	3,520,004.74	Euro

22.49 INR/share, distributed as dividends	71,261,429.02	INR
Retained in equity	192,633,326.34	INR
	263,894,755.36	INR

The financial standing of the company has not changed significantly after the end of the financial year. The company's liquidity is good and, according to Board, the proposed distribution of profit does not jeopardize the company's solvency.

## Directors

The directors shown below have held office during the financial period under review:

The Extraordinary General Meeting on September 10, 2015 decided to elect the following members of the board:

- 1) Arunkumar Nanda, Chairman
- 2) Teuvo Salminen
- 3) Antti Heikinheimo
- 4) S. Krishnan
- 5) Sridar Iyengar
- 6) Vesa Tengman

Before the decision of Extraordinary General Meeting on September 10, 2015 the members of the board were Arunkumar Nanda, Teuvo Salminen (Chairman), Timo Rantala, Rauno Puolimatka, Mika Kiljunen and Antti Heikinheimo.

The managing director of the company is Vesa Tengman.

## Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

## Events Subsequent to Balance Sheet Date

Holiday Club Resorts Oy and Kiinteistö Oy Katinnurkka, a subsidiary 100% owned by Holiday Club Resorts Oy, made a land exchange deal with Sotkamo municipality. Holiday Club Resorts Oy gave approximately 5.41 hectare parcel of land and Kiinteistö Oy Katinnurkka approximately 0.11 hectares parcel. Holiday Club Resorts Oy received approximately 6.31 hectares of land and Kiinteistö Oy Katinnurkka 0.38 hectares parcel.

## Issue of Shares

Extraordinary General Meeting of Holiday Club Resorts Oy on October 23, 2014 decided to increase share capital through a directed issue. The subscription price of the shares was Euro 22.50 (INR 1,686.83) per share, of which Euro 3.00 (INR 224.91) was transferred to the company's share capital and Euro 19.50 (INR 1,461.92) to reserve for invested non-restricted equity. The participant in the directed issue was Covington S.a.r.l (177,777 shares).

In October 10, 2015 Extraordinary General Meeting of Holiday Club Resorts Oy decided to increase share capital through a directed issue. The subscription price of the shares was Euro 13.50 (INR 1,012.10) per share, of which Euro 3.00 (INR 224.91) was transferred to the company's share capital

and Euro 10.50 (INR 787.19) to reserve for invested non-restricted equity. The participants in the special issue were Covington S.a.r.l (740,740 shares) and the Company's management (35,400 shares).

## Holding Company

During the period under review The Company has become a subsidiary of Covington S.a.r.l (ownership 85.6% of shares, 4.2% of ownership coming through HCR Management Oy). Other shareholders of the company are Fennia Group and the Management.

Covington S.a.r.l is a subsidiary of MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

## Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

## Auditors

There is no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

Eero Suomela, APA is the primary and responsible auditor of the company. Company's deputy auditors have been APA PricewaterhouseCoopers Oy.

## Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities and Customers during the period under review.

## Signatures on the Board Report.

Helsinki, May 9, 2016

**Arunkumar Nanda**  
Chairman of the Board

**Teuvo Salminen**  
Member of the Board

**Antti Heikinheimo**  
Member of the Board

**S. Krishnan**  
Member of the Board

**Sridar Iyengar**  
Member of the Board

**Vesa Tengman**  
CEO

## AUDITOR'S REPORT

To the Annual General Meeting of Holiday Club Resorts Oy

I have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Holiday Club Resorts Oy for the financial period 1.10.2014-31.3.2016. The financial statements comprise consolidated balance sheet, the income statement, the cash flow statement and notes to the financial statements, as well the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### **Responsibility of the Board of Directors and the Managing Directors**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's responsibility**

My responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on my audit. The Auditing Act requires that I comply with the requirements of professional ethics. I conducted my audit in accordance with good auditing practice in Finland. Good auditing practice requires that I plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in a liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and parent company's financial performance and financial position of the company in accordance with laws and regulations governing the preparation of the financial statements and the report of Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

**Eero Suomela**

Authorised Public Accountant  
Nokkalankulma 7 B  
02230 Espoo

Place: Helsinki

Date: May 10, 2016

**PROFIT AND LOSS STATEMENT FOR THE GROUP**

	Note	1.10.2014-31.3.2016		1.10.2013-30.9.2014	
		Eur	Rs.	Eur	Rs.
<b>TURNOVER</b> .....	1	<b>183,383,004.47</b>	<b>13,748,223,845.12</b>	<b>123,862,258.33</b>	<b>9,285,953,507.00</b>
<b>Other operating income</b> .....	2	<b>12,875,845.04</b>	<b>965,302,102.65</b>	<b>6,131,539.65</b>	<b>459,681,527.56</b>
Share of Associated Company Profit (Loss) .....	2	(109,015.38)	(8,172,883.04)	(418,506.08)	(31,375,400.82)
Materials and services .....	3	(62,534,162.13)	(4,688,186,134.89)	(39,691,353.15)	(2,975,660,745.66)
Personnel expenses .....	4	(53,137,916.27)	(3,983,749,582.76)	(34,551,613.13)	(2,590,334,436.36)
Depreciations and impairments .....	5	(11,546,697.32)	(865,655,898.08)	(4,918,106.04)	(368,710,409.82)
Other operating expenses .....	6	(71,928,093.41)	(5,392,449,162.95)	(45,651,465.39)	(3,422,490,360.29)
<b>PROFIT (LOSS)</b> .....		<b>(2,997,035.00)</b>	<b>(224,687,713.95)</b>	<b>4,762,754.19</b>	<b>357,063,681.62</b>
Financial income and expenses .....	7	(4,300,175.40)	(322,384,149.74)	(2,027,624.26)	(152,010,990.77)
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b> .....		<b>(7,297,210.40)</b>	<b>(547,071,863.69)</b>	<b>2,735,129.93</b>	<b>205,052,690.85</b>
Extraordinary items .....	8	(310,177.19)	(23,253,983.93)	-	-
<b>PROFIT (LOSS) BEFORE TAXES</b> ..		<b>(7,607,387.59)</b>	<b>(570,325,847.62)</b>	<b>2,735,129.93</b>	<b>205,052,690.85</b>
Income taxes .....	10	605,705.62	45,409,750.63	(632,992.95)	(47,455,481.46)
Minority Share .....		(209,004.56)	(15,669,071.49)	-	-
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b> .....		<b>(7,210,686.52)</b>	<b>(540,585,168.48)</b>	<b>2,102,136.98</b>	<b>157,597,209.39</b>

**BALANCE SHEET FOR THE GROUP**

	Note	Eur 31.03.2016	Rs. 31.03.2016	Eur 30.09.2014	Rs. 30.09.2014
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Intangible assets .....	11	9,252,651.63	693,671,292.70	10,380,718.35	778,242,454.70
Group goodwill .....	11	57,989.87	4,347,500.55	378,057.92	28,343,002.26
Tangible assets .....	12	38,889,202.88	2,915,523,539.91	42,325,271.19	3,173,125,581.11
Investments .....	13	4,005,279.80	300,275,826.61	5,186,468.21	388,829,521.70
<b>TOTAL NON CURRENT ASSETS</b>		<b><u>52,205,124.18</u></b>	<b><u>3,913,818,159.77</u></b>	<b><u>58,270,515.67</u></b>	<b><u>4,368,540,559.78</u></b>
<b>CURRENT ASSETS</b>					
Inventories .....	15	51,187,488.18	3,837,525,988.85	51,012,640.87	3,824,417,686.02
Long-term receivables .....	16	1,564,717.96	117,306,905.46	2,259,593.25	169,401,705.95
Deferred tax receivables .....	16	1,335,277.86	100,105,781.16	866,761.86	64,981,136.64
Short-term receivables .....	17	18,364,613.38	1,376,795,065.10	19,270,407.05	1,444,702,416.54
Financial instruments .....		3,558.00	266,743.26	3,558.00	266,743.26
Cash and cash equivalents ...		10,532,400.57	789,614,070.73	4,827,464.10	361,914,983.58
<b>TOTAL CURRENT ASSETS</b> .....		<b><u>82,988,055.95</u></b>	<b><u>6,221,614,554.57</u></b>	<b><u>78,240,425.13</u></b>	<b><u>5,865,684,672.00</u></b>
<b>TOTAL ASSETS</b> .....		<b><u>135,193,180.13</u></b>	<b><u>10,135,432,714.35</u></b>	<b><u>136,510,940.80</u></b>	<b><u>10,234,225,231.78</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital .....	18	11,959,146.00	896,577,175.62	9,097,395.00	682,031,703.15
Reserve for invested non-restricted equity .....	18	39,395,174.64	2,953,456,242.76	27,779,053.14	2,082,595,613.91
Profit (loss) from previous years .....	18	18,847,508.98	1,412,997,748.23	17,914,516.98	1,343,051,337.99
Profit (loss) for the financial year .....	18	(7,210,686.52)	(540,585,168.40)	2,102,136.98	157,597,209.39
<b>TOTAL EQUITY</b> .....		<b><u>62,991,143.10</u></b>	<b><u>4,722,445,998.21</u></b>	<b><u>56,893,102.10</u></b>	<b><u>4,265,275,864.44</u></b>
<b>GROUP RESERVE</b> .....	19	-	-	<b>778,217.88</b>	<b>58,342,994.46</b>
<b>MINORITY SHARE</b> .....		<b>1,148,839.46</b>	<b>86,128,494</b>		
<b>LIABILITIES</b>					
Deferred tax liabilities .....	20	440,390.09	33,016,045.05	617,534.51	46,296,562.21
Long-term liabilities .....	21	26,639,756.63	1,997,182,554.55	25,724,604.82	1,928,573,623.36
Short-term liabilities .....	22	43,973,050.85	3,296,659,622.22	52,497,481.49	3,935,736,187.31
<b>TOTAL LIABILITIES</b> .....		<b><u>71,053,197.57</u></b>	<b><u>5,326,858,221.82</u></b>	<b><u>78,839,620.82</u></b>	<b><u>5,910,606,372.88</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....		<b><u>135,193,180.13</u></b>	<b><u>10,135,432,714.35</u></b>	<b><u>136,510,940.80</u></b>	<b><u>10,234,225,231.78</u></b>

## CONSOLIDATED CASH FLOW STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Cash flow from operating activities</b>				
Profit/loss before extraordinary items .....	(7,290,239.19)	(546,549,232.07)	2,735,129.93	205,052,690.52
<b>Adjustments:</b>				
Depreciations.....	11,539,726.11	865,133,266.66	4,845,319.57	363,253,608.16
Other non-cash items.....	(411,832.21)	(30,875,060.87)	(1,709,196.28)	(128,138,445.20)
Financial income and expenses.....	3,577,898.67	268,235,063.03	1,839,609.44	137,915,519.79
<b>Cash generated from operations before net working capital.....</b>	<b>7,415,553.38</b>	<b>555,944,036.74</b>	<b>7,710,862.66</b>	<b>578,083,373.27</b>
Change in non-interest-bearing receivables.....	735,528.25	55,142,552.69	1,394,583.66	104,551,937.30
Change in inventories .....	(2,288,854.25)	(171,595,402.88)	(3,040,964.08)	(227,981,076.82)
Change in non-interest-bearing liabilities ....	3,595,388.75	269,546,294.50	1,086,828.06	81,479,499.36
<b>Cash generated from operations before financial items and taxes .....</b>	<b>9,457,616.13</b>	<b>709,037,481.05</b>	<b>7,151,310.30</b>	<b>536,133,733.11</b>
Income taxes paid.....	(1,012,027.64)	(75,871,712.36)	(640,777.68)	(48,039,102.33)
<b>Net cash flow from operating activities .....</b>	<b>5,686,743.73</b>	<b>426,335,177.65</b>	<b>4,387,697.37</b>	<b>328,945,672.09</b>
<b>Cash flow from investments activities</b>				
Investments in tangible and intangible assets.....	(5,950,815.94)	(446,132,671.23)	(5,089,721.48)	(381,576,419.36)
Proceeds from sale of tangible and intangible assets.....	2,721,390.06	204,022,612.80	4,752,458.34	356,291,801.75
Investments in other investments .....	(693,613.26)	(52,000,185.80)	-	-
Proceeds from repayments of loans .....	238,034.82	17,845,470.65	130,566.66	9,788,582.50
Proceeds from other investments.....	270,872.98	20,307,347.31	500,333.56	37,510,006.99
Interest received from investments.....	412,436.50	30,920,364.61	-	-
Dividends received from investments.....	514.80	38,594.56	-	-
Acquisition of subsidiaries, net of cash acquired.....	-	-	(326,400.00)	(24,470,208.00)
<b>Net cash flow from investing activities.....</b>	<b>(3,001,180.03)</b>	<b>(224,998,467.11)</b>	<b>(32,762.92)</b>	<b>(2,456,236.11)</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of share capital ..	14,477,872.50	1,085,406,101.33	3,000,000.00	224,910,000.00
Proceeds from short-term borrowings .....	(26,180.00)	(1,962,714.60)	(86,744.70)	(6,503,250.16)
Proceeds from long-term borrowing .....	12,056,000.00	903,838,320.00	9,000,000.00	674,730,000.00
Repayments in long-term borrowings.....	(22,438,028.98)	(1,682,179,032.53)	(10,998,294.98)	(824,542,174.65)
Dividends paid.....	(1,046,732.75)	(78,473,554.27)	(2,272,532.00)	(170,371,724.04)
<b>Net cash used in financing activities.....</b>	<b>3,022,930.77</b>	<b>226,629,119.93</b>	<b>(1,357,571.68)</b>	<b>(101,777,148.85)</b>
<b>Net increase/decrease in cash and cash equivalents.....</b>	<b>5,708,494.47</b>	<b>427,965,830.46</b>	<b>2,997,362.77</b>	<b>224,712,287.13</b>
<b>Cash and cash equivalents at the beginning of period.....</b>	<b>4,827,464.10</b>	<b>361,914,983.58</b>	<b>1,830,101.33</b>	<b>137,202,696.71</b>
<b>Cash and cash equivalents at the end of period .....</b>	<b>10,535,958.57</b>	<b>789,880,813.80</b>	<b>4,827,464.10</b>	<b>361,914,983.58</b>
<b>Change in net cash .....</b>	<b>5,708,494.47</b>	<b>427,965,830.22</b>	<b>2,997,362.77</b>	<b>224,712,286.87</b>

**PARENT COMPANY PROFIT AND LOSS**

	Note	1.10.2014-31.3.2016		1.10.2013-30.9.2014	
		Eur	Rs.	Eur	Rs.
<b>TURNOVER</b> .....	1	151,414,616.46	11,351,553,796.01	106,490,876.62	7,983,621,020.20
<b>Other operating income</b> .....	2	13,925,353.71	1,043,983,767.64	4,218,824.37	316,285,263.02
Materials and services .....	3	(56,160,920.20)	(4,210,384,187.39)	(37,040,243.64)	(2,776,907,065.69)
Personnel expenses .....	4	(40,452,045.92)	(3,032,689,882.62)	(26,818,950.94)	(2,010,616,751.97)
Depreciations and impairments .....	5	(6,059,619.99)	(454,289,710.65)	(3,908,152.62)	(292,994,201.92)
Other operating expenses .....	6	(63,186,911.06)	(4,737,122,722.17)	(39,190,140.99)	(2,938,084,870.02)
<b>PROFIT (LOSS)</b> .....		<b>(519,527.00)</b>	<b>(38,948,939.19)</b>	<b>3,752,212.80</b>	<b>281,303,393.62</b>
Financial income and expenses .....	7	(4,183,909.30)	(313,667,680.22)	(1,361,607.92)	(102,079,745.76)
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b> .....		<b>(4,703,436.30)</b>	<b>(352,616,619.41)</b>	<b>2,390,604.88</b>	<b>179,223,647.85</b>
Extraordinary items .....	8	(328,700.24)	(24,642,656.99)	(600,000.00)	(44,982,000.00)
<b>PROFIT (LOSS) BEFORE TAXES</b> ..		<b>(5,032,136.54)</b>	<b>(377,259,276.40)</b>	<b>1,790,604.88</b>	<b>134,241,647.85</b>
Appropriations .....	9	1,319,697.75	98,937,740.32	308,598.45	23,135,625.80
Income taxes .....	10	4,738.67	355,258.09	(586,143.52)	(43,943,179.69)
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b> .....		<b>(3,707,700.12)</b>	<b>(277,966,278.00)</b>	<b>1,513,059.81</b>	<b>113,434,093.96</b>



## PARENT COMPANY BALANCE SHEET

	Note	Eur 31.03.2016	Rs. 31.03.2016	Eur 30.09.2014	Rs. 30.09.2014
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Intangible assets .....	11	6,822,907.76	511,513,394.77	8,051,792.63	603,642,893.47
Tangible assets .....	12	12,422,356.30	931,304,051.81	6,600,340.60	494,827,534.78
Investments.....	13				
Shares of the group companies.....	14	9,035,224.91	677,370,811.50	14,531,142.00	1,089,399,715.74
Shares of the associated companies.....	14	594,167.77	44,544,757.72	1,196,750.00	89,720,347.50
Receivables from group companies.....	17	13,197,402.79	989,409,287.17	13,683,502.61	1,025,852,190.67
Receivables from associated companies....	17	–	–	140,500.00	10,533,285.00
Other shares.....		3,587,855.55	268,981,530.58	3,667,774.89	274,973,083.50
Other receivables .....		58,468.68	4,383,396.94	38,641.52	2,896,954.75
<b>TOTAL NON CURRENT ASSETS</b>		<b>45,718,383.76</b>	<b>3,427,507,230.49</b>	<b>47,910,444.25</b>	<b>3,591,846,005.42</b>
<b>CURRENT ASSETS</b>					
Inventories .....	15	38,250,835.37	2,867,665,127.69	37,243,126.51	2,792,117,194.45
Long-term receivables.....	16	13,611,441.13	1,020,449,741.52	17,083,357.77	1,280,739,332.02
Short-term receivables .....	17	15,569,042.81	1,167,211,139.47	19,961,013.60	1,496,477,189.59
Financial instruments .....		3,558.00	266,743.26	3,558.00	266,743.26
Cash and cash equivalents ...		6,439,806.98	482,792,329.29	3,678,372.66	275,767,598.32
<b>TOTAL CURRENT ASSETS .....</b>		<b>73,874,684.29</b>	<b>5,538,385,081.22</b>	<b>77,969,428.54</b>	<b>5,845,368,057.64</b>
<b>TOTAL ASSETS .....</b>		<b>119,593,068.05</b>	<b>8,965,892,311.71</b>	<b>125,879,872.79</b>	<b>9,437,214,063.07</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	18	11,959,146.00	896,577,175.62	9,097,395.00	682,031,703.15
Reserve for invested non-restricted equity .....	18	39,395,174.64	2,953,456,242.76	27,779,053.14	2,082,595,613.91
Profit (loss) from previous years .....	18	7,227,704.86	541,861,033.35	6,761,377.80	506,900,493.67
Profit (loss) for the financial year .....	18	(3,707,700.12)	(277,966,278.00)	1,513,059.81	113,434,093.96
<b>TOTAL EQUITY .....</b>		<b>54,874,325.38</b>	<b>4,113,928,173.74</b>	<b>45,150,885.75</b>	<b>3,384,961,904.68</b>
<b>ACCUMULATED DEPRECIATION .....</b>		<b>562,862.74</b>	<b>42,197,819.62</b>	<b>1,721,122.95</b>	<b>129,032,587.56</b>
<b>LIABILITIES</b>					
Long-term liabilities .....	21	26,868,994.61	2,014,368,525.91	26,554,596.93	1,990,798,131.84
Short-term liabilities.....	22	37,286,885.32	2,795,397,792.44	52,453,267.16	3,932,421,438.99
<b>TOTAL LIABILITIES.....</b>		<b>64,155,879.93</b>	<b>4,809,766,318.35</b>	<b>79,007,864.09</b>	<b>5,923,219,570.83</b>
<b>TOTAL EQUITY AND LIABILITIES.....</b>		<b>119,593,068.05</b>	<b>8,965,892,311.71</b>	<b>125,879,872.79</b>	<b>9,437,214,063.07</b>

**PARENT COMPANY CASH FLOW**

	Eur	Rs.	Eur	Rs.
	1.10.2014 - 31.3.2016	1.10.2014 - 31.3.2016	1.10.2013 - 30.9.2014	1.10.2013 - 30.9.2014
<b>Cash flow from operating activities</b>				
Profit/loss before extraordinary items.....	(4,696,465.11)	(352,093,989.30)	2,390,604.87	179,223,647.10
<b>Adjustments:</b>				
Depreciations.....	6,052,648.78	453,767,079.04	3,908,152.62	292,994,201.92
Other non-cash items.....	3,322,410.82	249,081,139.18	(1,215,562.84)	(91,130,746.11)
Financial income and expenses.....	1,457,976.88	109,304,526.69	797,860.97	59,815,636.92
<b>Cash generated from operations before net working capital.....</b>	<b>6,136,571.37</b>	<b>460,058,755.61</b>	<b>5,881,055.62</b>	<b>440,902,739.83</b>
<b>Change in working capital</b>				
Change in non-interest-bearing receivables.....	(831,618.92)	(62,346,470.43)	4,460,481.38	334,402,289.06
Change in inventories.....	(2,643,944.78)	(198,216,540.16)	(2,202,645.98)	(165,132,369.12)
Change in non-interest-bearing liabilities...	1,492,336.62	111,880,476.40	(855,308.16)	(64,122,452.76)
<b>Cash generated from operations before financial items and tax.....</b>	<b>4,153,344.29</b>	<b>311,376,221.42</b>	<b>7,283,582.86</b>	<b>546,050,207.01</b>
Interest expenses paid and other financial expenses.....	(2,625,075.40)	(196,801,902.74)	(2,179,817.65)	(163,420,929.22)
Income taxes paid.....	(480,258.36)	(36,004,969.25)	(254,128.91)	(19,052,044.38)
<b>Net cash flow from operating activities</b>	<b>1,048,010.53</b>	<b>78,569,349.43</b>	<b>4,849,636.30</b>	<b>363,577,233.41</b>
<b>Cash flow from investments activities</b>				
Investments in tangible and intangible assets.....	(10,780,194.86)	(808,191,208.65)	(1,334,004.53)	(100,010,319.61)
Proceeds from sales of tangible and intangible assets.....	1,384,651.35	103,807,311.71	362,568.34	27,181,748.45
Proceeds from investments in other investments.....	4,639,218.82	347,802,234.94	(776,528.21)	(58,216,319.90)
Proceeds from repayments of loans.....	8,392,562.07	629,190,378.39	(776,779.46)	(58,235,156.12)
Proceeds from other investments.....	-	-	2,527,280.00	189,470,181.60
Interest received from investments.....	1,029,956.69	77,215,853.05	-	-
Dividends received from investments.....	514.80	38,594.56	-	-
<b>Net cash flow from investing activities.....</b>	<b>4,666,708.87</b>	<b>349,863,163.98</b>	<b>2,536.14</b>	<b>190,134.42</b>

	Eur	Rs.	Eur	Rs.
	1.10.2014 - 31.3.2016	1.10.2014 - 31.3.2016	1.10.2013 - 30.9.2014	1.10.2013 - 30.9.2014
<b>Cash flow from financing activities</b>				
Proceeds from issuance of share capital.....	14,477,872.50	1,085,406,101.33	3,000,000.00	224,910,000.00
Proceeds from short-term borrowings.....	(4,752,789.22)	(356,316,607.82)	(86,744.70)	(6,503,250.16)
Proceeds from long-term borrowing .....	10,000,000.00	749,700,000.00	8,000,000.00	599,760,000.00
Repayments in long-term borrowings ....	(21,028,077.61)	(1,576,474,978.42)	(10,207,994.55)	(765,293,351.41)
Interest expenses paid .....	-	-	-	-
Dividends paid.....	(1,046,732.75)	(78,473,554.27)	(2,272,532.00)	(170,371,724.04)
Group contributions received and paid.....	(600,000.00)	(44,982,000.00)	-	-
<b>Net cash used in financing activities.....</b>	<b>(2,949,727.08)</b>	<b>(221,141,039.19)</b>	<b>(1,567,271.25)</b>	<b>(117,498,325.61)</b>
<b>Net increase/decrease in cash and cash equivalents.....</b>	<b>2,764,992.32</b>	<b>207,291,474.23</b>	<b>3,284,901.19</b>	<b>246,269,042.21</b>
<b>Cash and cash equivalents at the beginning of period .....</b>	<b>3,678,372.66</b>	<b>275,767,598.32</b>	<b>393,471.47</b>	<b>29,498,556.11</b>
<b>Cash and cash equivalents at the end of period .....</b>	<b>6,443,364.98</b>	<b>483,059,072.55</b>	<b>3,678,372.66</b>	<b>275,767,598.32</b>
<b>Change in net cash</b>	<b>2,764,992.32</b>	<b>207,291,474.23</b>	<b>3,284,901.19</b>	<b>246,269,042.21</b>

## ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### Basic information

Holiday Club Resorts Oy offers leisure and travel services by selling and renting timeshare weeks and Villas apartments, The group also operates in the Spa hotel business in Finland and in Sweden. Group has activities in four countries.

Holiday Club Resorts Oy is a parent company for the Group, having its registered domicile in Helsinki at Hitsaajankatu 22, 00810 Helsinki.

Holiday Club Resorts Oy is a subsidiary of Covington The Company's registered domicile is in Luxembourg.

Covington S.a.r.l owns 85.6% of the company's shares (4.2% of ownership coming through HCR Management Oy). Covington S.a.r.l is a subsidiary of MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited (domicile in India) and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited (domicile in India).

### Accounting principles for the consolidated financial statements

The group's financial statements have been prepared in accordance with the Finnish accounting act and ordinance and other statutes regulating the preparation of financial statements (Finnish Accounting Standards, FAS). The estimates and assumptions made during the preparation of financial statements are based on the latest and on the best knowledge available at the time.

### Comparability of the previous financial year

The group's financial statements are presented for the extended 18 months financial period 1.10.2014-31.3.2016. Comparative financial year is for 12 months 1.10.2013-30.9.2014. As a result, proceeding accounting periods are not comparable with regard to the income statement.

### Consolidation principles

#### Intra company ownership

Subsidiaries are consolidated using the acquisition method. The subsidiaries' acquisition cost and the corresponding share of the difference in shareholder's equity has been allocated partly to fixed assets, partially presented as goodwill and as group reserve. The acquired subsidiaries are consolidated from the moment the control has been obtained and divested subsidiaries until the day that the control has ceased to exist.

The consolidated financial statements include the parent company, Holiday Club Resorts Oy and all the subsidiaries in which it holds, directly or indirectly, over 50% of the voting rights or over which it otherwise has control. This does not include timeshare and Villas apartment companies as they are represented in the current assets. Also, according to the Finnish Accounting Act's chapter six, companies which do not have a material impact on the group's result and financial position, have been left out of the consolidated financial statements.

Intra-group transactions, unrealized internal margin, receivables, liabilities and dividends between group companies are eliminated in consolidation.

The subsidiaries' financial statements are prepared in correspondence of the accounting principles used by the group.

#### Associated companies

Associated companies are consolidated using the one-line consolidation method in accordance with the instructions of the Finnish Accounting Board. The group's share of the results of the associated companies are shown under other operating income.

All timeshare and Villas apartment companies, including the ones of which the group owns more than 20%, are presented in the current assets as they are actively traded.

#### Transactions in foreign currencies

Items in the group companies' financial statements are valued in the currency, which is used in each subsidiary's main operating environment (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the group. Assets and liabilities are translated into euros at the closing rate of the balance sheet date. Exchange differences resulting from sales and purchases are recorded as adjustments to the corresponding items above the operating profit. At the company level, exchange

gains and losses from foreign currency denominated loans are presented in the accrued expenses according to the principle of prudence. At the group level, exchange gains and losses are recognized in equity as retained earnings.

Foreign subsidiaries' income statements are translated into euros using the average exchange rates for the period. All balance sheet items, except profit for the period, are translated into euros using the closing exchange rates. The translation differences arising from the translation of income statement and balance sheet at different exchange rates and from eliminating the foreign subsidiaries equity is recognized in the group's equity. When a subsidiary is divested entirely or partially, the cumulative translation difference is recognized in the income statement as a part of the gain or loss from the sale.

### Valuation and depreciation of non-current assets Intangible assets

#### Goodwill

Goodwill represents the excess of the acquisition cost and the acquired company's net assets at the fair value at the date of the acquisition. Goodwill is allocated to cash-generating units, if such can be designated. As a main rule, goodwill is depreciated in 10 years and if the expected future operating cash flow is lower than the carrying amount of the goodwill, an impairment loss is recognized as an expense in the income statement.

#### Other intangible assets

Intangible assets are recorded in the balance sheet at their original acquisition cost, if the cost can be measured reliably and if it is probable that the expected benefits of the asset will benefit the company. Intangible assets include trademarks, patents, copyrights and software licenses.

#### Tangible assets

The group companies' tangible assets have been valued in the balance sheet at historical cost less accumulated, straight line depreciations and possible impairment losses. Land areas are not depreciated.

Residual values and useful lifetimes are reviewed at each balance sheet date and, if necessary, adjusted to reflect the changes of expected economic benefits.

Ordinary repair and maintenance costs are expensed as they incur. Significant renovations or additional investments are capitalized and depreciated over the remaining useful life of the asset, if it is probable that the future benefits associated with the asset will benefit the company. Capital gains are presented in other operating income and losses under other operating expenses. The interest expenses related to the acquisition of the asset are expensed.

#### Fixed asset depreciation periods

The useful lives of the different asset categories are as follows:

Intangible rights	5-10 years
Goodwill and group goodwill	10 years
Long-term expenses	5-10 years
Buildings	50-60 years
Other constructions	10 years
Machinery and equipment	5-10 years
Renovations	5-10 years
Other tangible assets	10 years

The group goodwill is depreciated in 10 years, since the useful life of the acquired operations are considered to be at least 10 years.

The group reserve is allocated, in accordance with the share of ownership, to those assets and liabilities of the subsidiary that the group reserve is considered to derive from. The unallocated portion is recognized in the group's balance sheet as a separate item before liabilities. The group reserve is recognized as income when the corresponding expenditure or loss is recorded as an expense in the income statement of the subsidiary or where it corresponds to a realized return. The unallocated group reserve is recognized as income over time. These procedures are in accordance with the Finnish Accounting Act.

**Received grants**

Grants received by the company are recorded as other operating income in the income statement during the periods in which the related expenses are incurring. Investment grant for the acquisition of fixed assets is recorded in the balance sheet as accrued expense and recognized in the income statement as revenue over the asset's systematical depreciation period.

**Write downs**

The values of the assets in the balance sheet are continuously assessed for possible impairment. Impairment is recognized when the asset's carrying amount is greater than its recoverable amount. Impairment losses are recognized in the income statement. Impairment loss related to tangible fixed assets and intangible assets other than goodwill, is reversed if conditions change or if the recoverable amount of the asset changes from the day that the impairment loss was recognized. Impairment is not reversed over the balance sheet value that existed before the write-downs of the previous financial years. Impairment losses on goodwill are not reversed.

**Inventory**

Inventory is valued at the original acquisition cost or the lower net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and selling in the ordinary course of business. The cost of finished and unfinished products comprises of raw materials, direct labor costs and other direct costs. The costs of selling and financing are not allocated to the acquisition cost.

**Revenue recognition**

Revenue from services is recognized as income when the service is rendered to the customer. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. At that time, the group has no longer any supervision or control power over the good sold.

Rental income from holiday homes and revenue from hotels are recognized when the customer has accommodated. Income from restaurants and from other services related to hotel activities are recognized as revenue when the service is rendered. Rental income from retail premises are recognized on a straight-line basis over the rental period. Sales of timeshare weeks are recognized at the closing of the deal, so that the company will record a so-called cancellation provision in case of future cancellation of deals. This is done based on previous experience and statistics on customer behavior. Statutory cancellation time is 14 days from the moment the deal was signed.

In this annual report, FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

Income from Villas apartments is recognized by using the stage of completion method in accordance with the guidelines of the Confederation of Finnish Construction Industries and the Finnish Accounting Board.

Timeshare weeks have a 14-day cancellation right stated by the Consumer Protection Act. The cancellation policy is taken into account in profit recognition by taking advantage of the experience and statistics on customer behavior.

**Financial instruments**

**Financial assets** The group's cash and cash equivalents consist of cash, bank deposits and other short-term highly liquid investments. Cash and cash equivalents have a maximum maturity of three months from the acquisition date. Financial assets are recognized on the settlement date and derecognized when the group has lost its contractual rights to the cash flows or when it has transferred substantial part of all the risks and rewards of ownership to parties outside the group.

**Financial liabilities** Financial liabilities are initially recognized at fair value. Transaction costs are expensed as incurred. Financial liabilities are included in long- and short-term liabilities and they can be interest-bearing or non-interest bearing.

**Deferred tax assets and liabilities** Deferred tax assets and liabilities are calculated with a current tax rate as temporary differences between taxation and financial statements. Deferred tax assets are recognized at the probable amount in the balance sheet.

**Use of estimates and assumptions** The preparation of financial statements requires management to make estimates and assumptions regarding future events. Actual results may differ from these estimates and assumptions. In addition, management must exercise judgment in applying accounting principles. Estimates are based on management's best knowledge at the time. Possible changes in estimates and assumptions are recognized during the period in which the estimates or assumptions are adjusted and in all subsequent financial periods

The key assumptions and uncertainties concerning the future, which may cause significant changes in the carrying values of assets and liabilities within the next financial year are as follows:

**Impairment losses** The group reviews fixed assets annually and evaluates indications of impairment as set out above in the accounting policies.

**Receivables** From uncertain loans and any permanent impairments, the group recognizes a credit loss in accordance with the principle of prudence.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. TURNOVER

## TURNOVER BY BUSINESS AREAS

Business area review	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
<b>Eur</b>				
Timeshare.....	67,301,791.91	52,050,499.68	55,141,491.67	41,867,234.44
Service sector.....	71,797,235.74	44,779,936.59	64,556,890.30	44,007,100.26
Renting.....	6,735,906.38	3,927,408.30	4,074,983.87	3,111,890.59
Real Estate Management..	8,336,129.11	4,648,589.93	4,125,536.17	1,636,082.32
Villas.....	25,054,650.10	15,842,409.91	23,497,050.42	15,868,334.69
Other Sales.....	4,157,291.23	2,613,413.92	18,664.03	234.32
<b>TOTAL</b> .....	<b>183,383,004.47</b>	<b>123,862,258.33</b>	<b>151,414,616.46</b>	<b>106,490,876.62</b>

Rs.	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
Timeshare.....	5,045,615,339.49	3,902,225,961.01	4,133,957,630.50	3,138,786,565.97
Service sector.....	5,382,638,763.43	3,357,151,846.15	4,839,830,065.79	3,299,212,306.49
Renting.....	504,990,901.31	294,437,800.25	305,501,540.73	233,298,437.53
Real Estate Management..	624,959,599.38	348,504,787.05	309,291,446.66	122,657,091.53
Villas.....	1,878,347,118.00	1,187,705,470.95	1,761,573,869.99	1,189,649,051.71
Other Sales.....	311,672,123.51	195,927,641.58	1,399,242.33	17,566.97
<b>TOTAL</b> .....	<b>13,748,223,845.12</b>	<b>9,285,953,507.00</b>	<b>11,351,553,796.01</b>	<b>7,983,621,020.20</b>

## TURNOVER BY MARKET AREAS

Geographical review	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
<b>Eur</b>				
Finland.....	153,531,427.00	107,830,261.36	151,414,616.46	106,490,876.62
Sweden.....	11,617,565.19	2,092,367.29	-	-
Spain.....	18,234,012.28	13,939,629.68	-	-
<b>TOTAL</b> .....	<b>183,383,004.47</b>	<b>123,862,258.33</b>	<b>151,414,616.46</b>	<b>106,490,876.62</b>

Rs.	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
Finland.....	11,510,251,082.19	8,084,034,694.16	11,351,553,796.01	7,983,621,020.20
Sweden.....	870,968,862.29	156,864,775.73	-	-
Spain.....	1,367,003,900.63	1,045,054,037.11	-	-
<b>TOTAL</b> .....	<b>13,748,223,845.12</b>	<b>9,285,953,507.00</b>	<b>11,351,553,796.01</b>	<b>7,983,621,020.20</b>

## 2. OTHER OPERATING INCOME AND SHARE OF ASSOCIATED COMPANIES RESULTS

## OTHER OPERATING INCOME

	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
<b>Eur</b>				
Profit from the sales of fixed assets.....	3,061,088.63	2,374,819.37	2,524,443.79	1,751,716.89
Other income.....	9,036,538.52	2,943,828.26	8,174,399.93	2,467,107.48
Profit from mergers.....	-	-	3,226,509.99	-
Group reserve recognition..	778,217.89	812,892.02	-	-
<b>Total</b> .....	<b>12,875,845.04</b>	<b>6,131,539.65</b>	<b>13,925,353.71</b>	<b>4,218,824.37</b>

Rs.	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
	Profit from the sales of fixed assets.....	229,489,814.59	178,040,208.17	189,257,550.94
Other income.....	677,469,292.84	220,698,804.65	612,834,762.75	184,959,047.78
Profit from mergers.....	-	-	241,891,453.95	-
Group reserve recognition..	58,342,995.21	60,942,514.74	-	-
<b>TOTAL</b> .....	<b>965,302,102.65</b>	<b>459,681,527.56</b>	<b>1,043,983,767.64</b>	<b>316,285,263.02</b>

## SHARE OF ASSOCIATED COMPANIES' RESULTS

Eur	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
Share of associated companies' profit (loss) ...	(109,015.38)	(418,506.08)	-	-
<b>Total</b> .....	<b>(109,015.38)</b>	<b>(418,506.08)</b>	<b>-</b>	<b>-</b>

Rs.	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
Share of associated companies' profit (loss) ...	(8,172,883.04)	(31,375,400.82)	-	-
<b>Total</b> .....	<b>(8,172,883.04)</b>	<b>(31,375,400.82)</b>	<b>-</b>	<b>-</b>

## 3. MATERIALS AND SERVICES

Materials and supplies	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
<b>Eur</b>				
Purchases during the financial year.....	51,022,197.76	33,551,583.10	49,424,006.11	32,968,736.34
Change in inventory.....	(782,992.35)	(1,429,177.38)	(3,566,112.00)	(2,504,844.53)
<b>Total</b> .....	<b>50,239,205.41</b>	<b>32,122,405.72</b>	<b>45,857,894.11</b>	<b>30,463,891.81</b>
External services.....	12,294,956.72	7,568,947.43	10,303,026.09	6,576,351.83
<b>Materials and services total</b> .....	<b>62,534,162.13</b>	<b>39,691,353.15</b>	<b>56,160,920.20</b>	<b>37,040,243.64</b>

Rs.	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
	Purchases during the financial year.....	3,825,134,166.07	2,515,362,185.01	3,705,317,738.07
Change in inventory.....	(58,700,936.48)	(107,145,428.18)	(267,351,416.64)	(187,788,194.41)
<b>Total</b> .....	<b>3,766,433,229.59</b>	<b>2,408,216,756.83</b>	<b>3,437,966,321.43</b>	<b>2,283,877,969.00</b>
External services.....	921,752,905.30	567,443,988.83	772,417,865.97	493,029,096.70
<b>Materials and services total</b> .....	<b>4,688,186,134.89</b>	<b>2,975,660,745.66</b>	<b>4,210,384,187.39</b>	<b>2,776,907,065.69</b>

## 4. PERSONNEL AND MEMBERS OF THE BOARD

## PERSONNEL EXPENSES

Eur	Group		Parent	
	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2014-31.3.2016	1.10.2013-30.9.2014
Salaries, wages, comissions.....	42,602,369.02	27,827,461.90	32,536,463.48	21,632,241.63
Pension expenses.....	6,072,222.84	4,042,804.24	6,122,419.52	3,987,528.70
Other indirect employee expenses.....	4,463,324.41	2,681,346.99	1,793,162.92	1,199,180.61
<b>TOTAL</b> .....	<b>53,137,916.27</b>	<b>34,551,613.13</b>	<b>40,452,045.92</b>	<b>26,818,950.94</b>

Rs.	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Salaries, wages, comissions .....	3,193,899,605.43	2,086,224,818.64	2,439,258,667.10	1,621,769,155.00
Pension expenses .....	455,234,546.31	303,089,033.87	458,997,791.41	298,945,026.64
Other indirect employee expenses .....	334,615,431.02	201,020,583.84	134,433,424.11	89,902,570.33
<b>TOTAL .....</b>	<b>3,983,749,582.76</b>	<b>2,590,334,436.36</b>	<b>3,032,689,882.62</b>	<b>2,010,616,751.97</b>

**EXECUTIVE REMUNERATION**

Eur	Group	Group	Parent	Parent
	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Chief executive officers....	742,448.95	692,680.90	-	-
Members of the board of directors .....	91,500.00	78,000.00	91,500.00	78,000.00
<b>TOTAL .....</b>	<b>833,948.95</b>	<b>770,680.90</b>	<b>91,500.00</b>	<b>78,000.00</b>

The remuneration of the parent company CEO has not been specified, since it concerns only one person.

In addition a fee of 78,000€ (Rs. 5,847,660) was paid to board of directors during the financial year 2013-2014.

Rs.	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Chief executive officers....	55,661,397.58	51,930,287.27	-	-
Members of the board of directors .....	6,859,755.00	5,847,660.00	6,859,755.00	5,847,660.00
<b>TOTAL .....</b>	<b>62,521,152.58</b>	<b>57,777,947.27</b>	<b>6,859,755.00</b>	<b>5,847,660.00</b>

**THE AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL YEAR**

	Group	Group	Parent	Parent
	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Employees .....	782	722	504	516
<b>Total .....</b>	<b>782</b>	<b>722</b>	<b>504</b>	<b>516</b>

The retirement age of the group and parent company CEO is 60 years.

**5. DEPRECIATIONS AND IMPAIRMENTS**

Eur	Group	Group	Parent	Parent
	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Intangible assets.....	1,021,737.83	186,772.96	1,021,737.83	186,772.96
Goodwill .....	972,855.17	645,158.82	405,443.04	290,621.24
Other long-term expenses..	1,543,142.85	1,015,841.34	1,534,952.35	1,174,142.37
Buildings and structures ..	963,982.78	506,121.09	14,503.11	-
Machinery and equipment..	3,621,784.57	2,313,045.89	2,656,791.82	1,791,357.29
Other tangible assets .....	135,972.80	178,379.47	6,018.22	-
Impairment losses from investments in non current Assets .....	3,204,679.25	0.00	420,173.62	465,258.76
<b>Total .....</b>	<b>11,464,155.25</b>	<b>4,845,319.57</b>	<b>6,059,619.99</b>	<b>3,908,152.62</b>
Group goodwill .....	82,542.07	72,786.47	-	-
<b>TOTAL .....</b>	<b>11,546,697.32</b>	<b>4,918,106.04</b>	<b>6,059,619.99</b>	<b>3,908,152.62</b>

Rs.	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Intangible assets.....	76,599,685.12	14,002,368.81	76,599,685.12	14,002,368.81
Goodwill .....	72,934,952.09	48,367,556.74	30,396,064.71	21,787,874.36
Other long-term expenses..	115,689,419.46	76,157,625.26	115,075,377.68	88,025,453.48
Buildings and structures ..	72,269,789.02	37,943,898.12	1,087,298.16	-
Machinery and equipment..	271,525,189.21	173,409,050.37	199,179,682.75	134,298,056.03
Other tangible assets .....	10,193,880.82	13,373,108.87	451,185.95	-
Impairment losses from investments in non current Assets .....	240,254,803.37	-	31,500,416.29	34,880,449.24
<b>Total .....</b>	<b>859,467,719.09</b>	<b>363,253,608.16</b>	<b>454,289,710.65</b>	<b>292,994,201.92</b>
Group goodwill .....	6,188,178.99	5,456,801.66	-	-
<b>TOTAL .....</b>	<b>865,655,898.08</b>	<b>368,710,409.82</b>	<b>454,289,710.65</b>	<b>292,994,201.92</b>

**6. OTHER OPERATING EXPENSES**

Eur	Group	Group	Parent	Parent
	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Voluntary employee expenses .....	692,389.42	619,414.91	544,674.24	503,003.47
Rents .....	20,249,982.48	14,105,042.17	19,365,618.83	14,288,717.98
Maintenance fees .....	8,946,340.96	5,431,633.51	8,714,297.17	5,182,649.85
Marketing expenses .....	13,954,608.41	8,470,982.28	10,972,359.51	6,416,800.04
Travel and entertainment expenses .....	1,708,968.00	1,009,757.80	1,329,439.65	762,570.76
Maintenance expenses .....	3,777,110.23	2,014,914.81	4,291,770.80	2,550,076.15
Real estate expenses .....	9,855,635.70	5,900,142.43	6,613,356.19	4,244,148.77
Other operating expenses...	12,743,058.21	8,099,577.48	11,355,394.67	5,242,173.97
<b>TOTAL .....</b>	<b>71,928,093.41</b>	<b>45,651,465.39</b>	<b>63,186,911.06</b>	<b>39,190,140.99</b>

Rs.	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Voluntary employee expenses .....	51,908,434.82	46,437,535.80	40,834,227.77	37,710,170.15
Rents .....	1,518,141,186.53	1,057,455,011.48	1,451,840,443.69	1,071,225,186.96
Maintenance fees .....	670,707,181.77	407,209,564.24	653,310,858.83	388,543,259.25
Marketing expenses .....	1,046,176,992.50	635,069,541.53	822,597,792.46	481,067,499.00
Travel and entertainment expenses .....	128,121,330.96	75,701,542.27	99,668,090.56	57,169,929.88
Maintenance expenses .....	283,169,953.94	151,058,163.31	321,754,056.88	191,179,208.97
Real estate expenses .....	738,877,008.43	442,333,677.98	495,803,313.56	318,183,833.29
Other operating expenses...	955,347,074.00	607,225,323.68	851,313,938.41	393,005,782.53
<b>TOTAL .....</b>	<b>5,392,449,162.95</b>	<b>3,422,490,360.29</b>	<b>4,737,122,722.17</b>	<b>2,938,084,870.02</b>

**AUDITING FEES**

Eur	Group	Group	Parent	Parent
	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Auditing services .....	277,498.44	156,727.06	191,990.71	93,892.22
Tax consultancy .....	67,114.49	15,023.71	1,701.60	15,023.71
Other fees .....	4,513.21	34,044.87	48,428.29	27,414.45
<b>TOTAL .....</b>	<b>349,126.14</b>	<b>205,795.64</b>	<b>242,120.60</b>	<b>136,330.38</b>

HOLIDAY CLUB RESORTS OY

Rs.	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014
Auditing services .....	20,804,058.05	11,749,827.69	14,393,543.53	7,039,099.73
Tax consultancy .....	5,031,573.32	1,126,327.54	127,568.95	1,126,327.54
Other fees .....	338,355.35	2,552,343.90	3,630,668.90	2,055,261.32
<b>TOTAL .....</b>	<b>26,173,986.72</b>	<b>15,428,499.13</b>	<b>18,151,781.38</b>	<b>10,220,688.59</b>

7. FINANCIAL INCOME AND EXPENSE

	Group 1.10.2014- 31.3.2016	Group 1.10.2013- 30.9.2014	Parent 1.10.2014- 31.3.2016	Parent 1.10.2013- 30.9.2014
<b>Eur</b>				
Dividends .....	514.80	391.20	514.80	390.00
Interest from Cooperative Capital .....	-	1,200.00	-	1,200.00
Other interest and financial income .....	-	-	897,591.44	749,220.10
Group companies .....	-	-	897,591.44	749,220.10
Associated companies .....	16,925.34	17,467.13	16,925.34	17,467.13
Others .....	395,511.16	139,682.41	115,439.91	63,852.33
<b>Total interest income .....</b>	<b>412,436.50</b>	<b>157,149.54</b>	<b>1,029,956.69</b>	<b>830,539.56</b>
<b>Total for financial income .....</b>	<b>412,951.30</b>	<b>158,740.74</b>	<b>1,030,471.49</b>	<b>832,129.56</b>
Interest expenses and other financial expenses .....	-	-	421,472.00	300,743.95
Group companies .....	-	-	421,472.00	300,743.95
Others .....	2,113,149.47	2,186,365.00	1,754,796.13	1,892,993.53
Other financial expenses .....	-	-	-	-
Impairment losses from financial securities .....	2,103,464.08	-	2,725,932.42	-
Others .....	496,513.15	-	312,180.24	-
<b>Total interest expenses .....</b>	<b>4,713,126.70</b>	<b>2,186,365.00</b>	<b>5,214,380.79</b>	<b>2,193,737.48</b>
<b>Financial income and expense .....</b>	<b>(4,300,175.40)</b>	<b>(2,027,624.26)</b>	<b>(4,183,909.30)</b>	<b>(1,361,607.92)</b>
<b>Rs.</b>				
Dividends .....	38,594.56	29,328.26	38,594.56	29,238.30
Interest from Cooperative Capital .....	-	89,964.00	-	89,964.00
Other interest and financial income .....	-	-	67,292,430.26	56,169,030.90
Group companies .....	-	-	67,292,430.26	56,169,030.90
Associated companies .....	1,268,892.74	1,309,510.74	1,268,892.74	1,309,510.74
Others .....	29,651,471.67	10,471,990.28	8,654,530.05	4,787,009.18
<b>Total interest income .....</b>	<b>30,920,364.41</b>	<b>11,781,501.01</b>	<b>77,215,853.05</b>	<b>62,265,550.81</b>
<b>Total for financial income .....</b>	<b>30,958,958.96</b>	<b>11,900,793.28</b>	<b>77,254,447.61</b>	<b>62,384,753.11</b>
Interest expenses and other financial expenses .....	-	-	31,597,755.84	22,546,773.93
Group companies .....	-	-	31,597,755.84	22,546,773.93
Others .....	158,422,815.77	163,911,784.05	131,557,065.87	141,917,724.94
Other financial expenses .....	-	-	-	-
Impairment losses from financial securities .....	157,696,702.08	-	204,363,153.53	-
Others .....	37,223,590.86	-	23,404,152.59	-
<b>Total interest expenses .....</b>	<b>353,343,108.70</b>	<b>163,911,784.05</b>	<b>390,922,127.83</b>	<b>164,464,498.88</b>
<b>Financial income and expense .....</b>	<b>(322,384,149.74)</b>	<b>(152,010,990.77)</b>	<b>(313,667,680.22)</b>	<b>(102,079,745.76)</b>

From the financial year 2009-2010 onwards, unrealized exchange rate gains from long-term loan receivables have been presented in accrued expenses in parent company according to the principle of prudence. Exchange rate differences from internal loans are presented in equity as translation differences in Group accounts.

8. EXTRAORDINARY ITEMS

	Group 1.10.2014- 31.3.2016	Group 1.10.2013- 30.9.2014	Parent 1.10.2014- 31.3.2016	Parent 1.10.2013- 30.9.2014
<b>Eur</b>				
Group contribution .....	-	-	-	600,000.00
Other extraordinary items ..	310,177.19	-	328,700.24	-
<b>TOTAL .....</b>	<b>310,177.19</b>	<b>-</b>	<b>328,700.24</b>	<b>600,000.00</b>
<b>Rs.</b>				
Group contribution .....	-	-	-	44,982,000.00
Other extraordinary items ..	23,253,983.93	-	24,642,656.99	-
<b>TOTAL .....</b>	<b>23,253,983.93</b>	<b>-</b>	<b>24,642,656.99</b>	<b>44,982,000.00</b>

9. APPROPRIATIONS

	Group 1.10.2014- 31.3.2016	Group 1.10.2013- 30.9.2014	Parent 1.10.2014- 31.3.2016	Parent 1.10.2013- 30.9.2014
<b>Eur</b>				
Change in accumulated depreciation .....	-	-	-	-
Intangible assets .....	-	-	(75,999.29)	(37,164.33)
Goodwill .....	-	-	10,268.48	268.49
Buildings and structures ..	-	-	(1,725.77)	-
Machinery and equipment ..	-	-	1,595,920.21	65,552.36
Other long-term expenses .....	-	-	(208,765.88)	279,941.93
<b>TOTAL .....</b>	<b>-</b>	<b>-</b>	<b>1,319,697.75</b>	<b>308,598.45</b>
<b>Rs.</b>				
Intangible assets .....	-	-	(5,697,666.77)	(2,786,209.82)
Goodwill .....	-	-	769,827.95	20,128.70
Buildings and structures ..	-	-	(129,380.98)	-
Machinery and equipment ..	-	-	119,646,138.14	4,914,460.43
Other long-term expenses .....	-	-	(15,651,178.02)	20,987,246.49
<b>TOTAL .....</b>	<b>-</b>	<b>-</b>	<b>98,937,740.32</b>	<b>23,135,625.80</b>

10. INCOME TAXES

	Group 1.10.2014- 31.3.2016	Group 1.10.2013- 30.9.2014	Parent 1.10.2014- 31.3.2016	Parent 1.10.2013- 30.9.2014
<b>Eur</b>				
Income taxes from operating activities .....	(43,352.38)	913,569.90	-	582,416.09
Income taxes, previous financial year .....	2,501.98	(128,731.95)	4,738.67	3,727.43
Change in deferred tax receivables .....	468,516.00	142,347.64	-	-
Change in deferred tax liabilities .....	178,040.02	(294,192.64)	-	-
<b>TOTAL .....</b>	<b>605,705.62</b>	<b>632,992.95</b>	<b>4,738.67</b>	<b>586,143.52</b>
<b>Rs.</b>				
Income taxes from operating activities .....	(3,250,127.93)	68,490,335.40	-	43,663,734.27
Income taxes, previous financial year .....	187,573.44	(9,651,034.29)	355,258.09	279,445.43
Change in deferred tax receivables .....	35,124,644.52	10,671,802.57	-	-
Change in deferred tax liabilities .....	13,347,660.30	(22,055,622.22)	-	-
<b>TOTAL .....</b>	<b>45,409,750.33</b>	<b>47,455,481.46</b>	<b>355,258.09</b>	<b>43,943,179.69</b>



## 11. INTANGIBLE ASSETS AND GROUP GOODWILL, GROUP

Eur	Intangible assets	Other long-term expenses	Goodwill	Advance payments	Group goodwill	Total
Acquisition cost 1.10.2014.....	1,409,166.59	7,509,677.59	6,454,785.53	2,366,288.65	3,967,395.38	21,707,313.74
Translation difference.....	(1,343.65)	–	(2,651.66)	–	–	(3,995.31)
Additions.....	690,362.68	1,639,615.10	683,306.27	40,724.71	159,907.20	3,213,915.96
Deductions.....	(15,035.15)	(172,742.29)	(179,921.41)	–	–	(367,698.85)
Transfers between items.....	2,366,288.65	–	–	(2,366,288.65)	–	–
<b>Acquisition cost 31.3.2016.....</b>	<b>4,449,439.12</b>	<b>8,976,550.40</b>	<b>6,955,518.73</b>	<b>40,724.71</b>	<b>4,127,302.58</b>	<b>24,549,535.54</b>
Accumulated depreciations 1.10.2014.....	(746,948.54)	(4,184,213.31)	(2,428,038.16)	–	(3,589,337.46)	(10,948,537.47)
Translation difference.....	1,343.66	–	(539.49)	–	–	804.17
Accumulated depreciations from transfers/ deductions.....	3,028.35	91,218.25	52,477.38	–	–	146,723.98
Depreciations/impairments during financial year.....	(1,441,911.45)	(1,543,142.85)	(972,855.17)	–	(479,975.25)	(4,437,884.72)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>(2,184,487.98)</b>	<b>(5,636,137.91)</b>	<b>(3,348,955.44)</b>	<b>–</b>	<b>(4,069,312.71)</b>	<b>(15,238,894.04)</b>
<b>Book value 31.3.2016.....</b>	<b>2,264,951.14</b>	<b>3,340,412.49</b>	<b>3,606,563.29</b>	<b>40,724.71</b>	<b>57,989.87</b>	<b>9,310,641.50</b>

Rs.	Intangible assets	Other long-term expenses	Goodwill	Advance payments	Group goodwill	Total
Acquisition cost 1.10.2014.....	105,645,219.25	563,000,528.92	483,915,271.18	177,400,660.09	297,435,631.64	1,627,397,311.09
Translation difference.....	(100,733.44)	–	(198,795.21)	–	–	(299,528.65)
Additions.....	51,756,490.12	122,921,944.05	51,227,471.32	3,053,131.51	11,988,242.78	240,947,279.78
Deductions.....	(1,127,185.20)	(12,950,489.48)	(13,488,708.11)	–	–	(27,566,382.78)
Transfers between items.....	177,400,660.09	–	–	(177,400,660.09)	–	–
<b>Acquisition cost 31.3.2016.....</b>	<b>333,574,450.83</b>	<b>672,971,983.49</b>	<b>521,455,239.19</b>	<b>3,053,131.51</b>	<b>309,423,874.42</b>	<b>1,840,478,679.43</b>
Accumulated depreciations 1.10.2014.....	(55,998,732.04)	(313,690,471.85)	(182,030,020.86)	–	(269,092,629.38)	(820,811,854.13)
Translation difference.....	100,734.19	–	(40,445.57)	–	–	60,288.62
Accumulated depreciations from transfers/ deductions.....	227,035.40	6,838,632.20	3,934,229.18	–	–	10,999,896.78
Depreciations/impairments during financial year.....	(108,100,101.41)	(115,689,419.46)	(72,934,952.09)	–	(35,983,744.49)	(332,708,217.46)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>(163,771,063.86)</b>	<b>(422,541,259.11)</b>	<b>(251,071,189.34)</b>	<b>–</b>	<b>(305,076,373.87)</b>	<b>(1,142,459,886.18)</b>
<b>Book value 31.3.2016.....</b>	<b>169,803,386.97</b>	<b>250,430,724.38</b>	<b>270,384,049.85</b>	<b>3,053,131.51</b>	<b>4,347,500.55</b>	<b>698,018,793.26</b>

## 11. INTANGIBLE ASSETS, PARENT COMPANY

Eur	Intangible assets	Other long-term expenses	Goodwill	Advance payments	Total
Acquisition cost 1.10.2014.....	1,226,495.47	7,701,119.12	2,906,213.08	2,366,288.65	14,200,116.32
Additions.....	690,362.68	1,586,913.93	–	40,724.71	2,318,001.32
Deductions.....	(3,028.35)	(172,742.29)	(179,921.41)	–	(355,692.05)
Transfers between items.....	2,366,288.65	53,346.09	–	(2,366,288.65)	53,346.09
<b>Acquisition cost 31.3.2016.....</b>	<b>4,280,118.45</b>	<b>9,168,636.85</b>	<b>2,726,291.67</b>	<b>40,724.71</b>	<b>16,215,771.68</b>
Accumulated depreciations 1.10.2014.....	(576,284.22)	(4,392,473.40)	(1,179,566.07)	–	(6,148,323.69)
Accumulated depreciations from transfers/ deductions.....	3,028.35	82,260.88	52,477.38	–	137,766.61
Depreciations for the financial year.....	(1,021,737.83)	(1,534,952.35)	(405,443.04)	–	(2,962,133.22)
Impairments.....	(420,173.62)	–	–	–	(420,173.62)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>(2,015,167.32)</b>	<b>(5,845,164.87)</b>	<b>(1,532,531.73)</b>	<b>–</b>	<b>(9,392,863.92)</b>
<b>Book value 31.3.2016.....</b>	<b>2,264,951.13</b>	<b>3,323,471.98</b>	<b>1,193,759.94</b>	<b>40,724.71</b>	<b>6,822,907.76</b>

HOLIDAY CLUB RESORTS OY

Rs.	Intangible assets	Other long-term expenses	Goodwill	Advance payments	Total
Acquisition cost 1.10.2014.....	91,950,365.39	577,352,900.43	217,878,794.61	177,400,660.09	1,064,582,720.51
Additions.....	51,756,490.12	118,970,937.33	-	3,053,131.51	173,780,558.96
Deductions.....	(227,035.40)	(12,950,489.48)	(13,488,708.11)	-	(26,666,232.99)
Transfers between items.....	177,400,660.09	3,999,356.37	-	(177,400,660.09)	3,999,356.37
<b>Acquisition cost 31.3.2016</b> .....	<b>320,880,480.20</b>	<b>687,372,704.64</b>	<b>204,390,086.50</b>	<b>3,053,131.51</b>	<b>1,215,696,402.85</b>
Accumulated depreciations 1.10.2014.....	(43,204,027.97)	(329,303,730.80)	(88,432,068.27)	-	(460,939,827.04)
Accumulated depreciations from transfers/deductions.....	227,035.40	6,167,098.17	3,934,229.18	-	10,328,362.75
Depreciations/impairments during financial year.....	(76,599,685.12)	(115,075,377.68)	(30,396,064.71)	-	(222,071,127.50)
Impairments.....	(31,500,416.29)	-	-	-	(31,500,416.29)
<b>Accumulated depreciations 31.3.2016</b> .....	<b>(151,077,093.98)</b>	<b>(438,212,010.30)</b>	<b>(114,893,903.80)</b>	<b>-</b>	<b>(704,183,008.08)</b>
<b>Book value 31.3.2016</b> .....	<b>169,803,386.22</b>	<b>249,160,694.34</b>	<b>89,496,182.70</b>	<b>3,053,131.51</b>	<b>511,513,394.77</b>

12. TANGIBLE ASSETS, GROUP

Eur	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Unfinished assets and advance payments	Total
Acquisition cost 1.10.2014.....	14,383,024.52	17,666,562.43	17,201,422.82	3,757,695.09	114,323.77	53,123,028.63
Translation difference.....	(9,335.38)	(9,520.98)	(1,891.64)	-	-	(20,748.00)
Additions.....	1,765,756.37	2,655,587.58	2,627,432.02	53,024.00	19,024.14	7,120,824.11
Deductions.....	(2,016,495.79)	(1,348,764.19)	(113,909.14)	-	(50,038.48)	(3,529,207.60)
Transfers between items.....	150,000.00	1,125,496.06	(245,632.84)	(837,427.36)	(44,491.28)	147,944.58
<b>Acquisition cost 31.3.2016</b> .....	<b>14,272,949.72</b>	<b>20,089,360.90</b>	<b>19,467,421.22</b>	<b>2,973,291.73</b>	<b>38,818.15</b>	<b>56,841,841.72</b>
Accumulated depreciations 1.10.2014.....	(1,169,156.51)	(2,827,123.90)	(6,602,477.30)	(198,999.73)	-	(10,797,757.44)
Re-classification between the acquisition cost and depreciations.....	-	-	-	-	-	-
Translation difference.....	-	(87.85)	(339.57)	-	-	(427.42)
Accumulated depreciations from transfers/ Additions.....	-	-	(80,694.93)	-	-	(80,694.93)
Accumulated depreciations from deductions and transfers.....	-	(107,090.17)	62,565.18	80,478.54	-	35,953.55
Depreciations/impairments during financial year.....	(1,725,972.45)	(963,982.78)	(3,621,784.57)	(797,972.80)	-	(7,109,712.60)
<b>Accumulated depreciations 31.3.2016</b> .....	<b>(2,895,128.96)</b>	<b>(3,898,284.70)</b>	<b>(10,242,731.19)</b>	<b>(916,493.99)</b>	<b>-</b>	<b>(17,952,638.84)</b>
<b>Book value 31.3.2016</b> .....	<b>11,377,820.76</b>	<b>16,191,076.20</b>	<b>9,224,690.03</b>	<b>2,056,797.74</b>	<b>38,818.15</b>	<b>38,889,202.88</b>

Rs.	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Unfinished assets and advance payments	Total
Acquisition cost 1.10.2014.....	1,078,295,348.40	1,324,462,185.13	1,289,590,668.82	281,714,400.90	8,570,853.04	3,982,633,456.28
Translation difference.....	(699,873.44)	(713,787.87)	(141,816.25)	-	-	(1,555,477.56)
Additions.....	132,378,755.06	199,089,400.87	196,978,578.54	3,975,209.28	1,426,239.78	533,848,183.53
Deductions.....	(151,176,689.38)	(101,116,851.32)	(8,539,768.23)	-	(3,751,384.85)	(264,584,693.77)
Transfers between items.....	11,245,500.00	84,378,439.62	(18,415,094.01)	(62,781,929.18)	(3,335,511.26)	11,091,405.16
<b>Acquisition cost 31.3.2016</b> .....	<b>1,070,043,040.65</b>	<b>1,506,099,386.42</b>	<b>1,459,472,568.86</b>	<b>222,907,681.00</b>	<b>2,910,196.71</b>	<b>4,261,432,873.63</b>
Accumulated depreciations 1.10.2014.....	(87,651,663.55)	(211,949,478.78)	(494,987,723.18)	(14,919,009.76)	-	(809,507,875.28)
Re-classification between the acquisition cost and depreciations.....	-	-	-	-	-	-
Translation difference.....	-	(6,586.11)	(25,457.56)	-	-	(32,043.68)
Accumulated depreciations from additions/ transfers.....	-	-	(6,049,698.90)	-	-	(6,049,698.90)
Accumulated depreciations from deductions and transfers.....	-	(8,028,550.04)	4,690,511.54	6,033,476.14	-	2,695,437.64
Depreciations/impairments for the financial year.....	(129,396,154.58)	(72,269,789.02)	(271,525,189.21)	(59,824,020.82)	-	(533,015,153.62)
<b>Accumulated depreciations 31.3.2016</b> .....	<b>(217,047,818.13)</b>	<b>(292,254,403.96)</b>	<b>(767,897,557.31)</b>	<b>(68,709,554.43)</b>	<b>-</b>	<b>(1,345,909,333.83)</b>
<b>Book value 31.3.2016</b> .....	<b>852,995,222.51</b>	<b>1,213,844,982.46</b>	<b>691,575,011.55</b>	<b>154,198,126.57</b>	<b>2,910,196.71</b>	<b>2,915,523,539.80</b>

## 12. TANGIBLE ASSETS, PARENT COMPANY

Eur	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Unfinished assets and advance payments	Total
Acquisition cost 1.10.2014.....	233,931.38	-	11,322,174.04	-	74,323.77	11,630,429.19
Additions.....	832,000.00	231,841.13	1,724,341.35	-	7,822.74	2,796,005.22
Deductions.....	(572,590.15)	-	(63,499.02)	-	(54,358.36)	(690,447.53)
Transfers between items.....	1,988,144.92	1,925,475.78	1,158,271.20	2,806,673.17	-	7,878,565.07
<b>Acquisition cost 31.3.2016.....</b>	<b>2,481,486.15</b>	<b>2,157,316.91</b>	<b>14,141,287.57</b>	<b>2,806,673.17</b>	<b>27,788.15</b>	<b>21,614,551.95</b>
Accumulated depreciations and impairments 1.10.2014.....	-	-	(5,030,088.59)	-	-	(5,030,088.59)
Accumulated depreciations from deductions and transfers.....	-	(246,741.51)	(343,515.18)	(894,537.22)	-	(1,484,793.91)
Depreciations for the financial year.....	-	(14,503.11)	(2,656,791.82)	(6,018.22)	-	(2,677,313.15)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>-</b>	<b>(261,244.62)</b>	<b>(8,030,395.59)</b>	<b>(900,555.44)</b>	<b>-</b>	<b>(9,192,195.65)</b>
<b>Book value 31.3.2016.....</b>	<b>2,481,486.15</b>	<b>1,896,072.29</b>	<b>6,110,891.98</b>	<b>1,906,117.73</b>	<b>27,788.15</b>	<b>12,422,356.30</b>

Rs.	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Unfinished assets and advance payments	Total
Acquisition cost 1.10.2014.....	17,537,835.56	-	848,823,387.78	-	5,572,053.04	871,933,276.37
Additions.....	62,375,040.00	17,381,129.52	129,273,871.01	-	586,470.82	209,616,511.34
Deductions.....	(42,927,083.55)	-	(4,760,521.53)	-	(4,075,246.25)	(51,762,851.32)
Transfers between items.....	149,051,224.65	144,352,919.23	86,835,591.86	210,416,287.55	-	590,656,023.30
<b>Acquisition cost 31.3.2016.....</b>	<b>186,037,016.67</b>	<b>161,734,048.74</b>	<b>1,060,172,329.12</b>	<b>210,416,287.55</b>	<b>2,083,277.61</b>	<b>1,620,442,959.69</b>
Accumulated depreciations and impairments 1.10.2014.....	-	-	(377,105,741.59)	-	-	(377,105,741.59)
Accumulated depreciations from deductions and transfers.....	-	(18,498,211.00)	(25,753,333.04)	(67,063,455.38)	-	(111,314,999.43)
Depreciations for the financial year.....	-	(1,087,298.16)	(199,179,682.75)	(451,185.95)	-	(200,718,166.86)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>-</b>	<b>(19,585,509.16)</b>	<b>(602,038,757.38)</b>	<b>(67,514,641.34)</b>	<b>-</b>	<b>(689,138,907.88)</b>
<b>Book value 31.3.2016.....</b>	<b>186,037,016.67</b>	<b>142,148,539.58</b>	<b>458,133,571.74</b>	<b>142,901,646.22</b>	<b>2,083,277.61</b>	<b>931,304,051.81</b>

## 13. INVESTMENTS, GROUP

Eur	Other shares	Shares in associated companies	Other receivables	Receivables from associated companies	Total
Acquisition cost 1.10.2014.....	4,148,613.38	829,490.31	67,864.52	140,500.00	5,186,468.21
Translation difference.....	(1,892.36)	-	-	-	(1,892.36)
Additions.....	42,201.00	522,642.52	-	44,100.00	608,943.52
Deductions.....	(500.00)	(197,197.92)	-	-	(197,697.92)
Share of associated companies' results.....	-	(109,015.37)	-	-	(109,015.37)
Impairments.....	(469,346.50)	(687,144.27)	(67,864.52)	(18,000.00)	(1,242,355.29)
Transfers between items.....	(129,949.98)	(1,089.69)	58,468.68	(166,600.00)	(239,170.99)
<b>Book value 31.3.2016.....</b>	<b>3,589,125.54</b>	<b>357,685.58</b>	<b>58,468.68</b>	<b>-</b>	<b>4,005,279.80</b>

Rs.	Other shares	Shares in associated companies	Other receivables	Receivables from associated companies	Total
Acquisition cost 1.10.2014.....	311,021,545.10	62,186,888.54	5,087,803.06	10,533,285.00	388,829,521.70
Translation difference.....	(141,870.27)	-	-	-	(141,870.27)
Additions.....	3,163,808.97	39,182,509.72	-	3,306,177.00	45,652,495.69
Deductions.....	(37,485.00)	(14,783,928.06)	-	-	(14,821,413.06)
Share of associated companies' results.....	-	(8,172,882.29)	-	-	(8,172,882.29)
Impairments.....	(35,186,907.11)	(51,515,205.92)	(5,087,803.06)	(1,349,460.00)	(93,139,376.09)
Transfers between items.....	(9,742,350.00)	(81,694.06)	4,383,396.94	(12,490,002.00)	(17,930,649.12)
<b>Book value 31.3.2016.....</b>	<b>269,076,741.70</b>	<b>26,815,687.93</b>	<b>4,383,396.94</b>	<b>-</b>	<b>300,275,826.57</b>

## 13. INVESTMENTS, PARENT COMPANY

Eur	Shares in group companies	Shares in associated companies	Other shares	Receivables from group companies	Receivables from associated companies	Other receivables	Total
Acquisition cost 1.10.2014 .....	14,831,142.00	1,196,750.00	3,833,033.65	13,683,502.61	140,500.00	38,641.52	33,723,569.78
Additions .....	2,237,283.12	91,442.52	20,001.00	23,160.00	44,100.00	-	2,415,986.64
Additions from mergers.....	1,340,799.46	431,200.00	196,172.49	(273,699.82)	-	58,468.68	-
Deductions.....	(2,252,760.86)	-	(506.40)	-	-	-	(2,253,267.26)
Deductions from mergers.....	(6,660,232.24)	-	-	(196,660.00)	-	-	-
Transfers between items .....	451,500.00	(246,000.00)	-	(38,900.00)	(166,600.00)	-	-
<b>Acquisition cost 31.3.2016 ....</b>	<b>9,947,731.48</b>	<b>1,473,392.52</b>	<b>4,048,700.74</b>	<b>13,197,402.79</b>	<b>18,000.00</b>	<b>97,110.20</b>	<b>28,782,337.73</b>
Accumulated depreciations and impairments 1.10.2013.....	(300,000.00)	-	(165,258.76)	-	-	-	(465,258.76)
Impairments for the financial year.....	(612,506.57)	(879,224.75)	(295,586.43)	-	(18,000.00)	(38,641.52)	(1,843,959.27)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>(912,506.57)</b>	<b>(879,224.75)</b>	<b>(460,845.19)</b>	<b>-</b>	<b>(18,000.00)</b>	<b>(38,641.52)</b>	<b>(2,309,218.03)</b>
<b>Book value 31.3.2016 .....</b>	<b>9,035,224.91</b>	<b>594,167.77</b>	<b>3,587,855.55</b>	<b>13,197,402.79</b>	<b>-</b>	<b>58,468.68</b>	<b>26,473,119.70</b>

RS	Shares in group companies	Shares in associated companies	Other shares	Receivables from group companies	Receivables from associated companies	Other receivables	Total
Acquisition cost 1.10.2014 .....	1,111,890,715.74	89,720,347.50	287,362,532.74	1,025,852,190.67	10,533,285.00	2,896,954.75	2,528,256,026.41
Additions .....	167,729,115.51	6,855,445.72	1,499,474.97	1,736,305.20	3,306,177.00	-	181,126,518.40
Additions from mergers.....	100,519,735.52	32,327,064.00	14,707,051.58	(20,519,275.51)	-	4,383,396.94	-
Deductions.....	(168,889,481.67)	-	(37,964.81)	-	-	-	(168,927,446.48)
Deductions from mergers.....	(499,317,611.03)	-	-	(14,743,600.20)	-	-	-
Transfers between items .....	33,848,955.00	(18,442,620.00)	-	(2,916,333.00)	(12,490,002.00)	-	-
<b>Acquisition cost 31.3.2016 ....</b>	<b>745,781,429.06</b>	<b>110,460,237.22</b>	<b>303,531,094.48</b>	<b>989,409,287.17</b>	<b>1,349,460.00</b>	<b>7,280,351.69</b>	<b>2,157,811,859.62</b>
Accumulated depreciations and impairments 1.10.2013.....	(22,491,000.00)	-	(12,389,449.24)	-	-	-	(34,880,449.24)
Impairments for the financial year.....	(45,919,617.55)	(65,915,479.51)	(22,160,114.66)	-	(1,349,460.00)	(2,896,954.75)	(138,241,626.47)
<b>Accumulated depreciations 31.3.2016.....</b>	<b>(68,410,617.55)</b>	<b>(65,915,479.51)</b>	<b>(34,549,563.89)</b>	<b>-</b>	<b>(1,349,460.00)</b>	<b>(2,896,954.75)</b>	<b>(173,122,075.71)</b>
<b>Book value 31.3.2016 .....</b>	<b>677,370,811.50</b>	<b>44,544,757.72</b>	<b>268,981,530.58</b>	<b>989,409,287.17</b>	<b>-</b>	<b>4,383,396.94</b>	<b>1,984,689,783.91</b>

## 14. GROUP COMPANIES

Consolidated	Domicile	Group ownership %	Parent ownership %
Caribia Service Oy	Turku	100.00	100.00
Kiinteistö Oy Himoksen Tähti 2	Helsinki	100.00	100.00
Holiday Club Canarias Investment S.L.	Las Palmas	100.00	-
Holiday Club Canarias Resort Management S.L.	Las Palmas	100.00	-
Holiday Club Canarias Sales & Marketing S.L.	Las Palmas	100.00	-
Holiday Club Rus LLC	Pietari	100.00	100.00
Holiday Club Sweden AB	Åre	100.00	100.00
Kiinteistö Oy Himos Gardens	Helsinki	100.00	100.00
Kiinteistö Oy Kuusamon Pulkajärvi 1	Kuusamo	100.00	100.00
Kiinteistö Oy Rauhanranta 1	Helsinki	100.00	100.00
Kiinteistö Oy Rauhanranta 2	Helsinki	100.00	100.00
Kiinteistö Oy Katinnurkka	Helsinki	100.00	100.00
Kiinteistö Oy Tiurunniemi	Helsinki	100.00	100.00
Kiinteistö Oy Tenetinlahti	Helsinki	100.00	100.00
Kiinteistö Oy Tunturinrivi	Salla	100.00	100.00

Consolidated	Domicile	Group ownership %	Parent ownership %
Kiinteistö Oy Vanha Ykköstii	Helsinki	100.00	100.00
Suomen vapaa-aikakiinteistöt Oy	Tampere	100.00	100.00
Ownership Services AB	Åre	100.00	–
Åre Semesterby A	Åre	100.00	–
Åre Semesterby B	Åre	100.00	–
Åre Semesterby C	Åre	100.00	–
Åre Semesterby D	Åre	100.00	–
Kiinteistö Oy Kylpylätorni 1	Lappeenranta	100.00	100.00
Kiinteistö Oy Rauhan Liikekiinteistöt 1	Lappeenranta	100.00	100.00
Åre Villas 1 Ab	Åre	100.00	–
Åre Villas 2 Ab	Åre	100.00	–
Holiday Club Sport and Spa Hotels Ab	Åre	51.00	–
Kiinteistö Oy Spa Lofts 2	Lappeenranta	100.00	100.00
Kiinteistö Oy Spa Lofts 3	Lappeenranta	100.00	100.00
Kiinteistö Oy Mällönsieni	Sotkamo	100.00	100.00
Supermarket Capri Oy	Lappeenranta	100.00	100.00
Saimaa Gardens Arena Oy	Lappeenranta	100.00	100.00

Associated companies	Domicile	Group ownership %	Parent ownership %
Kiinteistö Oy Seniori-Saimaa	Lappeenranta	31.15	31.15
Holiday Club Adventures Oy	Lappeenranta	30.00	30.00
Koy Sallan Kylpylä	Salla	49.00	49.00

All associated companies have been consolidated into the group financial statements.

## 15. INVENTORY

Eur	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Materials and supplies .....	714,425.73	488,080.61	547,454.35	418,280.16
Timeshare.....	41,535,740.91	44,695,535.36	30,155,747.58	31,476,112.06
Unfinished construction projects .....	(1,169,286.95)	1,396,120.85	3,974,807.82	915,830.25
Other inventory .....	2,350,330.84	2,319,086.43	2,350,330.84	2,319,086.43
Villas apartments .....	7,756,277.66	2,113,817.62	1,222,494.78	2,113,817.61
<b>Total .....</b>	<b>51,187,488.19</b>	<b>51,012,640.87</b>	<b>38,250,835.37</b>	<b>37,243,126.51</b>

Rs.	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Materials and supplies .....	53,560,496.98	36,591,403.33	41,042,652.62	31,358,463.60
Timeshare.....	3,113,934,496.02	3,350,824,285.94	2,260,776,396.07	2,359,764,121.14
Unfinished construction projects .....	(87,661,442.64)	104,667,180.12	297,991,342.27	68,659,793.84
Other inventory .....	176,204,303.07	173,861,909.66	176,204,303.07	173,861,909.66
Villas apartments .....	581,488,136.17	158,472,906.97	91,650,433.66	158,472,906.22
<b>Total .....</b>	<b>3,837,525,989.60</b>	<b>3,824,417,686.02</b>	<b>2,867,665,127.69</b>	<b>2,792,117,194.45</b>

## RECEIVABLES

### 16. LONG-TERM RECEIVABLES

Eur	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Sales receivables.....	1,454,448.02	884,187.97	599,810.90	530,583.18
Loan receivables from group companies.....	–	–	12,994,963.55	15,329,441.25
Loan receivables.....	16,666.68	1,223,333.34	16,666.68	1,223,333.34
Other receivables.....	93,603.26	152,071.94	–	–
Deferred tax receivable.....	1,335,277.86	866,761.86	–	–
<b>Total .....</b>	<b>2,899,995.82</b>	<b>3,126,355.11</b>	<b>13,611,441.13</b>	<b>17,083,357.77</b>

HOLIDAY CLUB RESORTS OY

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Sales receivables.....	109,039,968.06	66,287,572.11	44,967,823.17	39,777,821.00
Loan receivables from group companies.....	-	-	974,232,417.34	1,149,248,210.51
Loan receivables.....	1,249,501.00	91,713,300.50	1,249,501.00	91,713,300.50
Other receivables.....	7,017,436.40	11,400,833.34	-	-
Deferred tax receivable.....	100,105,781.16	64,981,136.64	-	-
<b>Total .....</b>	<b>217,412,686.63</b>	<b>234,382,842.60</b>	<b>1,020,449,741.52</b>	<b>1,280,739,332.02</b>

**17. SHORT-TERM RECEIVABLES**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
<b>Sales receivables .....</b>	<b>13,323,111.30</b>	<b>14,380,985.25</b>	<b>7,754,507.19</b>	<b>7,044,739.07</b>
Receivables from group companies.....	-	-	-	-
Sales receivables .....	-	-	345,917.24	184,022.94
Loan receivables .....	-	-	2,508,183.85	7,820,028.31
Accrued income .....	-	-	1,581,052.31	2,195,196.49
<b>Receivables from group companies, total .....</b>	<b>-</b>	<b>-</b>	<b>4,435,153.40</b>	<b>10,199,247.74</b>
Receivables from associated companies				
Sales receivables .....	26,444.70	146,145.27	-	146,145.27
Loan receivables .....	-	136,500.00	-	136,500.00
Accrued income .....	-	7,668.83	-	7,668.83
<b>Receivables from associated companies, total .....</b>	<b>26,444.70</b>	<b>290,314.10</b>	<b>-</b>	<b>290,314.10</b>
Loan receivables.....	314,327.17	313,533.00	314,327.17	306,414.87
Accrued income.....	3,614,647.47	1,505,701.05	2,167,878.40	1,182,097.36
Other receivables.....	1,086,082.74	2,779,873.65	897,176.65	938,200.46
<b>Total .....</b>	<b>18,364,613.38</b>	<b>19,270,407.05</b>	<b>15,569,042.81</b>	<b>19,961,013.60</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
<b>Sales receivables .....</b>	<b>998,833,654.16</b>	<b>1,078,142,464.19</b>	<b>581,355,404.03</b>	<b>528,144,088.08</b>
Receivables from group companies.....	-	-	-	-
Sales receivables .....	-	-	25,933,415.48	13,796,199.81
Loan receivables .....	-	-	188,038,543.23	586,267,522.40
Accrued income .....	-	-	118,531,491.68	164,573,880.86
<b>Receivables from group companies, total .....</b>	<b>-</b>	<b>-</b>	<b>332,503,450.40</b>	<b>764,637,603.07</b>
Receivables from associated companies				
Sales receivables .....	1,982,559.16	10,956,510.89	-	10,956,510.89
Loan receivables .....	-	10,233,405.00	-	10,233,405.00
Accrued income .....	-	574,932.19	-	574,932.19
<b>Receivables from associated companies, total .....</b>	<b>1,982,559.16</b>	<b>21,764,848.08</b>	<b>-</b>	<b>21,764,848.08</b>
Loan receivables.....	23,565,107.93	23,505,569.01	23,565,107.93	22,971,922.80
Accrued income.....	270,990,120.83	112,882,407.72	162,525,843.65	88,621,839.08
Other receivables.....	81,423,623.02	208,407,127.54	67,261,333.45	70,336,888.49
<b>Total .....</b>	<b>1,376,795,065.10</b>	<b>1,444,702,416.54</b>	<b>1,167,211,139.47</b>	<b>1,496,477,189.59</b>

**RELEVANT ACCRUED INCOME (excluding receivables from group and associated companies)**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Accrued expenses.....	2,321,539.02	513,522.38	1,277,232.54	467,143.71
Tax receivables .....	426,750.16	117,073.34	154,687.39	-
Social security receivables.....	321,441.70	172,054.58	305,729.73	124,694.55
Others.....	544,915.87	703,050.75	430,228.74	590,259.10
<b>Total .....</b>	<b>3,614,646.75</b>	<b>1,505,701.05</b>	<b>2,167,878.40</b>	<b>1,182,097.36</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Accrued expenses .....	174,045,780.33	38,498,772.83	95,754,123.52	35,021,763.94
Tax receivables .....	31,993,459.50	8,776,988.30	11,596,913.63	-
Social security receivables .....	24,098,484.25	12,898,931.86	22,920,557.86	9,348,350.41
Others .....	40,852,342.77	52,707,714.73	32,254,248.64	44,251,724.73
<b>Total .....</b>	<b><u>270,990,066.85</u></b>	<b><u>112,882,407.72</u></b>	<b><u>162,525,843.65</u></b>	<b><u>88,621,839.08</u></b>

**18. EQUITY**

	<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
<b>Eur</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Share capital at the beginning of the financial year .....	9,097,395.00	8,647,395.00	9,097,395.00	8,647,395.00
Directed share issue .....	2,861,751.00	450,000.00	2,861,751.00	450,000.00
<b>Share capital at the end of financial year .....</b>	<b><u>11,959,146.00</u></b>	<b><u>9,097,395.00</u></b>	<b><u>11,959,146.00</u></b>	<b><u>9,097,395.00</u></b>
Reserve for invested non-restricted equity at the beginning of the financial year .....	27,779,053.14	25,229,053.14	27,779,053.14	25,229,053.14
Directed share issue .....	11,616,121.50	2,550,000.00	11,616,121.50	2,550,000.00
<b>Reserve for invested non-restricted equity at the end of the financial year .....</b>	<b><u>39,395,174.64</u></b>	<b><u>27,779,053.14</u></b>	<b><u>39,395,174.64</u></b>	<b><u>27,779,053.14</u></b>
Profit from previous financial years at the beginning of the financial year .....	20,016,653.96	20,746,868.20	8,274,437.61	9,033,909.80
Paid Dividends .....	(1,046,732.75)	(2,272,532.00)	(1,046,732.75)	(2,272,532.00)
Change in translation difference .....	(128,709.55)	(559,819.22)	-	-
Reclassifications for previous financial years .....	6,297.32	-	-	-
<b>Profit from previous financial years at the end of financial year .....</b>	<b><u>18,847,508.98</u></b>	<b><u>17,914,516.98</u></b>	<b><u>7,227,704.86</u></b>	<b><u>6,761,377.80</u></b>
<b>Profit for the period .....</b>	<b><u>(7,210,686.52)</u></b>	<b><u>2,102,136.98</u></b>	<b><u>(3,707,700.12)</u></b>	<b><u>1,513,059.81</u></b>
<b>Total .....</b>	<b><u>62,991,143.10</u></b>	<b><u>56,893,102.10</u></b>	<b><u>54,874,325.38</u></b>	<b><u>45,150,885.75</u></b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Share capital at the beginning of the financial year .....	682,031,703.15	648,295,203.15	682,031,703.15	648,295,203.15
Directed share issue .....	214,545,472.47	33,736,500.00	214,545,472.47	33,736,500.00
Share issue based on option subscription rights .....	-	-	-	-
<b>Share capital at the end of financial year .....</b>	<b><u>896,577,175.62</u></b>	<b><u>682,031,703.15</u></b>	<b><u>896,577,175.62</u></b>	<b><u>682,031,703.15</u></b>
Reserve for invested non-restricted equity at the beginning of the financial year .....	2,082,595,613.91	1,891,422,113.91	2,082,595,613.91	1,891,422,113.91
Directed share issue .....	870,860,628.86	191,173,500.00	870,860,628.86	191,173,500.00
Share issue based on option subscription rights .....	-	-	-	-
<b>Reserve for invested non-restricted equity at the end of the financial year .....</b>	<b><u>2,953,456,242.76</u></b>	<b><u>2,082,595,613.91</u></b>	<b><u>2,953,456,242.76</u></b>	<b><u>2,082,595,613.91</u></b>
Profit from previous financial years at the beginning of the financial year .....	1,500,648,547.38	1,555,392,708.95	620,334,587.62	677,272,217.71
Paid Dividends .....	(78,473,554.27)	(170,371,724.04)	(78,473,554.27)	(170,371,724.04)
Change in translation difference .....	(9,649,354.96)	(41,969,646.92)	-	-
Redemption of own shares .....	-	-	-	-
Reclassifications for previous financial years .....	472,110.08	-	-	-
<b>Profit from previous financial years at the end of financial year .....</b>	<b><u>1,412,997,748.23</u></b>	<b><u>1,343,051,337.99</u></b>	<b><u>541,861,033.35</u></b>	<b><u>506,900,493.67</u></b>
<b>Profit for the period .....</b>	<b><u>(540,585,168.48)</u></b>	<b><u>157,597,209.39</u></b>	<b><u>(277,966,278.00)</u></b>	<b><u>113,434,093.96</u></b>
<b>Total .....</b>	<b><u>4,722,445,998.13</u></b>	<b><u>4,265,275,864.44</u></b>	<b><u>4,113,928,173.74</u></b>	<b><u>3,384,961,904.68</u></b>

**CALCULATION FOR DISTRIBUTABLE FUNDS**

	<b>Parent</b>	<b>Parent</b>
<b>Eur</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Reserve for invested non-restricted equity .....	39,395,174.64	27,779,053.14
Profit from the previous financial years .....	7,227,704.86	6,761,377.80
+Profit for the period .....	(3,707,700.12)	1,513,059.81
<b>Total .....</b>	<b><u>42,915,179.38</u></b>	<b><u>36,053,490.75</u></b>

\*Appropriations: The share of accumulated depreciations presented in equity

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Reserve for invested non-restricted equity .....	2,953,456,242.76	2,082,595,613.91
Profit from the previous financial years .....	541,861,033.35	506,900,493.67
+Profit for the period .....	(277,966,278.00)	113,434,093.96
<b>Total .....</b>	<b><u>3,217,350,998.12</u></b>	<b><u>2,702,930,201.53</u></b>

\*Appropriations: The share of accumulated depreciations presented in equity

#### 19. GROUP RESERVE

<b>Eur</b>	<b>Group</b>	<b>Group</b>
	<b>1.10.2014- 31.3.2016</b>	<b>1.10.2013- 30.9.2014</b>
Group reserve at the beginning of the financial year .....	778,217.88	1,636,450.72
Additions .....	-	-
Deductions .....	-	(45,340.81)
Accumulated revenue recognition at the end of the financial year .....	(778,217.88)	(812,892.03)
<b>Group reserve at the end of the financial year .....</b>	<b><u>(-)</u></b>	<b><u>778,217.88</u></b>

<b>Rs.</b>	<b>1.10.2014- 31.3.2016</b>	<b>1.10.2013- 30.9.2014</b>
Group reserve at the beginning of the financial year .....	58,342,994.34	122,684,710.35
Additions .....	-	-
Deductions .....	-	(3,399,200.53)
Accumulated revenue recognition at the end of the financial year .....	(58,342,994.46)	(60,942,515.49)
<b>Group reserve at the end of the financial year .....</b>	<b><u>(0.12)</u></b>	<b><u>58,342,994.34</u></b>

#### 20. DEFERRED TAX RECEIVABLES AND LIABILITIES

<b>Eur</b>	<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Deferred tax receivables from accrual and temporary differences .....	1,335,277.86	866,761.86	-	-
<b>Total .....</b>	<b><u>1,335,277.86</u></b>	<b><u>866,761.86</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Deferred tax liabilities from accrual and temporary differences and appropriations .....	440,390.09	617,534.51	-	-
<b>Total .....</b>	<b><u>440,390.09</u></b>	<b><u>617,534.51</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Deferred tax receivables from accrual and temporary differences .....	100,105,781.16	64,981,136.64	-	-
<b>Total .....</b>	<b><u>100,105,781.16</u></b>	<b><u>64,981,136.64</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Deferred tax liabilities from accrual and temporary differences and appropriations .....	33,016,045.05	46,296,562.21	-	-
<b>Total .....</b>	<b><u>33,016,045.05</u></b>	<b><u>46,296,562.21</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

#### 21. LONG-TERM LIABILITIES AND CAPITAL LOANS

<b>Eur</b>	<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Loans from financial institutions.....	24,329,264.01	22,129,050.81	17,303,432.00	14,401,083.72
Pension loans .....	2,000,000.00	1,400,000.00	2,000,000.00	1,400,000.00
Other long-term loans .....	310,492.62	2,195,554.01	282,063.59	2,100,157.30
Loans from group companies.....	-	-	7,283,499.02	8,653,355.91
<b>Total .....</b>	<b><u>26,639,756.63</u></b>	<b><u>25,724,604.82</u></b>	<b><u>26,868,994.61</u></b>	<b><u>26,554,596.93</u></b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Loans from financial institutions.....	1,823,964,922.83	1,659,014,939.23	1,297,238,297.04	1,079,649,246.49
Pension loans .....	149,940,000.00	104,958,000.00	149,940,000.00	104,958,000.00
Other long-term loans .....	23,277,631.72	164,600,684.13	21,146,307.34	157,448,792.78
Loans from group companies.....	-	-	546,043,921.53	648,742,092.57
<b>Total .....</b>	<b><u>1,997,182,554.55</u></b>	<b><u>1,928,573,623.36</u></b>	<b><u>2,014,368,525.91</u></b>	<b><u>1,990,798,131.84</u></b>



## LIABILITIES MATURING LATER THAN FIVE YEARS

Eur	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Loans from financial institutions.....	5,983,335.00	4,650,000.00	1,733,335.00	-
<b>Total</b> .....	<b>5,983,335.00</b>	<b>4,650,000.00</b>	<b>1,733,335.00</b>	<b>-</b>
<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Loans from financial institutions.....	448,570,624.95	348,610,500.00	129,948,124.95	-
<b>Total</b> .....	<b>448,570,624.95</b>	<b>348,610,500.00</b>	<b>129,948,124.95</b>	<b>-</b>

## 22. SHORT-TERM LIABILITIES

Eur	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Loans from financial institutions.....	7,368,392.30	16,950,634.48	6,558,333.00	16,118,902.00
Pension loans .....	800,000.00	400,000.00	800,000.00	400,000.00
Capital loans .....	-	4,000,000.00	-	4,000,000.00
Received advance payments .....	10,199,912.39	10,094,356.52	10,176,702.10	10,092,540.10
Accounts payable.....	5,540,206.84	5,340,495.15	3,888,389.28	4,364,030.75
Loans from group companies				
Accounts payable.....	-	-	169,300.81	10,068.52
Other loans .....	-	-	613,886.91	5,366,676.13
Accrued liabilities.....	-	-	151,098.80	68,745.35
<b>Total</b> .....	<b>-</b>	<b>-</b>	<b>934,286.52</b>	<b>5,445,490.00</b>
Other loans .....	4,507,514.70	4,375,438.80	3,438,661.78	3,274,141.87
Accrued liabilities.....	15,557,024.62	11,336,556.54	11,490,512.64	8,758,162.44
<b>Short-term liabilities, total</b> .....	<b>43,973,050.85</b>	<b>52,497,481.49</b>	<b>37,286,885.32</b>	<b>52,453,267.16</b>
<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Loans from financial institutions.....	552,408,370.73	1,270,789,066.97	491,678,225.01	1,208,434,082.94
Pension loans .....	59,976,000.00	29,988,000.00	59,976,000.00	29,988,000.00
Capital loans .....	-	299,880,000.00	-	299,880,000.00
Received advance payments .....	764,687,431.88	756,773,908.30	762,947,356.44	756,637,731.30
Accounts payable.....	415,349,306.79	400,376,921.40	291,512,544.32	327,171,385.33
Loans from group companies				
Saadut ennakot.....	-	-	-	-
Accounts payable.....	-	-	12,692,481.73	754,836.94
Other loans .....	-	-	46,023,101.64	402,339,709.47
Accrued liabilities.....	-	-	11,327,877.04	5,153,838.89
<b>Total</b> .....	<b>-</b>	<b>-</b>	<b>70,043,460.40</b>	<b>408,248,385.30</b>
Other loans .....	337,928,377.06	328,026,646.84	257,796,473.65	245,462,415.99
Accrued liabilities.....	1,166,310,135.76	849,901,643.80	861,443,732.62	656,599,438.13
<b>Short-term liabilities, total</b> .....	<b>3,296,659,622.22</b>	<b>3,935,736,187.31</b>	<b>2,795,397,792.44</b>	<b>3,932,421,438.99</b>

## RELEVANT ACCRUED LIABILITIES (excluding receivables from group and associated companies)

Eur	Group		Parent	
	31.3.2016	30.9.2014	31.3.2016	30.9.2014
Holiday pay and other salary related debts.....	4,348,686.70	2,945,808.30	3,718,675.90	2,831,838.19
Social expense payables .....	1,153,015.21	1,687,447.73	959,623.18	1,336,726.80
Accrued interests.....	110,835.67	260,454.98	74,218.03	210,845.06
Sales commissions.....	860,648.15	605,731.35	575,181.30	605,731.35
Taxes .....	55,554.31	717,564.90	8,440.62	338,750.26
Other .....	9,028,284.58	5,119,549.28	6,154,373.61	3,434,270.78
<b>Total</b> .....	<b>15,557,024.62</b>	<b>11,336,556.54</b>	<b>11,490,512.64</b>	<b>8,758,162.44</b>

HOLIDAY CLUB RESORTS OY

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Holiday pay and other salary related debts .....	326,021,041.90	220,847,248.08	278,789,132.22	212,302,909.10
Social expense payables .....	86,441,550.29	126,507,956.32	71,942,949.80	100,214,408.20
Accrued interests .....	8,309,350.18	19,526,309.85	5,564,125.71	15,807,054.15
Sales commissions .....	64,522,791.81	45,411,679.31	43,121,342.06	45,411,679.31
Taxes .....	4,164,906.62	53,795,840.55	632,793.28	25,396,106.99
Other .....	676,850,494.96	383,812,609.69	461,393,389.54	257,467,280.38
<b>Total</b> .....	<b>1,166,310,135.76</b>	<b>849,901,643.80</b>	<b>861,443,732.62</b>	<b>656,599,438.13</b>

**OTHER NOTES TO THE FINANCIAL STATEMENTS**

**COMMITMENTS AND CONTINGENT LIABILITIES**

**ASSETS PLEDGED AND MORTGAGES GIVEN FOR FINANCIAL LIABILITIES**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Loans from financial institutions.....	30,847,497.17	40,879,685.29	22,461,765.00	32,319,985.72
<b>Total</b> .....	<b>30,847,497.17</b>	<b>40,879,685.29</b>	<b>22,461,765.00</b>	<b>32,319,985.72</b>
Property under mortgages .....	13,433,590.24	14,817,325.75	933,590.24	500,000.00
Mortgage on company assets .....	34,445,637.81	34,445,637.81	34,445,637.81	34,445,637.81
Pledged assets .....	40,354,756.37	46,797,792.62	40,354,756.37	40,592,501.16
<b>Total</b> .....	<b>88,233,984.42</b>	<b>96,060,756.18</b>	<b>75,733,984.42</b>	<b>75,538,138.97</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Loans from financial institutions.....	2,312,636,862.93	3,064,750,006.19	1,683,958,522.05	2,423,029,329.43
<b>Total</b> .....	<b>2,312,636,862.93</b>	<b>3,064,750,006.19</b>	<b>1,683,958,522.05</b>	<b>2,423,029,329.43</b>
Property under mortgages .....	1,007,116,259.96	1,110,854,911.70	69,991,259.96	37,485,000.00
Mortgage on company assets .....	2,582,389,466.62	2,582,389,466.62	2,582,389,466.62	2,582,389,466.62
Pledged assets .....	3,025,396,085.06	3,508,430,512.72	3,025,396,085.06	3,043,219,811.97
<b>Total</b> .....	<b>6,614,901,811.63</b>	<b>7,201,674,891.04</b>	<b>5,677,776,811.63</b>	<b>5,663,094,278.58</b>

**OTHER COLLATERAL FOR OWN COMMITMENTS**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Deposits, rent guarantees .....	1,036,957.64	1,958,000.00	1,036,957.64	1,958,000.00
<b>Total</b> .....	<b>1,036,957.64</b>	<b>1,958,000.00</b>	<b>1,036,957.64</b>	<b>1,958,000.00</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Deposits, rent guarantees .....	77,740,714.27	146,791,260.00	77,740,714.27	146,791,260.00
<b>Total</b> .....	<b>77,740,714.27</b>	<b>146,791,260.00</b>	<b>77,740,714.27</b>	<b>146,791,260.00</b>

**COLLATERAL FOR GROUP COMPANIES' LIABILITIES**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Property under mortgages .....	880,000.00	-	-	-
Mortgage on company assets .....	1,625,963.38	-	-	-
Guarantees given.....	6,450,000.00	1,850,000.00	6,450,000.00	1,950,000.00
Pledged assets .....	4,015,148.87	6,705,291.46	-	-
Property under mortgages .....	433,590.24	437,325.75	-	-
<b>Total</b> .....	<b>13,404,702.49</b>	<b>8,992,617.21</b>	<b>6,450,000.00</b>	<b>1,950,000.00</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Property under mortgages.....	65,973,600.00	–	–	–
Mortgage on company assets.....	121,898,474.85	–	–	–
Guarantees given.....	483,556,500.00	138,694,500.00	483,556,500.00	146,191,500.00
Pledged assets.....	301,015,710.78	502,695,700.76	–	–
Property under mortgages.....	32,506,259.96	32,786,311.48	–	–
<b>Total</b> .....	<b>1,004,950,545.59</b>	<b>674,176,512.23</b>	<b>483,556,500.00</b>	<b>146,191,500.00</b>

**CONTINGENT LIABILITIES AND OTHER COMMITMENTS****LEASING CONTRACT COMMITMENTS**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Due during the next financial year.....	1,571,878.11	954,166.18	1,467,193.75	928,891.79
Due thereafter.....	816,712.60	1,133,305.83	727,995.04	1,089,575.24
<b>Total</b> .....	<b>2,388,590.71</b>	<b>2,087,472.01</b>	<b>2,195,188.79</b>	<b>2,018,467.03</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>31.9.2014</b>	<b>31.3.2016</b>	<b>31.9.2016</b>
Due during the next financial year.....	117,843,702.23	71,533,838.33	109,995,515.44	69,639,017.50
Due thereafter.....	61,228,943.36	84,963,938.26	54,577,788.15	81,685,455.74
<b>Total</b> .....	<b>179,072,645.59</b>	<b>156,497,776.59</b>	<b>164,573,303.59</b>	<b>151,324,473.24</b>

**RENTAL COMMITMENTS**

<b>Eur</b>	<b>Group</b> <b>31.3.2016</b>	<b>Group</b> <b>30.9.2014</b>	<b>Parent</b> <b>31.3.2016</b>	<b>Parent</b> <b>30.9.2014</b>
Due during the next financial year.....	19,073,860.49	9,956,585.81	15,668,944.22	9,783,649.10
Due thereafter.....	209,452,481.83	76,447,522.54	180,914,516.57	75,259,357.20
<b>Total</b> .....	<b>228,526,342.32</b>	<b>86,404,108.35</b>	<b>196,583,460.79</b>	<b>85,043,006.30</b>

<b>Rs.</b>	<b>31.3.2016</b>	<b>30.9.2014</b>	<b>31.3.2016</b>	<b>30.9.2014</b>
Due during the next financial year.....	1,429,967,320.98	746,445,238.51	1,174,700,748.37	733,480,173.37
Due thereafter.....	15,702,652,562.63	5,731,270,764.82	13,563,161,307.42	5,642,194,009.28
<b>Total</b> .....	<b>17,132,619,883.62</b>	<b>6,477,716,003.34</b>	<b>14,737,862,055.79</b>	<b>6,375,674,182.65</b>

Holiday Club Resorts Oy has committed to purchase back the shares of the company named Kiinteistö Oy Iso-Ylläksentie 42 from the mutual insurance company Ilmarinen no later than 31.3.2022. The buyback price on 31.3.2022 has been agreed to be 4,750,000 euros (Rs. 356,107,500).

Related to the above mentioned agreement Holiday Club Resorts Oy sold the business operations of Ylläs Saaga to Lapland Hotels Oy in October 2014. The lessor, mutual insurance company Ilmarinen, required that Holiday Club Resorts Oy stays in joint liability for fulfillment of the obligations of rental and buyback agreements. If the lessor makes claims towards Holiday Club Resorts Oy due to this obligation, has Holiday Club Resorts Oy a retroactive right of recourse from Lapland Hotels Oy and its parent company North European Invest Oy.

Holiday Club Resorts Oy gave 5.4.2011 a surety for Fastighets Aktiebolaget Åre Properties (Capman) to ensure the fulfillment of Holiday Club Spa Hotels AB's lease obligations regarding Holiday Club Åre spa hotel. Holiday Club Spa Hotels AB sold the business operations of Holiday Club Åre to Holiday Club Sport and Spa Hotels AB by a deed signed on 12.11.2015. One of the terms in order to fulfill the sale was to transfer the lease agreement to Holiday Club Sport and Spa Hotels AB. In order to transfer the lease agreement Holiday Club Resorts Oy gave a commitment to Fastighets Aktiebolaget Åre Properties by which the surety given on 5.4.2011 was transferred to apply to the obligations of the new lessee Holiday Club Sport And Spa Hotels AB. The transfer was executed by a confirmation given on 18.11.2015. The surety equates the lease obligation of 12 months.

In the course of the asset sale it was agreed that the commitment given by Lapland Invest AB, part of the same group of companies as Holiday Club Spa Hotels AB, towards Holiday Club Resorts Oy will cease.

In the course of the Holiday Club Åre asset deal the commitment given by Holiday Club Spa Hotels AB to purchase a multi-purpose arena from Åre Kongress AB in 2023, if Åre Kongress AB has not sold the arena before that, transferred to Holiday Club Sport And Spa Hotels AB. Holiday Club Resorts Oy and Holiday Club Sport And Spa Hotels AB are jointly responsible for the sales price of the arena (1.7 million euros (Rs. 127,449,000)) towards Åre Kongress AB.

### OTHER COMMITMENTS

Holiday Club Resorts Oy has agreed in the customer financing agreement made between Holiday Club Resorts Oy and Pohjola Pankki Oyj (Pohjola Financing) the following:

The customer's inability to pay, or if the customer otherwise is in breach with contract, gives Pohjola Financing the right to call in the financing or to terminate the financing contract. If Pohjola Financing claims, Holiday Club Resorts Oy has committed to redeem the financing with the amount that corresponds 50% of the current financing agreement balance between customer and Pohjola Financing related to the purchase of the timeshare week. Redemption price may be at maximum 50% of the original purchase price of the timeshare week. The financing agreement between Holiday Club Resorts Oy and Pohjola Pankki Oyj has been amended on 2.11.2014 and by this amendment the 50% redemption in question has been renounced with regard to new sales. This amendment does not apply to those timeshares that Holiday Club Resorts Oy finances on its own risk and of which Holiday Club Resorts Oy has in 2012 signed a 100% buyback commitment.

Holiday Club Resorts Oy has agreed in the customer financing agreement made between Holiday Club Resorts Oy and Danske Bank Oyj (Sampo Financing) the following:

If Sampo Financing terminates the customer's financing contract for timeshare purchase based on the terms of contract, the following risk distribution contract applies: If Sampo Financing claims, Holiday Club Resorts Oy is committed to purchase the timeshare which has been given as a collateral for a financing agreement. The purchase price is 30% of the timeshare's original purchase price. If the purchase price, calculated by the foregoing way, is more than the financier's financed part based on the sale agreement issue, the purchase price will be the amount of financed part of the sale agreement at issue. For the timeshares Holiday Club Resorts Oy has financed on its own risk, 100% buyback commitment is applied.

According to the agreement made between Holiday Club Resorts Oy, Sunborn Oy and Sunborn Saga Oy, Holiday Club Resorts Oy is obliged to sell annually 150 Sunborn timeshares. If Holiday Club Resorts Oy doesn't achieve its yearly target, Holiday Club is obliged to purchase the missing amount of timeshares with a price related to the agreement until 30.9.2018

Holiday Club Resorts Oy has given completion commitments to Fennia and Veritas in relation to the land areas sold to them. If the completion commitments are not met, Fennia and Veritas have the right to cancel the deal. Holiday Club Resorts Oy has guaranteed the land lease payments until apartments have been build on the plots.

Group company Kiinteistö Oy Himoksen Tähti 2 has given the city of Jämsä completion commitments regarding land areas. If the company fails to meet the completion commitments, the parent company has committed to pay the city of Jämsä a contractual penalty of 127,408.60 euros (Rs. 9,551,822.74).

Group company Holiday Club Golf Saimaa Oy is obliged to annually review the tax deductions made from the real estate investment for 10 years after the completion of the investment, in so far as the VAT taxable use of the property decreases during the ten-year time period. The maximum amount of the obligation was 800,416.86 euros (Rs. 60,007,251.99) on 31.3.2016.

Group company Kiinteistö Oy Rauhan Liikekiinteistöt 1 is obliged to annually review the tax deductions made from the real estate investment for 10 years after the completion of the investment, in so far as the VAT taxable use of the property decreases during the ten-year time period. The maximum amount of the obligation was 2,377,090.80 euros (Rs. 178,210,497.28) on 31.3.2016.

Sallan Tunturipalvelut Oy (merged into Holiday Club Resorts Oy on 31.3.2016) and the municipality of Salla have agreed that Holiday Club Resorts will make at least four million euros (Rs 299,880,000) worth of investments to Salla by the end of year 2018. If the investments of at least four million euros (Rs 299,880,000) are made, the municipality of Salla has an obligation to buy the shares of Kiinteistö Oy Sallan kylpylä -named company with the purchase price equating the equity investment made in the Kiinteistö Oy Sallan kylpylä. If the made investments are less than two millions (Rs 149,940,000), has Holiday Club Resorts Oy an obligation to buy the shares of Kiinteistö Oy Sallan kylpylä owned by the municipality with the purchase price equating the equity investment. These purchase obligations will be executed only if the selling party requires the purchase.

Holiday Club Resorts Oy has committed to a framework agreement with the city of Kuusamo according to which 10 million euros (Rs. 749,700,000) worth of investments will be made.

Holiday Club Sweden AB has regarding Holiday Club Sport And Spa Hotels AB committed to a shareholders' agreement with terms of put and call options by which Holiday Club Sweden AB could be obliged to purchase other shareholders' shares in the companies. These options may actualize no sooner than 2021.

Holiday Club Resorts Oy has committed to purchase back the shares of Kiinteistö Oy Salla Star -named company from the buyer no later than 17.9.2022 with the buyback price of 382,000 euros (Rs. 28,638,540).

Group company Saimaa Gardens Arena Oy has leased a multi-purpose hall called Rauhan Monitoimihalli from the city of Lappeenranta. Holiday Club Resorts Oy guarantees the lessees obligations towards the city of Lappeenranta for the duration of the lease contract.

Holiday Club Resorts Oy and Skanska Talonrakennus Oy signed a cooperation agreement on 31.3.2016. By this agreement Holiday Club Resorts Oy committed to purchase the shares of Kiinteistö Oy Kelotähti I -named company no later than 1.5.2018. The debt-free purchase price for the shares is 3.1 million euros (Rs. 232,407,000). Furthermore, Holiday Club Resorts Oy committed to purchase the shares of Kiinteistö Oy Kelotähti II -named company. These shares give the right to control an unfinished building. If certain requirements are fulfilled, Kiinteistö Oy Kelotähti II will finish the construction of the building. In this case Holiday Club Resorts Oy will buy the shares with a purchase price of 8,666.46 euros (Rs. 649,724.51) and Kiinteistö Oy Kelotähti will be liable for the contract price towards Skanska Talonrakennus Oy (5 million euros (Rs. 374,850,000)). Furthermore, Holiday Club Resorts Oy sold Skanska Talonrakennus Oy the shares of companies Kiinteistö Oy Jalomella, Kiinteistö Oy Ulkuvuoma, Kiinteistö Oy Outapalas and Kiinteistö Oy Lovinoita. The purchase price of the shares was 1.2 million euros (Rs. 89,964,000). Holiday Club Resorts Oy has the obligation to purchase these shares back for the same price.

Holiday Club Resorts Oy has committed to purchase the shares of Kiinteistö Oy HC Villas Katinkulta Spa 1 Lodge -named company from their current owners. Half of the shares (50%) will be purchased by 31.12.2016 and the rest (50%) by 30.4.2017. The sales price of the shares is 850,000 euros (Rs. 63,724,500) total.

Holiday Club Resorts Oy has committed to purchase the shares of Kiinteistö Oy Saimaa Villas Spa Lodge 2 -named company from their current owners. 25% of the shares were purchased on 8.4.2016 and the rest will be purchased by 15.10.2016. The sales price of the shares is 1 million euros (Rs. 74,970,000) total.

Holiday Club Resorts Oy has guaranteed a bank loan of Kiinteistö Oy Rauhan Liikekiinteistöt 1, a 100% owned subsidiary. The remaining loan capital is 5.75 million euros (Rs. 431,077,500).

Holiday Club Sweden AB has pledged a floating charge as a security for Holiday Club Sport and Spa Hotels AB's loan. The loan capital is 1,300,770.71 euros (Rs. 97,518,779.88). Holiday Club Sweden AB owns 51% of the Holiday Club Sport and Spa Hotels AB's shares.

Holiday Club Resorts Oy has given a commitment to purchase its own shares from its personnel.

**DATE AND SIGNATURES**

**Signatures of the financial statements and annual report**

Helsinki, May 9, 2016

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**Arunkumar Nanda**  
Chairman of the Board

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**Teuvo Salminen**  
Member of the Board

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**Antti Heikinheimo**  
Member of the Board

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**S. Krishnan**  
Member of the Board

---

**Sridar Iyengar**  
Member of the Board

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**Vesa Tengman**  
CEO

**AUDITOR'S NOTE**

Auditor's report has been issued today.

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**Eero Suomela**  
APA

**ADDITIONAL INFORMATION:**  
**PROFIT AND LOSS STATEMENT FOR THE GROUP**

	Eur	Rs	Eur	Rs
	<b>1.10.2014- 31.8.2015</b>	<b>1.10.2014- 31.8.2015</b>	<b>1.9.2015- 31.3.2016</b>	<b>1.9.2015- 31.3.2016</b>
<b>TURNOVER</b>	<b>102,454,758.76</b>	<b>7,681,033,264.24</b>	<b>80,928,245.71</b>	<b>6,067,190,580.88</b>
Other operating income	<b>4,862,283.95</b>	<b>364,525,427.73</b>	<b>8,013,561.09</b>	<b>600,776,674.92</b>
Share of Associated Company Profit (Loss)	(70,481.10)	(5,283,968.07)	(38,534.28)	(2,888,914.97)
Materials and services	(35,253,990.18)	(2,642,991,643.79)	(27,280,171.95)	(2,045,194,491.09)
Personnel expenses	(30,682,072.21)	(2,300,234,953.58)	(22,455,844.06)	(1,683,514,629.18)
Depreciations and impairments	(8,215,410.34)	(615,909,313.19)	(3,331,286.98)	(249,746,584.89)
Other operating expenses	(40,810,121.54)	(3,059,534,811.85)	(31,117,971.87)	(2,332,914,351.09)
<b>PROFIT (LOSS)</b>	<b>(7,715,032.66)</b>	<b>(578,395,998.52)</b>	<b>4,717,997.66</b>	<b>353,708,284.57</b>
Financial income and expenses	(3,599,144.51)	(269,827,863.91)	(701,030.89)	(52,556,285.82)
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b>	<b>(11,314,177.17)</b>	<b>(848,223,862.43)</b>	<b>4,016,966.77</b>	<b>301,151,998.75</b>
Extraordinary items	(310,177.19)	(23,253,983.93)	-	-
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>(11,624,354.36)</b>	<b>(871,477,846.37)</b>	<b>4,016,966.77</b>	<b>301,151,998.75</b>
Income taxes	1,245,381.50	93,366,251.06	(639,675.88)	(47,956,500.42)
Minority Share			(209,004.56)	(15,669,071.49)
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>(10,378,972.86)</b>	<b>(778,111,595.31)</b>	<b>3,168,286.34</b>	<b>237,526,426.83</b>

## DIRECTORS' REPORT

To,  
**The Shareholders,**

Your Directors have pleasure in presenting their Fifth Annual Report of the Company along with the Financial Statements for the Financial Year ended March 31, 2016.

### PERFORMANCE OF THE COMPANY

Your Company is developing a resort property of 120 rooms at Naldhera, Shimla, Himachal Pradesh and the construction of the same is at an advanced stage. Your Company is yet to commence operations. During the year under review, the Company has incurred loss of Rs. 48.61 lakh.

### SHARE CAPITAL

#### (A) AUTHORISED SHARE CAPITAL

During the year under review, the Authorised Share Capital of the Company was increased from Rs. 13,50,00,000/- (Rupees Thirteen Crore Fifty Lakh only) divided into 1,35,00,000 (One Crore Thirty Five Lakh only) Equity Shares of Rs. 10/- each (Rupees Ten Only) to Rs. 60,00,00,000/- (Rupees Sixty Crore only) divided into 6,00,00,000 (Six Crore only) Equity Shares of Rs. 10/- each (Rupees Ten Only).

#### (B) PAID UP SHARE CAPITAL

During the year under review, your Company based on the approval granted by the shareholders at their meeting held on March 14, 2016, had converted the aggregate unsecured Inter Corporate Deposits (ICD) availed from Mahindra Holidays & Resorts India Limited (MHRIL), Holding Company, amounting to Rs. 36,47,86,000/- (Rupees Thirty Six Crore Forty Seven Lakh and Eighty Six Thousand Only) and issued and allotted 3,64,78,600 (Three Crore Sixty Four Lakh Seventy Eight Thousand Six Hundred only) Equity Shares of Rs. 10/- each (Rupees Ten Only) at par to MHRIL.

Consequently, the paid up Share Capital of Company was increased from Rs. 13,20,00,000/- (Rupees Thirteen Crore and Twenty Lakh only) divided into 1,32,00,000 (One Crore Thirty Two Lakh only) Equity Shares of Rs. 10 each (Rupees Ten Only) to Rs. 49,67,86,000/- (Rupees Forty Nine Crore Sixty Seven Lakh and Eighty Six Thousand Only) divided into 4,96,78,600 (Four Crore Ninety Six Lakh Seventy Eight Thousand Six Hundred Only) Equity Shares of Rs. 10/- each (Rupees Ten Only).

### DIVIDEND

In view of the losses, your Directors do not recommend any dividend for the year under review.

### TRANSFER TO RESERVES

Your Directors do not propose to transfer any amount to reserves.

### HOLDING COMPANY

During the year under review, your Company continues to be a wholly owned subsidiary of Mahindra Holidays & Resorts

India Limited and in turn subsidiary of the ultimate holding Company Mahindra & Mahindra Limited.

### AUDITORS' REPORT

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to the financial statements for the year ended March 31, 2016. Information referred in Auditors Report are self-explanatory & do not call for any further comments.

### EXTRACT OF THE ANNUAL RETURN

The Extract of the Annual Return in Form No. MGT – 9, as required under sub-section (3) of Section 92 of the Companies Act, 2013 ("the Act") is given in the Annexure I to this Report.

### BOARD OF DIRECTORS

As on March 31, 2016, your Company has 5 (five) Directors consisting of 2 (two) Independent Directors and 3 (three) Non-Executive Directors. There were no changes in the Board of Directors during the year under review.

### RETIREMENT BY ROTATION

Mr. Kanwaljit Singh Thanewal and Mr. Manish Vora are Independent Directors of the Company and are not liable to retire by rotation. Since Mr. Dinesh Shetty and Mr. Ajay Agarwal were appointed as Directors w.e.f. Annual General Meeting (AGM) held on September 25, 2014 and Mr. Ravindera Nath Khanna had retired by rotation and has been reappointed in the AGM held on September 25, 2015, pursuant to Section 152(6) of the Act and Articles of Association of the Company it was mutually agreed among the Directors that Mr. Dinesh Shetty shall retire by rotation, and being eligible, offers himself for re-appointment.

### DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Act that they meet the criteria of independence as laid down under Section 149(6) of the Act.

### NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND ATTENDANCE

During the year under review, the Board met six times on: April 10, 2015, July 27, 2015, October 26, 2015, January 7, 2016, February 29, 2016 and March 21, 2016. The gap between two Meetings did not exceed one hundred and twenty days. The details of attendance of Directors at the meetings are given below:

Name of Director	No. of Meeting held	No. of meetings attended
Dinesh Shetty	6	6
Ajay Agarwal	6	4
Ravindera Nath Khanna	6	3
Kanwaljit Singh Thanewal	6	3
Manish Suresh Vora	6	4

### **AUDIT COMMITTEE**

The Audit Committee composition meets with the requirements of Section 177 of the Act. As on March 31, 2016, the Committee comprised of three Directors: Mr. Ajay Agrawal, Mr. Kanwaljit Singh Thanewal and Mr. Manish Vora. Mr. Thanewal and Mr. Vora are Independent Directors. All members of the Committee possess the ability to read and understand the financial statement. The terms of reference of the Committee are in accordance with the requirements of Section 177 of the Act.

During the year under review, the Audit Committee met three times on: April 10, 2015, October 26, 2015 and February 29, 2016. All the Committee members attended all the meetings except, Mr. Kanwaljit Singh Thanewal, who has attended one meeting of the Audit Committee.

### **NOMINATION AND REMUNERATION COMMITTEE (NRC)**

The NRC composition meets with the requirements of Section 178 of the Act. As on March 31, 2016, the Committee comprised of four Directors: Mr. Dinesh Shetty, Mr. Ajay Agrawal, Mr. Kanwaljit Singh Thanewal and Mr. Manish Vora. Mr. Thanewal and Mr. Vora are Independent Directors. The terms of reference of the Committee are in accordance with the requirements of Section 178 of the Act.

During the year under review, the NRC met once on: February 29, 2016. All the Committee members attended the said meeting except, Mr. Kanwaljit Singh Thanewal.

### **REMUNERATION POLICY**

In compliance with Section 178(3) the Nomination and Remuneration Committee has formulated a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees. The Policy provides that all employees, irrespective of contract, are to be remunerated fairly and the remuneration is to be externally competitive and internally equitable, which remuneration will be paid in accordance with the laid down Statutes. Further, remuneration for on-roll employees will include a fixed or guaranteed component payable monthly; and a variable component for eligible employees, which is based on performance and paid annually, and it shall be consistent with the competitive position of the salary for similar positions in the industry after considering the Qualifications, Experience, Roles and Responsibilities. Remuneration to the Directors and KMPs are subject to the approval of the Nomination & Remuneration Committee/Board.

### **BOARD EVALUATION**

The Board of Directors have carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Act. Evaluation of Independent Directors was also carried out by the entire Board of Directors, excluding the Director being evaluated. In a separate meeting of Independent Directors, the performance of Non-Independent Directors and the Board as a whole was carried out by the Independent Directors, taking into account the views of Non-Independent Directors. The Directors expressed their satisfaction with the evaluation process.

### **MEETING OF INDEPENDENT DIRECTORS**

During the year under review, one Meeting of Independent Directors was held on March 21, 2016 and the same was attended by both the Independent Directors of the Company.

### **KEY MANAGERIAL PERSONNEL**

During the year under review, Ms. Niveta Sharma, Company Secretary and Mr. Dineshwar Dutt Sharma, Manager, resigned from the services of the Company w.e.f. January 31, 2016 and February 29, 2016 respectively. The Board places on record its appreciation for the services rendered by Ms. Niveta Sharma and Mr. Dineshwar Dutt Sharma during their association with the Company.

Ms. Preetha Thanikachalam, an employee of MHRIL had been deputed to the Company and designated as the Chief Financial Officer and Key Managerial Personnel of the Company.

Based on the recommendation of NRC, Mr. Balamurugan PS and Mr. Nirav Momaya, employees of MHRIL, have been deputed to the Company and appointed as Manager for the period of five years and Company Secretary, respectively and designated them as Key Managerial Personnel of the Company w.e.f March 1, 2016.

### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

During the year 2015-16, your Company did not grant any loans or give any guarantees or made investments as per the provisions of Section 186 of the Act.

### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:**

All the contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. The details of contracts/arrangements/transactions with related parties are given in Annexure II in the Form AOC-2.

The Company had entered into the related party transaction in relation to manpower sharing services with Mahindra Holidays & Resorts India Limited (MHRIL), holding company.

Further, the aggregate outstanding amount of Inter Corporate Deposits (ICD) availed from MHRIL at the beginning of FY 2015-16 was Rs. 21,17,86,000/-. During the year, your Company availed ICD from MHRIL amounting to Rs. 17,80,00,000/-. Further, as informed earlier, the Company had converted the part of the outstanding ICD availed from MHRIL amounting to Rs. 36,47,86,000/- into Equity Share Capital consisting of 3,64,78,600 Equity Shares of Rs. 10/- each. As on March 31, 2016, the outstanding ICD availed by your Company from MHRIL was at Rs. 2,50,00,000/-.

Apart from above, there were no transactions with the related parties including Directors and Key Managerial Personnel, which could be considered material and may have a potential conflict with the interest of the Company at large.

Your Directors draw attention of the members to Note 20 to the financial statements which sets out related party disclosure.



**STATUTORY AUDITORS**

Messrs Vinod Kumar Arora & Associates, Chartered Accountants, Haryana (ICAI Registration Number 012099N), were appointed as Statutory Auditors of the Company for a term of two years, from the conclusion of the Annual General Meeting (AGM) held on September 25, 2015 till the conclusion of AGM to be held in the year 2017, subject to a yearly ratification of such appointment by shareholders at the Annual General Meeting.

Further, as required under the provisions of Section 139 and 141 of the Act, your Company has obtained a written certificate from the Auditors to the effect that their ratification of appointment, if made at the forthcoming AGM, would be in conformity within the limits specified in the said Section. Accordingly, ratification of appointment of Statutory Auditors for the financial year 2016-17 is being sought from the Shareholders of the Company at the ensuing AGM.

**MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:**

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year of the Company i.e. March 31, 2016 and the date of the Directors' Report.

**DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

**INTERNAL FINANCIAL CONTROLS**

Your Company has adequate internal financial controls with reference to financial statements.

**DEPOSITS AND LOANS/ADVANCES**

Your Company had not accepted any deposits from the public or its employees during the year under review.

Your Company has not made any loans/advances of the nature, which are otherwise required to be disclosed in the annual accounts of the Company pursuant to Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 of the parent companies Mahindra Holidays & Resorts India Limited and Mahindra & Mahindra Limited with the Stock Exchanges.

**SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant and material orders passed by the Regulators/Courts/Tribunal which would impact the going concern status of the Company and its operations in future.

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

The Company did not carry out any operations during the year and hence disclosure required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is not applicable to the Company.

**STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY**

The Company does not have any Risk Management Policy as the elements of risk threatening the Company's existence is very minimal.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to clause (c) of sub-section (3) of Section 134 of the Act, your Directors, confirm that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed and there is no material departure;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of March 31, 2016 and of the loss of the Company for the year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis; and
- (e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**GENERAL**

During the year 2015-16, there were no complaints filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**ACKNOWLEDGEMENTS**

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding Company, Creditors, Banks, Government Authorities, and Employees during the year under review.

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

<b>Ravindera Nath Khanna</b>	<b>Ajay Agrawal</b>
Director	Director
(DIN: 05349095)	(DIN: 06879842)

Place: Chennai  
Date: May 14, 2016

**ANNEXURE I TO THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2016**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on March 31, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

<b>i</b>	CIN	U45209CH2012PTC033473
<b>ii</b>	Registration Date	January 9, 2012
<b>iii</b>	Name of the Company	Gables Promoters Private Limited
<b>iv</b>	Category/Sub-Category of the Company	Company Limited by Shares/Indian Non-Government Company
<b>v</b>	Address of the Registered office of the Company	No - 504, Block A, 5th Floor, Elante Office Suites, Plot No - 178-178/A, Industrial Area, Phase 1, Chandigarh - 160001 Ph. No. +912233684722; Fax No. +912233684721; Email - arun.khandelwal@mahindraholidays.com
<b>vi</b>	Whether listed company	No
<b>vii</b>	Name, Address and Contact Details of Registrar and Transfer Agent	Not Applicable

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

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

Sr. No.	Name and Description of Main Products/Services	NIC Code of the Product/ service	% to total turnover of the company
1	Not Applicable		

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/Susidary/Associate	% of shares held	Applicable Section
1.	Mahindra Holidays & Resorts India Limited Mahindra Towers, 2 <sup>nd</sup> Floor, 17/18 Patullos Road, Chennai - 600 002	L55101TN1996PLC036595	Holding Company	100%	2(46)

**IV. SHARE HOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)****(i) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year 01-04-2015				No. of Shares held at the end of the year 31-03-2016				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	1,32,00,000	1,32,00,000	100.00	-	4,96,78,600	4,96,78,600	100.00	NIL
e) Banks/Fl	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(1):</b>	<b>-</b>	<b>1,32,00,000</b>	<b>1,32,00,000</b>	<b>100.00</b>	<b>-</b>	<b>4,96,78,600</b>	<b>4,96,78,600</b>	<b>100.00</b>	<b>NIL</b>

Category of Shareholders	No. of Shares held at the beginning of the year 01-04-2015				No. of Shares held at the end of the year 31-03-2016				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRI - Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	-	1,32,00,000	1,32,00,000	100.00	-	4,96,78,600	4,96,78,600	100.00	NIL
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A + B + C)</b>	-	1,32,00,000	1,32,00,000	100.00	-	4,96,78,600	4,96,78,600	100.00	NIL

**(ii) Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year 01-04-2015			Shareholding at the end of the year 31-03-2016			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Holidays & Resorts India Limited	1,32,00,000	100.00	–	4,96,78,600	100.00	–	–
	<b>Total</b>	<b>1,32,00,000</b>	<b>100.00</b>	<b>–</b>	<b>4,96,78,600</b>	<b>100.00</b>	<b>–</b>	<b>–</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change):**

Shareholder's Name	Shareholding at the beginning of the year 01/04/2015		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
Mahindra Holidays & Resorts India Limited				
At the beginning of the year	1,32,00,000	100.00	1,32,00,000	100.00
Preferential allotment on March 21, 2016	3,64,78,600	–	4,96,78,600	100.00
At the end of the year			4,96,78,600	100.00

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**  
Not Applicable**(v) Shareholding of Directors and Key Managerial Personnel:** None of the Directors and KMPs hold any Shares in the Company**V. INDEBTEDNESS****Indebtedness of the Company including interest outstanding/accrued but not due for payment:**

				(Rs. in lakh)
	Secured Loans excluding deposits	Unsecured Loans (ICD)	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	–	2,117.86	–	2,117.86
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	127.59	–	127.59
<b>Total (i+ii+iii)</b>	<b>–</b>	<b>2,245.45</b>	<b>–</b>	<b>2,245.45</b>
Change in Indebtedness during the financial year				
+ Addition	–	1,780.00	–	1,780.00
– Reduction	–	(3,647.86)	–	(3,647.86)
<b>Net change</b>	<b>–</b>	<b>(1,867.86)</b>	<b>–</b>	<b>(1,867.86)</b>
Indebtedness at the end of the financial year				
i) Principal Amount	–	250.00	–	250.00
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	370.16	–	370.16
<b>Total (i+ii+iii)</b>	<b>–</b>	<b>620.16</b>	<b>–</b>	<b>620.16</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Name of MD/WTD/Manager	Total Amount
		Dineshwar Dutt Sharma#	Balamurugan PS*	
1.	Gross salary			
	a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	–	–	–
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–	–
	c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
	– as % of profit	–	–	–
	– others, specify...	–	–	–
5.	Others, please specify	–	–	–
	<b>Total (A)</b>	–	–	–
	Ceiling as per the Act	N.A.		

# resigned w.e.f February 29, 2016

\* an employee of Mahindra Holidays &amp; Resorts India Limited (MHRIL), holding company, deputed to the Company and appointed as Manager of the Company at NIL remuneration w.e.f March 1, 2016

## B. Remuneration of other directors:

Sr. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Dinesh Shetty	Ravindra Nath Khanna	Ajay Agrawal	Manish Vora	Kanwaljit Singh Thanewal	
3.	Independent Directors						
	Fee for attending Board/Committee meetings	–	–	–	30,000	10,000	40,000
	Commission	–	–	–	–	–	–
	Others, please specify	–	–	–	–	–	–
	<b>Total (1)</b>	–	–	–	<b>30,000</b>	<b>10,000</b>	<b>40,000</b>
4.	Other Non-Executive Directors						
	Fee for attending Board/Committee meetings	–	–	–	–	–	–
	Commission	–	–	–	–	–	–
	Others, please specify	–	–	–	–	–	–
	<b>Total (2)</b>	–	–	–	–	–	–
	<b>Total (B)=(1+2)</b>	–	–	–	<b>30,000</b>	<b>10,000</b>	<b>40,000</b>
	<b>Total Managerial Remuneration</b>	–	–	–	<b>30,000</b>	<b>10,000</b>	<b>40,000</b>
	Overall Ceiling as per the Act	N.A.					

## C. Remuneration to key managerial personnel other than MD/Manager/WTD:

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Company Secretary		CFO	
		Niveta Sharma <sup>#</sup>	Nirav Momaya <sup>*</sup>	Preetha Thanikachalam <sup>@</sup>	
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	1,30,000	–	1,67,933	2,97,933
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	– as % of Profit	–	–	–	–
	– others, specify...	–	–	–	–
5.	Others, please specify	–	–	–	–
	<b>Total</b>	<b>1,30,000</b>	<b>–</b>	<b>1,67,933</b>	<b>2,97,933</b>

<sup>#</sup> resigned w.e.f February 29, 2016

<sup>\*</sup> an employee of MHRIL, deputed to the Company and appointed as Company Secretary of the Company at NIL remuneration w.e.f March 1, 2016

<sup>@</sup> an employee of MHRIL, deputed to the Company as CFO and the remuneration paid for the period of 11 months.

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

During the year, no penalties were levied against the Company, its Directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its Directors or any of its officers.

For and on behalf of the Board of Directors

**Ravindera Nath Khanna**  
Director  
(DIN: 05349095)

**Ajay Agrawal**  
Director  
(DIN: 06879842)

Place : Chennai

Date : May 14, 2016

**ANNEXURE II TO THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2016****Form No. AOC – 2**

(Pursuant to Clause (h) of Sub-Section (3) of Section 134 of the Act and Rule 8(2)  
of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at arm's length basis: Nil**

**2. Details of material contracts or arrangement or transactions at arm's length basis:**

(a) Name(s) of the related party Nature of relationship	Mahindra Holidays & Resorts India Limited (MHRIL) Holding Company	
(b) Nature of contracts/arrangements/ transactions	Manpower Sharing Services	Inter Corporate Deposits (ICD)
(c) Duration of the contracts/ arrangements/transactions	One year	One Year
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	Manpower sharing services with MHRIL amounting to Rs. 167,933/-.	ICD taken during the year from MHRIL amounting of Rs. 1,780 lakh, balance outstanding as on March 31, 2016 was Rs. 250 lakh.  ICD amounting to Rs. 3,647.86 lakh was converted into equity shares of the Company issued on the preferential basis to MHRIL.
(e) Date(s) of approval by the Board, if any:	NA	NA
(f) Amount paid as advances, if any;	Nil	Nil

The above mentioned transactions were entered into by the Company in its ordinary course of business.

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

**Ravindera Nath Khanna**  
Director  
(DIN: 05349095)

**Ajay Agrawal**  
Director  
(DIN: 06879842)

Place: Chennai

Date: May 14, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF Gables Promoters Private Limited

We have audited the accompanying Financial Statements of **Gables Promoters Private Limited ("the Company")**, which comprise of Balance Sheet as at March 31, 2016 and the Statement of Profit and Loss, Cash flow Statement for the year ended on that date, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate

internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements:-

As required by 'the Companies (Auditor's Report) Order, 2016', as amended, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure" a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by Section 143(3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on March 31, 2016 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2016 from being appointed as director in terms 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 A".



(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:

For Vinod Kumar Arora & Associates,  
Chartered Accountants  
*Firm Registration No. 012099N*

- (i) The Company does not have any pending litigations which would impact its financial position.
- (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**(Vinod Kumar Arora)**  
Proprietor  
*Membership No. 091264*

Place: Panchkula

Date: 14/05/2016

## **“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF GABLES PROMOTERS PRIVATE LIMITED**

### **Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

I have audited the internal financial controls over financial reporting of Gables Promoters Private Limited (“the Company”) as of March 31, 2016 in conjunction with my audit of the 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”. 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**

My 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.

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

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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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

**For VINOD KUMAR ARORA & ASSOCIATES**

*Chartered Accountants  
Firm Registration No. 012099N*

**VINOD KUMAR ARORA**

*Proprietor  
Membership No. 091264*

Place : Panchkula  
Dated : 14/05/2016

**ANNEXURE TO THE AUDITOR'S REPORT**  
**RE : M/S GABLES PROMOTERS PRIVATE LIMITED**  
*(Referred to in paragraph 3 and 4 of our report of even date)*

In terms of the information and explanation given to us and the books and records examined by us and on the basis of such checks as we considered appropriate, we further reports as under:

- (i) (a) Not Applicable, as company does not have any Movable Fixed assets in the previous year nor purchased during the Year. The Company Owns Land only at Village Naldhera. The work of construction of Hotel building thereon is under process during the year.
- (b) Not Applicables, as there is not other fixed assets purchased by the Company except land. During the year the company has not sold/disposed off substantial part of fixed assets.
- (c) The title deeds of the immovable properties are in the name of Company.
- (ii) (a) Not Applicables, as there is no inventory as company has not started its operations.
- (iii) The Company has not granted any loans secured or unsecured to companies, firms and/or other parties listed/covered in the register maintained under Section 189 of the Companies Acts, 2013. Therefore, the provisions of Clause 3(a) to 3(c) of the said Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the company has not given any loans, Guarantees and security to anyone in contravening the provisions of Section 185 and 186 of Companies Act, 2013.
- (v) In our opinion and according to the information and explanation given to us, The Company has not accepted any deposits during the year and has not contravened the provisions of Section 73 to 76 and any other provision of the companies act and rules framed there under. However the company has taken inter corporate deposit from its holding company Mahindra Holidays and Resorts India Limited for the purpose of construction of Resort/Hotel. The total and maximum amount involved/outstanding as at the year ended 31/03/2016 was Rs. 25,000,000.00/- (Previous Year – Rs 211,786,000.00) beside interest amounting to Rs. 3,70,16300/-. In our Opinion, the rate of interest and other terms and condition on which these loans were taken are not prima facie prejudicial to the interest.
- (vi) The maintenance of cost records have not been applicable so far as prescribed by the Central Government under Section 148(1) of the Companies Act, 1956 as the companies has not started its operations.
- (vii) (a) The company is regular in depositing the statutory dues in respect of TDS, Service Tax & WCT. There is no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than Six Month from the date they became payable.
- (b) According to the information and explanations given to us, no dues in case of sales tax/income tax/custom tax/excise duty/cess/Value Added Tax/WCT have been outstanding on account of dispute with the concerned department.
- (viii) Not applicable, as the company has neither taken any loans from financial institutions/banks nor issue debenture to any. However the company has taken inter corporate deposit from its holding company Mahindra Holidays and Resorts India Limited for the purpose of construction of Resort/Hotels as mentioned above in paragraph V.
- (ix) Not applicable, The Company has neither raised money by way of initial public offer or further public offer (including debt instruments) nor by way of term loans. During the year the Company has issued a 36,478,600 Nos. of Equity shares to its holding Company "Mahindra Holidays and Resorts India Limited" at par (Rs. 10/- each) by way of converting its inter corporate deposits into equity and has also taken inter corporate deposits from its holding company as stated above.
- (x) Based upon the audit procedures performed and the information and explanation given by the management, we report that no fraud on or by the company has been noticed or reported during the year.
- (xi) It has been told that Company has paid & provided the Managerial Remuneration in accordance with the requisite approvals mandated by the provisions of the Section 197 read with Schedule V to the Companies Act.
- (xii) Not Applicable, as the company is not a Nidhi Company.
- (xiii) All the transactions with related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the financial Statements, as required by the applicable standards.
- (xiv) According to the information and explanations given to us, the Companies has not made any preferential allotment or fully or partly convertible debentures during the year under review. However during the year the Company has issued a 36,478,600 Nos. of Equity shares to its holding Company "Mahindra Holidays and Resorts India Limited" at par (Rs. 10/- each) by way of converting its inter corporate deposits into Equity.
- (xv) According to the information and explanations given to us, the Companies has not entered into non-cash transactions with directors or persons connected with him during the year under review. Hence provisions of Section 192 of Companies Act, 2013 has not been applicable.
- (xvi) According to the information and explanations given to us, the Companies is not required to registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For VINOD KUMAR ARORA & ASSOCIATES**  
*Chartered Accountants*  
*Firm Registration No. 012099N*

**VINOD KUMAR ARORA**  
*Proprietor*  
*Membership No. 091264*

Place : Panchkula  
Dated : 14/05/2016

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

Particulars	Note No.	(In Rs.)	
		As at March 31, 2016	As at March 31, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital .....	2	496,786,000	132,000,000
Reserves and surplus.....	3	(5,433,313)	(571,822)
		<u>491,352,687</u>	<u>131,428,178</u>
<b>Non Current liabilities</b>			
Other Long term liabilities.....	4	15,167,189	7,297,905
		<u>15,167,189</u>	<u>7,297,905</u>
<b>Current liabilities</b>			
Short-term borrowings .....	5	25,000,000	211,786,000
Other current liabilities .....	6	38,975,840	17,008,432
		<u>63,975,840</u>	<u>228,794,432</u>
<b>TOTAL</b>		<u><u>570,495,716</u></u>	<u><u>367,520,515</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets.....	7	128,400,010	128,400,010
Capital work-in-progress.....	8	426,700,751	224,293,324
		<u>10,836,845</u>	<u>9,433,604</u>
Other non-current assets .....	9	10,836,845	9,433,604
		<u>565,937,606</u>	<u>362,126,938</u>
<b>Current assets</b>			
Cash and cash equivalents .....	10	3,341,893	5,269,977
Short term loans and advances .....	11	1,216,217	123,600
		<u>4,558,110</u>	<u>5,393,577</u>
<b>TOTAL</b>		<u><u>570,495,716</u></u>	<u><u>367,520,515</u></u>
<b>Significance Accounting Policies</b>	1		
<b>See accompanying notes forming part of the financial statements</b>		-	-

In terms of our report attached.

For Vinod Kumar Arora &amp; Associates

Chartered Accountants

Firm Registration No. 012099N

Vinod Kumar Arora

Proprietor

Membership No. 091264

Place : Panchkula

Date : 14/05/2016

For and on behalf of the Board of Directors

Ajay Agarwal

Director

Ravindera Nath Khanna

Director

T. Preetha

Chief Financial Officer

Nirav Momaya

Company Secretary

Place : Chennai

Date : 14/05/2016

Balamurugan PS

Manager

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

<b>Particulars</b>	<b>Note No.</b>	(In Rs.)	
		<b>Year ended March 31, 2016</b>	Year ended March 31, 2015
<b>REVENUE:</b>			
Revenue from operations .....		-	-
<b>Other Income</b> .....	12	<b>12,082</b>	-
<b>Total Revenue</b>		<b>12,082</b>	-
<b>EXPENDITURE:</b>			
Employee benefit expenses .....	13	<b>321,858</b>	173,097
Other expenses .....	14	<b>4,551,715</b>	94,873
<b>Total Expenditure</b>		<b>4,873,573</b>	267,970
<b>Profit before tax</b> .....		<b>(4,861,491)</b>	(267,970)
<b>Tax expense:</b>			
Current tax expense for current year .....		-	-
<b>Profit/(Loss) for the year</b> .....		<b>(4,861,491)</b>	(267,970)

See accompanying notes forming part of the financial statements

**In terms of our report attached.**

**For Vinod Kumar Arora & Associates**  
Chartered Accountants  
Firm Registration No. 012099N

**Vinod Kumar Arora**  
Proprietor  
Membership No. 091264

Place : Panchkula  
Date : 14/05/2016

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

**Ajay Agarwal**  
Director

**T. Preetha**  
Chief Financial Officer

Place : Chennai  
Date : 14/05/2016

**Ravindera Nath Khanna**  
Director

**Nirav Momaya**  
Company Secretary

**Balamurugan PS**  
Manager



## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

### 1 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2016

(In Rs.)

**Company Information:** Gables Promoters Private Limited is incorporated in January, 2012 under the provisions of Companies Act, 1956. The Company is a private limited company incorporated and domiciled in India and has its registered office at Chandigarh. The Company is a 100% subsidiary of Mahindra Holidays and Resorts India Limited. The Company is in the business of running Hotels and Resorts. However the Company has not started its operations as the project is still under construction at Village Naldehra, Himachal Pradesh.

#### Significant Accounting Policies

##### a) Accounting Convention:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/2013 Act, as applicable. 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.

##### b) Fixed Assets:

Fixed assets are capitalized at acquisition cost, including directly attributable cost of bringing the assets to working condition for its intended use.

##### c) Use of Estimates and Judgements:

In preparation of the financial statements, the Company is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. Significant judgements and estimates about the carrying amount of assets and liabilities include useful lives of tangible and intangible assets, impairment of tangible assets, intangible assets including goodwill, investments, employee benefits and other provisions and recoverability of deferred tax assets.

##### d) Revenue Recognition:

The company had not commenced commercial operations during the year ended March 31, 2016.

##### e) Inventories:

The company did not have inventories during the year ended March 31, 2016.

##### f) Retirement Benefits:

The company has one employee on rolls during the year ended March 31, 2016.

##### g) Taxes on Income:

Since the company did not have any commercial operations during the year, the question of income tax/deferred tax does not arise.

##### h) Earnings per share:

Since the company did not have any commercial operations during the year ended March 31, 2016 the Accounting Standard ('AS') 20 on Earnings Per Share, issued by the Institute of Chartered Accountants of India would not be applicable to the Company.

##### i) Preliminary Expenses:

Preliminary Expenses include all expenses incurred in connection with registration of the company. However the Company has transferred its all Preliminary and Misc. Expenditure amounting to Rs. 797,303/- (relates to earlier years), transferred to Profit and loss during the year audit.

##### j) Borrowing Cost:

Borrowing cost includes interest. Such costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset.

### 2 Share Capital

#### Equity Share Capital

Authorised Capital divided into 60,000,000 (Previous year 13,500,000) Shares of Rs. 10/- each.....

	March 31, 2016	March 31, 2015
--	-------------------	-------------------

	600,000,000	135,000,000
	600,000,000	135,000,000

Issued, Subscribed & Paid up 49,678,600

(Previous year 13,200,000) shares of

Rs. 10/- each fully paid up.....

	496,786,000	132,000,000
	496,786,000	132,000,000

#### (a) Share Capital Reconciliation

Equity share of  
Rs. 10/- each fully  
paid

	March 31, 2016		March 31, 2015	
	Nos. of Share	(in Rs.)	Nos. of Share	(in Rs.)
At the Opening of the Year.....	13,200,000	132,000,000	13,200,000	132,000,000
Add Fresh Issue .....	36,478,600	364,786,000	-	-
Closing Balance.....	49,678,600	496,786,000	13,200,000	132,000,000

(During the Year under audit the Company has raised its Authorised Capital (duly approved by the Board) from Rs. 13.20 Cr. to Rs. 60.00 Cr.. The Company also issued 36,478,600 Nos. of Equity shares @ 10/- each to its Holding Company Mahindra Holidays & Resorts India Limited during the Year in lieu of Inter Corporate Loan (deposit) standing in the name of Mahindra Holidays & Resorts India Limited).

#### (b) Details of Shares held by each share holder holding more than 5% Share

Equity share of Rs. 10/-  
each fully paid

	As at March 31, 2016		As at March 31, 2015	
	Nos. of Share	% age of holding	Nos. of Share	% age of holding
Mahindra Holidays & Resorts India Limited.....	49,678,500	100.00%	13,199,900	100.00%
Mahindra Holidays & Resorts India Limited Jointly with Mr. Dinesh Shetty .....	100	0.00%	100	0.00%
	49,678,600	100.00%	13,200,000	100.00%

(In Rs.)

	March 31, 2016	March 31, 2015
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### 3 Reserves and Surplus

#### Surplus in Statement of Profit & Loss

As per last balance sheet.....

	(571,822)	(303,852)
--	-----------	-----------

Add:- Profit/(Loss) for the Year.....

	(4,861,491)	(267,970)
--	-------------	-----------

	(5,433,313)	(571,822)
--	-------------	-----------

(In Rs.)

	March 31, 2016	March 31, 2015
--	-------------------	-------------------

### 4 Non Current Liabilities

Retention.....

	15,167,189	7,297,905
--	------------	-----------

(Interest Free – from Contactors)

	15,167,189	7,297,905
--	------------	-----------

	(In Rs.)	
	March 31, 2016	March 31, 2015
<b>5 Short Term Borrowing</b>		
<b>Loans repayable on demand</b>		
– From Related Persons – Unsecured .....	25,000,000	211,786,000
(Inter Corporate deposit from Mahindra Holidays & Resorts Pvt Ltd., (Holding Company) payable on demand @ 9.5% Per annum)		
	<u>25,000,000</u>	<u>211,786,000</u>

	(In Rs.)	
	March 31, 2016	March 31, 2015
<b>6 Other Current Liabilities</b>		
Statutory Liabilities.....	1,808,315	1,315,070
Payables relating to Project in progress .....	47,000	2,873,672
Expenses payable .....	104,225	60,000
Interest Accrued.....	37,016,300	12,759,690
(Payable to Mahindra Holidays & Resorts Pvt. Ltd. (Holding Company) agt. Loan)		
	<u>38,975,840</u>	<u>17,008,432</u>

**7 Fixed Assets**

DESCRIPTION OF ASSETS	(In Rs.)									
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2015	Additions	Deductions	As at March 31, 2016	As at April 1, 2015	For the Year	Deductions	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
LAND .....	128,400,010	–	–	128,400,010	–	–	–	–	128,400,010	128,400,010
<b>TOTAL.....</b>	<b>128,400,010</b>	<b>–</b>	<b>–</b>	<b>128,400,010</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>128,400,010</b>	<b>128,400,010</b>
PREVIOUS YEAR .....	128,400,010	–	–	128,400,010	–	–	–	–	128,400,010	128,400,010

	(In Rs.)	
	March 31, 2016	March 31, 2015
<b>8 Capital Work In Process</b>		
As per last balance sheet.....	224,293,324	93,119,593
Add: Cost of Construction during the year ..	175,455,636	117,724,617
Interest on loan.....	26,951,791	13,449,114
	<u>426,700,751</u>	<u>224,293,324</u>
<b>9 Others Non Current Assets</b>		
Mobilization Advance .....	10,836,845	8,636,301
Preliminary Exps Not written off.....	–	797,303
	<u>10,836,845</u>	<u>9,433,604</u>
<b>10 Cash and cash equivalents</b>		
Cash on hand.....	–	–
Balance with banks		
(i) In Current Account with HDFC.....	2,030,393	5,136,082
(ii) In Current Account with SBI .....	165,523	–
(iii) In Current Account with IOB.....	133,895	133,895
Other Bank Balances		
(i) In Other Deposit Accounts - including interest .....	1,012,082	–
	<u>3,341,893</u>	<u>5,269,977</u>
<b>11 Short Term Loans &amp; Advances – (unsecured considered good)</b>		
Loan & advance to employees.....	18,605	–
Loans and advances to Others.....	1,197,612	123,600
	<u>1,216,217</u>	<u>123,600</u>
<b>12 Other Income</b>		
Interest on FD.....	12,082	–
	<u>12,082</u>	<u>–</u>

	(In Rs.)	
	March 31, 2016	March 31, 2015
<b>13 Employee Benefit Exps</b>		
Salaries, Wages and Bonus.....	321,858	173,097
	<u>321,858</u>	<u>173,097</u>
<b>14 Other Expenses</b>		
ROC filing fees.....	3,487,500	–
Miscellaneous Expenses .....	797,303	–
Professional Charges .....	141,198	32,597
Audit Fees .....	75,000	60,000
Director Sitting Fees.....	45,800	–
Bank Charges.....	4,314	–
Rates Fees & Taxes.....	600	2,276
	<u>4,551,715</u>	<u>94,873</u>
<b>15. Capital Commitment:</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances Rs. 193,173,756.		
<b>16. Segment Reporting:</b>		
The Company did not commence commercial operations during the year ended March 31, 2016. Hence, the disclosure requirement as per AS 17 on Segment Reporting would not be applicable to the company.		
<b>17. Foreign Transactions:</b>		
There is no earning, expenditure or remittance is made in foreign exchange during the year ended March 31, 2016.		
<b>18. Auditors Remuneration:</b>		
Audit Fees: Rs. 75,000/-.		
<b>19. Based on the information available with the company, the balance due to Micro and Small Enterprises as defined under the MSMED Act, 2006 is Rs. NIL as on March 31, 2016.</b>		



**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016****20. Related party Transactions:**

There are transactions with related parties, required to be disclosed as per AS 18 on Related Party Disclosure issued by Institute of Chartered Accountants of India, during the year ended March 31, 2016.

**A. Names of related parties and nature of relationship where control exists:**

Name of the Related Party	Nature of Relationship
Mahindra Holidays & Resorts India Limited	Holding Company
<b>Key Management Personnel:</b>	
Ms. Niveta Sharma	Company Secretary up to 31st January, 2016
Mr. Nirav Momaya	Company Secretary from 1st March, 2016
Ms. T. Preetha	CFO
Mr. Balamurugan PS	Manager from 1st March, 2016
Mr. Dineshwar Dutt Sharma	Manager Upto 29th February, 2016

**B. Disclosures in respect of transactions with related parties:**

Name of the Related Party	Nature of the Transaction	Year ended March 31, 2016 (In Rs.)	Year ended March 31, 2015 (In Rs.)
Mahindra Holidays & Resorts India Limited	Inter corporate deposit received	178,000,000	104,179,992
	Interest accrued	26,951,789	14,177,433
Mahindra Holidays & Resorts India Limited	Share Capital	364,786,000	-

Name of the Related Party	Nature of the Transaction	Year ended March 31, 2016 (In Rs.)	Year ended March 31, 2015 (In Rs.)
Mahindra Holidays & Resorts India Limited	Manpower Deputation	167,933	15,216
<b>Key Management Personnel:</b>			
Ms. Niveta Sharma	Managerial Remuneration	130,000	26,000
Ms. T. Preetha		167,933	15,216

**C. Disclosures in respect of Payables with related parties**

Name of the Related Party	Payables	Year ended March 31, 2016 (In Rs.)	Year ended March 31, 2015 (In Rs.)
Mahindra Holidays & Resorts India Limited	Inter corporate deposit	25,000,000	211,786,000
Mahindra Holidays & Resorts India Limited	Interest Accrued	37,016,301	12,759,690

As per our report of even date For and on behalf of the Board of Directors

**For Vinod Kumar Arora & Associates**

Chartered Accountants  
Firm Registration. No. 012099N

**Ajay Agarwal**  
Director

**Ravindera Nath Khanna**  
Director

**Vinod Kumar Arora**

Proprietor  
Membership No. 091264

**T. Preetha**  
Chief Financial Officer

**Nirav Momaya**  
Company Secretary

Place : Panchkula  
Date : 14/05/2016

Place : Chennai  
Date : 14/05/2016  
**Balamurugan PS**  
Manager

## DIRECTORS' REPORT

The following shall constitute a report of the Board of Directors relating to the activities of the Company during the financial year ended March 31, 2016

Your Company continues to be a subsidiary of MH Boutique Hospitality Limited and in turn subsidiary of Mahindra Holidays & Resorts India Limited, a company incorporated in India.

During the year under review, your Company's hotel property was fully operational. Further, the Company has earned a revenue of THB 43,447,548.53 (INR 82,115,867) for the financial year ended March 31, 2016. Your Company has earned profit of THB 485,829 (INR 918,217) for the financial year ended March 31, 2016

Mr. Dinesh Shetty, Mr. Ravindera Khanna, Mr. Helmut Horst Mekelburg, Mr. Ajay Agrawal (Appointed w.e.f. October 21, 2015) and Mr. Vishant Potri (Appointed w.e.f. February 16, 2016) are the Directors of the Company.

**For Infinity Hospitality Group Company Limited**

**Vishant Potri**  
Director

**Ajay Agrawal**  
Director

Dated: April 7, 2016

## REPORT OF INDEPENDENT AUDITOR

To the Shareholders of **Infinity Hospitality Group Company Limited**

I have audited the accompanying financial statements of **Infinity Hospitality Group Company Limited**, which comprise the statements of financial position as at 31<sup>st</sup> March 2016, and the related statement of income and changes in shareholders' equity 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 and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit accordance with Thai Standards on Auditing. Those standards require that I 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 entity'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 accounting estimates made by management as well as evaluating the overall Presentation of the financial statements.

I believe that the audit evidence I has obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infinity Hospitality Group Company Limited as at 31<sup>st</sup> March 2016, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

### Emphasis of Matter

Without qualifying my opinion, I draw attention to notes 11 and 12 to the financial statements describing the change in accounting policy. The corresponding figures presented are based on the financial statements as at and for the year ended 31<sup>st</sup> March 2015 after making the adjustments described in notes 11 and 12.

### Other matter

The financial statement of Infinity Hospitality Group Company Limited for the year ended 31<sup>st</sup> March 2015 have been audited by other auditor, whose was expressed an unqualified opinion on those financial statement which audited report dated 4<sup>th</sup> April, 2015.

### (Pongteera Chainsakultam)

Certified Public Accountant (Thailand) No. 9387

Cover Biz Company Limited

Bangkok

7<sup>th</sup> April, 2016

**STATEMENT OF FINANCIAL POSITION  
AS AT 31<sup>st</sup> MARCH, 2016**

	Notes	<b>ASSETS</b>			
		2016		Restated 2015	
		<b>Currency: Baht</b>	<b>Currency: INR</b>	<b>Currency: Baht</b>	<b>Currency: INR</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents .....	3	3,272,159	6,184,381	3,157,464	5,967,606
Temporary investment.....		419,176	792,243	413,850	782,177
Trade and other receivables .....	3 & 4	23,104,690	43,667,864	16,003,366	30,246,361
Inventory .....	3 & 5	383,979	725,720	241,192	455,852
Other current assets.....		530,280	1,002,229	377,451	713,382
<b>TOTAL CURRENT ASSETS .....</b>		<b>27,710,285</b>	<b>52,372,438</b>	<b>20,193,322</b>	<b>38,165,379</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment – net.....	3 & 6	183,483,340	346,783,513	186,259,552	352,030,553
Intangible assets – net.....	3 & 7	118,537	224,036	148,438	280,547
Other non-current assets .....		395,000	746,550	395,000	746,550
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>183,996,878</b>	<b>347,754,099</b>	<b>186,802,990</b>	<b>353,057,651</b>
<b>TOTAL ASSETS</b>		<b>211,707,162</b>	<b>400,126,537</b>	<b>206,996,312</b>	<b>391,223,029</b>

The accompanying notes are an integral part of the financial statements.

Director

**STATEMENT OF FINANCIAL POSITION  
AS AT 31<sup>st</sup> MARCH, 2016 (Contd)**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Notes	2016		Restated 2015	
		Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
<b>CURRENT LIABILITIES</b>					
Trade and other payable.....	8	31,175,925	58,922,498	27,398,119	51,782,445
Other current liabilities .....	9	1,636,000	3,092,040	1,188,784	2,246,801
<b>TOTAL CURRENT LIABILITIES.....</b>		<b>32,811,925</b>	<b>62,014,537</b>	<b>28,586,903</b>	<b>54,029,246</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loan .....	10	137,000,000	258,930,000	137,000,000	258,930,000
<b>TOTAL NON-CURRENT LIABILITIES .....</b>		<b>137,000,000</b>	<b>258,930,000</b>	<b>137,000,000</b>	<b>258,930,000</b>
<b>TOTAL LIABILITIES.....</b>		<b>169,811,925</b>	<b>320,944,537</b>	<b>165,586,903</b>	<b>312,959,246</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Authorized share capital</b>					
<b>1,500,000 ordinary shares of</b>					
<b>Baht 100 each.....</b>					
		<b>150,000,000</b>	<b>283,500,000</b>	<b>150,000,000</b>	<b>283,500,000</b>
Issued and paid-up share capital					
1,500,000 ordinary shares of					
Baht 100 each .....					
		150,000,000	283,500,000	150,000,000	283,500,000
Retained earnings (Deficits).....					
		(108,104,762)	(204,318,001)	(108,590,591)	(205,236,217)
<b>TOTAL SHAREHOLDERS' EQUITY .....</b>		<b>41,895,238</b>	<b>79,181,999</b>	<b>41,409,409</b>	<b>78,263,783</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....</b>		<b>211,707,162</b>	<b>400,126,537</b>	<b>206,996,312</b>	<b>391,223,029</b>

The accompanying notes are an integral part of the financial statements.

Director

**STATEMENT OF INCOME  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Notes	2016		Restated 2015	
		Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
<b>REVENUES</b>	3				
Revenue from rent and services.....		43,339,800	81,912,223	31,072,638	58,727,286
Other income.....		107,748	203,644	13,404	25,334
<b>TOTAL REVENUES.....</b>		<b>43,447,549</b>	<b>82,115,867</b>	<b>31,086,042</b>	<b>58,752,620</b>
<b>EXPENSES</b>	3				
Cost of rent and services.....		18,650,360	35,249,180	18,411,296	34,797,349
Selling expenses .....		2,448,626	4,627,902	2,084,756	3,940,190
Administrative expenses .....		8,847,734	16,722,218	7,725,191	14,600,610
<b>TOTAL EXPENSES .....</b>		<b>29,946,720</b>	<b>56,599,300</b>	<b>28,221,243</b>	<b>53,338,149</b>
<b>EARNINGS BEFORE FINANCIAL COST .....</b>		<b>13,500,829</b>	<b>25,516,567</b>	<b>2,864,799</b>	<b>5,414,471</b>
Financial costs.....		(13,015,000)	(24,598,350)	(13,015,000)	(24,598,350)
<b>EARNINGS BEFORE CORPORATE INCOME TAX....</b>		<b>485,829</b>	<b>918,217</b>	<b>(10,150,201)</b>	<b>(19,183,879)</b>
<b>NET PROFIT (LOSS).....</b>		<b>485,829</b>	<b>918,217</b>	<b>(10,150,201)</b>	<b>(19,183,879)</b>

The accompanying notes are an integral part of the financial statements.

Director

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

			Currency : Baht		
	Notes	<u>Issued and paid-up share capital</u>	<u>Retained earnings (Deficits)</u>	<u>Total</u>	
<b>Beginning balance as of 31<sup>ST</sup> March, 2014</b> .....		150,000,000	(98,243,665)	51,756,335	
Cumulative effect of accounting change .....	11	–	(196,725)	(196,725)	
Balance after correction .....		150,000,000	(98,440,391)	51,559,609	
Changes in shareholders' equity for the period					
Net profit (loss) for the period .....		–	(10,150,201)	(10,150,201)	
<b>Ending balance as of 31<sup>ST</sup> March, 2015</b> .....		150,000,000	(108,590,591)	41,409,409	
Cumulative effect of accounting change .....		–	–	–	
Balance after correction .....		150,000,000	(108,590,591)	41,409,409	
Changes in shareholders' equity for the period					
Net profit (loss) for the period .....		–	485,829	485,829	
<b>Ending balance as of 31<sup>ST</sup> March, 2016</b> .....		150,000,000	(108,104,762)	41,895,238	

			Currency : INR		
	Notes	<u>Issued and paid-up share capital</u>	<u>Retained earnings (Deficits)</u>	<u>Total</u>	
<b>Beginning balance as of 31<sup>st</sup> March, 2014</b> .....		283,500,000	(185,680,527)	97,819,473	
Cumulative effect of accounting change .....	11	–	(371,811)	(371,811)	
Balance after correction .....		283,500,000	(186,052,338)	97,447,662	
Changes in shareholders' equity for the period					
Net profit (loss) for the period .....		–	(19,183,879)	(19,183,879)	
<b>Ending balance as of 31<sup>st</sup> March, 2015</b> .....		283,500,000	(205,236,217)	78,263,783	
Cumulative effect of accounting change .....		–	–	–	
Balance after correction .....		283,500,000	(205,236,217)	78,263,783	
Changes in shareholders' equity for the period					
Net profit (loss) for the period .....		–	918,216	918,216	
<b>Ending balance as of 31<sup>st</sup> March, 2016</b> .....		283,500,000	(204,318,001)	79,181,999	

The accompanying notes are an integral part of the financial statements.

Director

## NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>st</sup> MARCH, 2016

### 1 GENERAL INFORMATION

#### Company status

Infinity Hospitality Group Company Limited, "The Company", is a limited company under Thai Civil and Commercial Code and domiciled in Thailand. It was incorporated on 6<sup>th</sup> May, 2005, with registration no. 0105548060791.

#### Place of company

20, Soi Sukhumvit 7 (Lerdsin 2), Sukhumvit Rd., North Klongtoey, Wattana, Bangkok, Thailand.

#### Business and operation

The objective of the Company are services and rent of hotel, apartment, mansion and condominium.

### 2 BASIC OF FINANCIAL STATEMENT PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles and Thai Financial Reporting Standards for Non-Publicly Accountable Entities enunciated on Notification of Federation of Accounting Professions (FAP) no. 20 (B.E. 2554) under the Accounting Profession Act B.E. 2547 which is effective on the financial statements for fiscal year beginning on or after 1<sup>st</sup> January, 2011.

The management of the Company assessed that there is no material effects of this standard for the period in which they are initially applied.

The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development; Define Financial statement abstract B.E. 2554 dated 28<sup>th</sup> September, 2011, issued under the Accounting Act B.E. 2543 which is effective on the financial statements for fiscal year beginning on or after 1<sup>st</sup> January, 2011.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 3 SUMMARIZED SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Cash and cash equivalents

Cash and cash equivalents is consist of cash on hand and deposit at banks including time deposit and temporary investment which is not over than 3 months to maturity date excepted cash deposit with obligation.

#### 3.2 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost being determined on first-in, first-out method. The Company determine to accrue provision for decline in value of inventories on deteriorated or obsolescent inventories.

#### 3.3 Property, plant and equipment

Land are stated at cost, Building and Equipment are stated at cost less accumulated depreciation.

Depreciation is calculated by a straight-line method over their estimated useful life as follows:

	Useful life	
Land	0	Years
Building	20	Years
Improvement & Decoration	20.5	Years
Furniture Fixture & Equipment	5	Years
General equipment	5	Years
Computer	5	Years

### 3.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to their costs on the straight-line basis over the expected future period, for which the assets are expected to generate economic benefit, as follows :

	Year life	
Computer software	5	Years

### 3.5 Employee benefits

Salaries, wages and contributions to the social security fund are recognized as expenses when incurred.

### 3.6 Provisions and contingent liabilities

The Company recongnized provision in the best estimated amount of expenses which have to be paid on current obligation as at the end of accounting period.

### 3.7 Revenue and expenses recognition

Hotel revenues from rooms, food and beverage and other services are recognised when the rooms are occupied, food and beverage are sold and the services are rendered. The company record other revenue and expenses base on accrual basis.

### 3.8 Income tax expense

The Company record income tax as expenses by calculating on profit and loss of tax regulation basis.

### 4 TRADE AND OTHER RECEIVABLES

Consist of:

	2016	2016	Restated 2015	Restated 2015
	Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
Accounts Receivable - Trade	589,274	1,113,728	584,221	1,104,178
Accrued income - related parties (Note 10)	22,140,459	41,845,467	15,222,588	28,770,690
Other account receivables - related parties (Note 10)	120,461	227,671	71,481	135,099
Prepaid expenses	254,496	480,998	125,076	236,394
<b>Total</b>	<b>23,104,690</b>	<b>43,667,864</b>	<b>16,003,366</b>	<b>30,246,361</b>

### 5 INVENTORY

Consist of:

	2016	2016	Restated 2015	Restated 2015
	Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
Finished Goods	383,979	725,720	241,192	455,852
<b>Total</b>	<b>383,979</b>	<b>725,720</b>	<b>241,192</b>	<b>455,852</b>

Director



## 6 PROPERTY, PLANT AND EQUIPMENT

								Currency : Baht
Consist of:	Land	Building	Improvement & Decoration	Furniture Fixture & Equipment	General Equipment	Computer	Vehicles	Total
<b>Cost</b>								
As at 31 <sup>st</sup> March, 2015	114,770,000	108,968,618	–	5,258,164	–	109,976	175,000	229,281,758
Acquisitions	–	–	2,712,105	132,158	175,293	76,150	–	3,095,706
Disposals	–	–	–	–	–	–	–	–
Adjustment/Reclassification	–	–	1,835,863	(4,545,524)	2,291,606	384,255	–	(33,800)
As at 31 <sup>st</sup> March, 2016	114,770,000	108,968,618	4,547,969	844,798	2,466,898	570,381	175,000	232,343,664
<b>Accumulated depreciation</b>								
As at 31 <sup>st</sup> March, 2015	–	38,736,309	–	4,090,929	–	19,969	174,999	43,022,206
Depreciation for the period	–	5,459,647	11,486	147,544	202,088	46,220	–	5,866,984
Depreciation on disposals	–	–	–	–	–	–	–	–
Adjustment/Reclassification	–	–	1,835,834	(3,906,122)	1,704,033	337,388	–	(28,866)
As at 31 <sup>st</sup> March, 2016	–	44,195,956	1,847,320	332,351	1,906,121	403,577	174,999	48,860,324
<b>Net book value</b>								
As at 31 <sup>st</sup> March, 2015	114,770,000	70,232,309	–	1,167,235	–	90,007	1.00	186,259,552
As at 31 <sup>st</sup> March, 2016	114,770,000	64,772,662	2,700,649	512,447	560,777	166,803	1.00	183,483,340
Depreciation for the year								
For the year ended 31 <sup>st</sup> March, 2015 (Included in cost and administrative expenses)								5,808,775
For the year ended 31 <sup>st</sup> March, 2016 (Included in cost and administrative expenses)								5,866,984

								Currency : INR
Consist of:	Land	Building	Improvement & Decoration	Furniture Fixture & Equipment	General Equipment	Computer	Vehicles	Total
<b>Cost</b>								
As at 31 <sup>st</sup> March, 2015	216,915,300	205,950,688	–	9,937,930	–	207,854	330,750	433,342,523
Acquisitions	–	–	5,125,879	249,779	331,303	143,924	–	5,850,885
Disposals	–	–	–	–	–	–	–	–
Adjustment/Reclassification	–	–	3,469,781	(8,591,040)	4,331,135	726,242	–	(63,882)
As at 31 <sup>st</sup> March, 2016	216,915,300	205,950,688	8,595,661	1,596,669	4,662,437	1,078,020	330,750	439,129,525
<b>Accumulated depreciation</b>								
As at 31 <sup>st</sup> March, 2015	–	73,211,625	–	7,731,856	–	37,741	330,748	81,311,969
Depreciation for the period	–	10,318,732	21,708	278,858	381,946	87,356	–	11,088,600
Depreciation on disposals	–	–	–	–	–	–	–	–
Adjustment/Reclassification	–	–	3,469,727	(7,382,570)	3,220,622	637,664.09	–	(54,558)
As at 31 <sup>st</sup> March, 2016	–	83,530,357	3,491,434	628,144	3,602,568	762,761	330,748	92,346,012
<b>Net book value</b>								
As at 31 <sup>st</sup> March, 2015	216,915,300	132,739,064	–	2,206,075	–	170,113	1.89	352,030,553
As at 31 <sup>st</sup> March, 2016	216,915,300	122,420,332	5,104,226	968,525	1,059,869	315,259	1.89	346,783,513
Depreciation for the year								
For the year ended 31 <sup>st</sup> March, 2015 (Included in cost and administrative expenses)								10,978,585
For the year ended 31 <sup>st</sup> March, 2016 (Included in cost and administrative expenses)								11,088,600

Director

## NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>st</sup> MARCH 2016 (Contd)

### 7 INTANGIBLE ASSETS

Consist of:	Currency: Baht	
	Computer Software	Total
<b>Cost</b>		
As at 1 <sup>st</sup> April, 2015	607,484	607,484
Acquisitions	6,850	6,850
Disposals	-	-
Adjustment/Reclassification	33,800	33,800
As at 31 <sup>st</sup> March, 2016	648,134	648,134
<b>Accumulated amortisation</b>		
As at 1 <sup>st</sup> April, 2015	459,046	459,046
Amortisation for the period	41,684	41,684
Depreciation on disposals	-	-
Adjustment/Reclassification	28,866	28,866
As at 31 <sup>st</sup> March, 2016	529,597	529,597
<b>Net book value</b>		
As at 1 <sup>st</sup> April, 2015	148,438	148,438
As at 31 <sup>st</sup> March, 2016	118,537	118,537
Amortisation for the period		
For the year ended 31 <sup>st</sup> March, 2015 (Included in cost and administrative expenses)		30,802
For the year ended 31 <sup>st</sup> March, 2016 (Included in cost and administrative expenses)		41,684

Consist of:	Currency: INR	
	Computer Software	Total
<b>Cost</b>		
As at 1 <sup>st</sup> April 2015	1,148,145	1,148,145
Acquisitions	12,947	12,947
Disposals	-	-
Adjustment/Reclassification	63,882	63,882
As at 31 <sup>st</sup> March 2016	1,224,973	1,224,973
<b>Accumulated amortisation</b>		
As at 1 <sup>st</sup> April 2015	867,597	867,597
Amortisation for the period	78,782	78,782
Depreciation on disposals	-	-
Adjustment/Reclassification	54,558	54,558
As at 31 <sup>st</sup> March 2016	1,000,938	1,000,938
<b>Net book value</b>		
As at 1 <sup>st</sup> April 2015	280,547	280,547
As at 31 <sup>st</sup> March 2016	224,036	224,036
Amortisation for the period		
For the year ended 31 <sup>st</sup> March, 2015 (Included in cost and administrative expenses)		58,217
For the year ended 31 <sup>st</sup> March, 2016 (Included in cost and administrative expenses)		78,782

### 8 TRADE AND OTHER PAYABLES

Consist of:	2016	2016	Restated 2015	Restated 2015
	Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
Trade payables	1,419,624	2,683,089	661,855	1,250,907
Advance received	11,869	22,433	116,823	220,796
Accrued interest expenses - related parties (Note 10)	24,853,300	46,972,738	22,125,500	41,817,195
Accrued interest expenses for withholding tax	4,385,877	8,289,307	3,904,500	7,379,505
Accrued service charge	197,782	373,808	203,389	384,405
Accrued expenses	307,473	581,124	386,052	729,638
<b>Total</b>	<b>31,175,925</b>	<b>58,922,498</b>	<b>27,398,119</b>	<b>51,782,445</b>

### 9 OTHER CURRENT LIABILITIES

Consist of:	2016	2016	Restated 2015	Restated 2015
	Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
Unrealised output tax	1,486,407	2,809,308	1,034,097	1,954,443
Value added tax payable	83,839	158,455	99,646	188,331
Withholding tax payable	17,917	33,862	12,277	23,203
Social Security tax payable	47,838	90,414	42,764	80,824
<b>Total</b>	<b>1,636,000</b>	<b>3,092,040</b>	<b>1,188,784</b>	<b>2,246,801</b>

### 10 RELATED PARTIES TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Relationship with related parties were as follows:

Name of entities	Country of incorporation/nationality	Nature of relationships
Mahindra Holidays & Resorts India Limited	India	49% shareholder
MH Boutique Co., Ltd.	Thailand	51% shareholder

The Pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from rent and services	Contractually agreed rate
Interest charged	Contractually agreed rate

Relationships with related parties that control or jointly control the Company or are being controlled or jointly controlled by the Company or have transactions with the Group were as follows:

	2016	2016	Restated 2015	Restated 2015
	Currency: Baht	Currency: INR	Currency: Baht	Currency: INR
<b>Income</b>				
Mahindra Holidays & Resorts India Limited (Included VAT 7%)	22,129,071	41,823,945	7,971,600	15,066,324
<b>Expenses</b>				
Mahindra Holidays & Resorts India Limited	13,015,000	24,598,350	13,015,000	24,598,350
<b>Receivable</b>				
Mahindra Holidays & Resorts India Limited	22,140,459	41,845,467	15,222,588	28,770,690
MH Botique Co., Ltd.	120,461	227,671	71,481	135,099
<b>Payable</b>				
Mahindra Holidays & Resorts India Limited	24,853,300	46,972,738	22,125,500	41,817,195
<b>Loan from related parties</b>				
Mahindra Holidays & Resorts India Limited	137,000,000	258,930,000	137,000,000	258,930,000
<b>Interest rate</b>	9.5%	9.5%	9.5%	9.5%

## 11 CHANGE IN ACCOUNTING POLICY

On 1<sup>st</sup> April, 2015, the company changed its accounting policy for recognition of service charge from recording the full amount of service charge billed to customers as revenue and the portion paid to employee as wage expenses to directly recording in liabilities and recognize revenue from service charge in net amount after deduction of employee payment in order to align with the parent company's policy of accounting service charges.

In accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities for accounting policies, errors and estimates, this change in accounting policy has been applied retrospectively to the company's financial statements for all periods presented with the following impact on the 2015 financial statements:

	Currency: Baht	Currency: INR
	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2015
<b>Statements of financial position</b>		
Increase in trade and other payable	203,389	384,405
Decrease in Beginning of Retained earnings (Deficits)	(196,725)	(371,811)
<b>Profit and loss statement</b>		
Decrease in Revenue from rent and services	(1,769,324)	(3,344,022)
Decrease in Selling expenses	(1,762,660)	(3,331,428)

## 12 RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements. These reclassification have been made including changes in accounting policies as disclosed in note 11 and others. The significant reclassification were as follows:

	Currency: Baht	Currency: Baht	Currency: Baht	Currency: INR	Currency: INR	Currency: INR
	Before Reclass	Reclass	After Reclass	Before Reclass	Reclass	After Reclass
<b>Statements of financial position</b>						
Trade and other payable	27,194,731	203,389	27,398,119	51,398,041	384,405	51,782,445
Retained earnings (Deficits)	(108,387,202)	(203,389)	(108,590,591)	(204,851,812)	(384,405)	(205,236,217)
<b>Profit and loss statement</b>						
Revenue from rent and services	32,841,962	(1,769,324)	31,072,638	62,071,308	(3,344,022)	58,727,286
Cost of rent and services	13,074,120	5,337,176	18,411,296	24,710,086	10,087,263	34,797,349
Selling expenses	12,281,764	(10,197,008)	2,084,756	23,212,534	(19,272,344)	3,940,190
Administrative expenses	4,628,019	3,097,171	7,725,191	8,746,957	5,853,653	14,600,610

## 13 APPROVAL OF FINANCIAL STATEMENT

These financial statement were authorized for issue by company's authorized director on 7<sup>th</sup> April, 2016.

- 14 FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 1.89 = THB 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

Director

## DIRECTORS' REPORT

To,  
The Shareholders,

Your Directors have pleasure in presenting their Ninth Annual Report together with the audited financial statements of your Company for the Financial Year ended March 31, 2016.

### Performance of the Company

Your Company is yet to commence operations. During the year under review, the Company has incurred loss of Rs. 71,211/-.

### Dividend

In view of the losses, your Directors do not recommend any dividend for the year under review.

### Transfer to Reserves

Your Directors do not propose to transfer any amount to reserves.

### Holding Company:

During the year under review, your Company continues to be a wholly owned subsidiary of Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Auditors' Report:

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to the financial statements for the year ended March 31, 2016. Information referred in Auditors Report are self-explanatory & do not call for any further comments.

### Extract of the annual return

The Extract of the Annual Return in Form No. MGT – 9, as required under sub-section (3) of Section 92 of the Companies Act, 2013 ("the Act") is given in the Annexure I to this Report.

### Board of Directors

As on March 31, 2016, your Company had 3 Non-Executive Directors. Since Mr. Ravindera Nath Khanna had retired by rotation and has been reappointed in the Annual General Meeting (AGM) held on July 27, 2015 and Mr. Dinesh Shetty and Mr. Ajay Agarwal were appointed as Directors w.e.f. AGM held on August 26, 2014, pursuant to Section 152(6) of the Act and Articles of Association of the Company it was mutually agreed among the Directors that Mr. Dinesh Shetty shall retire by rotation, and being eligible, offers himself for re-appointment.

### Key Managerial Personnel

The provisions of Section 203 of the Act is not applicable to the Company.

### Number of meetings of the Board of Directors and Attendance

During the year under review, the Board met four times from on: April 23, 2015, July 27, 2015, October 26, 2015 and January 21, 2016. The gap between two Meetings did not exceeding one hundred and twenty days. All the Directors attended all

the meetings except, Mr. Ravindera Nath Khanna who has attended two meetings, held during 2015-16.

### Company's Policy relating to Directors appointment, payment of remuneration and discharge of their duties

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company and hence the Company has not devised any policy relating to appointment of Directors, payment of Managerial remuneration, Directors qualifications, positive attributes, Independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013.

### Disclosure of Composition of Audit Committee and providing Vigil Mechanism

The provisions of Section 177 of the Companies Act, 2013 read with Rule 6 and 7 of the Companies (Meetings of the Board and its Powers) Rules, 2013 are not applicable to the Company.

### Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

During the year, the Company did not grant any loans or given any guarantees or made any investments under Section 186 of the Act.

### Particulars of contracts or arrangements with related parties

All the contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. The details of contracts/arrangements/transactions with related parties are given in Annexure II in the Form AOC-2.

In addition to above, during the financial year, your Company has availed Inter Corporate Deposits from Mahindra Holidays & Resorts India Limited (MHRIL), holding Company amounting to Rs. 50,000/- and the same remained outstanding as on March 31, 2016.

Apart from the above transaction, there were no materially significant related party transactions with the Promoters, Directors and Key Managerial Personnel, which may have a potential conflict with the interest of the Company at large.

Your Directors draw attention of the members to Note 10 to the financial statements which sets out related party disclosure.

### Statutory Auditors

Messrs Anil Nair & Associates, Chartered Accountants, Chennai (ICAI Registration Number 000175S), were appointed as Statutory Auditors of the Company for a term of five years, from the conclusion of the Annual General Meeting (AGM) held on August 26, 2014 till the conclusion of AGM to be held in the year 2019, subject to a yearly ratification of such appointment by shareholders at the Annual General Meeting. Accordingly, the Shareholders of the Company ratified the appointment of

Statutory Auditors at their AGM held on July 27, 2015 for the financial year 2015-16.

Further, as required under the provisions of Section 139 and 141 of the Act, your Company has obtained a written certificate from the Auditors to the effect that their ratification of appointment, if made at the forthcoming AGM, would be in conformity within the limits specified in the said Section. Accordingly, ratification of appointment of Statutory Auditors for the financial year 2016-17 is being sought from the Shareholders of the Company at the ensuing AGM.

#### **Material Changes and Commitments, if any, affecting the financial position of the Company**

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year of the Company i.e. March 31, 2016 and the date of the Directors' Report.

#### **Details of Policy developed and implemented by the Company on its Corporate Social Responsibility initiatives**

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

#### **Internal Financial Controls**

Your Company has adequate internal financial controls with reference to financial statements.

#### **Deposits and Loans/Advances**

Your Company has not accepted any deposits from the public or its employees during the year under review.

Your Company has not made any loans/advances of the nature, which are otherwise required to be disclosed in the annual report of the Company pursuant to Regulation 34(3) read with Schedule V of Regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 of the parent companies Mahindra Holidays & Resorts India Limited and Mahindra & Mahindra Limited with the Stock Exchanges.

#### **Significant and Material Orders passed by the Regulators or Courts**

There are no significant and material orders passed by the Regulators/Courts/Tribunal which would impact the going concern status of the Company and its operations in future.

#### **Conservation of energy, technology absorption and foreign exchange earnings and outgo**

The Company did not carry out any operations during the year and hence disclosure required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 shall not be applicable to the Company.

#### **Statement concerning development and implementation of Risk Management Policy of the Company**

The Company does not have any Risk Management Policy as the elements of risk threatening the Company's existence is very minimal.

#### **Directors' Responsibility Statement**

Pursuant to clause (c) of sub-section (3) of Section 134 of the Act, your Directors state that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed and there is no material departure;
- (b) they 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 at the end of March 31, 2016 and of the loss of the Company for the year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis; and
- (e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Acknowledgements**

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors and Banks during the year under review.

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

<b>Ravindera Nath Khanna</b>	<b>Ajay Agrawal</b>
Director	Director
(DIN: 05349095)	(DIN: 06879842)

Place: Chennai  
Date: May 13, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016

Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2016

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

#### I. REGISTRATION AND OTHER DETAILS

i	CIN	U55101TN2007PLC063285
ii	Registration Date	April 26, 2007
iii	Name of the Company	Mahindra Hotels and Residences India Limited
iv	Category/Sub-Category of the Company	Company Limited by Shares/Indian Non-Government Company
v	Address of the Registered office of the Company	No.17 & 18, 2nd Floor, Mahindra Towers, Pattulos Road, Chennai – 600002 Ph. No. - 044 – 3988 1000 Fax No. - 044 – 3027 7778 E- Mail - arun.khandelwal@mahindraholidays.com
vi	Whether listed company	No
vii	Name, Address, Contact Details of Registrar and Transfer Agent	Not Applicable

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main product/services	NIC Code of the Product/service	% to total turnover of the company
1	Not Applicable		

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

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1	Mahindra Holidays & Resorts India Limited Mahindra Towers, 2 <sup>nd</sup> Floor, 17/18 Patullos Road, Chennai – 600 002	L55101TN1996PLC036595	Holding Company	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 (01/04/2015)				No. of Shares held at the end of the year (31/03/2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	50,000	50,000	100.00	–	50,000	50,000	100.00	–
e) Banks/FI	–	–	–	–	–	–	–	–	–
l) Any Other....	–	–	–	–	–	–	–	–	–
<b>Sub-total A (1):-</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–

Category of Shareholders	No. of Shares held at the beginning of the year (01/04/2015)				No. of Shares held at the end of the year (31/03/2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRIs – Individuals	–	–	–	–	–	–	–	–	–
b) Other – Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	–	–	–	–	–	–	–	–	–
d) Banks/FI	–	–	–	–	–	–	–	–	–
e) Any Other...	–	–	–	–	–	–	–	–	–
<b>Sub-total A (2):-</b>	–	–	–	–	–	–	–	–	–
<b>Total shareholding of Promoter (A)=(A)(1) + (A)(2)</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	–	–	–	–	–	–	–	–	–
b) Banks/FI	–	–	–	–	–	–	–	–	–
c) Central Govt.	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIs	–	–	–	–	–	–	–	–	–
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i) Others (specify)	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(1):-</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institutions</b>									
a) Body Corp.	–	–	–	–	–	–	–	–	–
i) Indian	–	–	–	–	–	–	–	–	–
ii) Overseas	–	–	–	–	–	–	–	–	–
b) Individual	–	–	–	–	–	–	–	–	–
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	–
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	–	–	–	–	–	–	–	–	–
c) Others (specify)	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(2):-</b>	–	–	–	–	–	–	–	–	–
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	–	–	–	–	–	–	–	–	–
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100.00</b>	–

**(ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (01/04/2015)			Shareholding at the end of the year (31/03/2016)			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra Holidays & Resorts India Limited	50,000	100.00	–	50,000	100.00	–	–
	<b>Total</b>	<b>50,000</b>	<b>100.00</b>	–	<b>50,000</b>	<b>100.00</b>	–	–

**(iii) Change in Promoters' Shareholding (please specify, if there is no change):** No Changes during the Year

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**  
Not Applicable

**(v) Shareholding of Directors and Key Managerial Personnel:** Not Applicable

**V. INDEBTEDNESS**

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

**(Amount in Rs.)**

	Secured Loans excluding deposits	Unsecured Loans (ICD)	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i+ii+iii)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>				
+ Addition	–	50,000	–	50,000
– Reduction	–	–	–	–
<b>Net change</b>	–	<b>50,000</b>	–	<b>50,000</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	50,000	–	50,000
iii) Interest accrued but not due	–	2,764	–	2,764
<b>Total (i+ii+iii)</b>	–	<b>52,764</b>	–	<b>52,764</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

**B. Remuneration to other Directors:** Nil

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:** Not Applicable

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

During the year, no penalties were levied against the Company, its Directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its Directors or any of its officers.

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

**Ravindera Nath Khanna**  
Director  
(DIN: 05349095)

**Ajay Agrawal**  
Director  
(DIN: 06879842)

Place: Chennai  
Date: May 13, 2016



**ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2016****Form No. AOC – 2**

(Pursuant to Clause (h) of Sub-Section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at arm's length basis: Nil**

**2. Details of material contracts or arrangement or transactions at arm's length basis:**

(a)	Name(s) of the related party Nature of relationship	Mahindra & Mahindra Limited Ultimate Holding Company
(b)	Nature of contracts/arrangements/transactions	Training Expenses
(c)	Duration of the contracts/arrangements/ transactions	One Time
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Payment of Rs. 9,000/- towards Fees for attending Directors Familiarization Programme organised by Mahindra & Mahindra Limited.
(e)	Date(s) of approval by the Board, if any:	January 21, 2016
(f)	Amount paid as advances, if any;	Nil

The above mentioned transaction was entered into by the Company in its ordinary course of business.

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

**Ravindra Nath Khanna**  
Director  
(DIN: 05349095)

**Ajay Agrawal**  
Director  
(DIN: 06879842)

Place: Chennai  
Date: May 13, 2016

## INDEPENDENT AUDITOR'S REPORT

To The Members of,  
**MAHINDRA HOTELS AND RESIDENCES INDIA LIMITED**

### Report on the Financial Statements:

We have audited the accompanying financial statements of **MAHINDRA HOTELS AND RESIDENCES INDIA LIMITED**, ("the Company") which comprise the Balance sheet as at 31<sup>st</sup> March, 2016, and the Statement of Profit and Loss account 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:

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of the 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 the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, 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 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 true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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 financial statements give the information required by the act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its 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 in terms of sub section (11) of Section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
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 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 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 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the other matters included in the auditor's report and to the best of our information and according to the explanation given to us:
    - i. The Company does not have any pending litigation on its financial position in its financial statements.
    - ii. The company did not have material foreseeable losses on long term contracts and there were no derivative contracts.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year.

For **ANIL NAIR & ASSOCIATES**  
Chartered Accountants  
Firm Reg. No.: 000175S

Place: Chennai  
Date: 13<sup>th</sup> May, 2016

**P. NARAYANAN**  
Partner  
Membership No.: 201758

**ANNEXURE A TO THE AUDITORS' REPORT**

The Annexure referred to in our report to the members of the Company on the standalone financial statements for the year ended on 31<sup>st</sup> March, 2016. We report that:

- i. The Company does not carry any fixed assets in its books. Accordingly, reporting under paragraph 3(i)(a),(b) and (c) of the Order does not arise.
- ii. The Company does not carry any Inventory in its books. Accordingly, reporting under paragraph 3(ii) of the Order does not arise.
- iii. According to the 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 189 of the Companies Act 2013. Accordingly, reporting under clause 3(iii)(a) and (b) of the Order does not arise.
- iv. According to the information and explanation given to us, the Company has not granted any loans including loan represented by way of Book debt, whether directly or indirectly, to any of its Directors. Accordingly, reporting under clause 3(iv) of the Order does not arise.
- v. The Company has not accepted any deposits from public.
- vi. The Central Government has not prescribed maintenance of Cost Records under sub-section (1) of section 148 of the Companies Act 2013 for any of the services rendered by the Company.

- vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is regular in depositing undisputed statutory dues including Income Tax, Value Added Tax, and other statutory dues as applicable with the appropriate authorities.

According to the information and explanations given to us, there were no arrears of outstanding statutory dues as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.

- (b) There are no dues which have not been deposited as on 31<sup>st</sup> March, 2016 on account of disputes and hence, reporting under Paragraph 3(vii) does not arise.
- viii. According to the information given to us, the Company has not defaulted in the repayment of dues to any financial institutions or bank or debenture holders.

- ix. According to the information and explanation given to us, the Company has not raised any money by way of Initial public Offer or Term loans. Accordingly, reporting under clause 3(ix) of the Order does not arise.
- x. According to the information and explanations given to us, no material fraud on or by the Company has been noted or reported during the course of the audit.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration. Hence, the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act does not arise.
- xii. The Company is not a Nidhi Company and accordingly, reporting under clause 3(xii) of the Order does not arise.
- xiii. According to the information and explanation given to us, all transactions with and related parties are in compliance with sections 177 and 188 of the Companies Act 2013 and all details thereof, has been disclosed in the Financial statements as required by the Accounting Standards.
- xiv. The Company has not made any preferential allotment or private placement of shares or debentures during the year. Accordingly, reporting under clause 3(xiv) of the Order is not applicable.
- xv. The Company has not entered into any non-cash transactions with directors or other persons connected with him. Accordingly, reporting under clause 3(xv) of the Order is not applicable.
- xvi. The Company is not required to register under section 45-IA of the Reserve Bank of India Act, 1934 and accordingly, reporting under clause 3(xvi) of the Order is not applicable.

**For ANIL NAIR & ASSOCIATES**  
Chartered Accountants  
Firm Reg. No.: 000175S

Place: Chennai  
Date: 13<sup>th</sup> May, 2016

**P. NARAYANAN**  
Partner  
Membership No.: 201758

## ANNEXURE B TO THE AUDITORS' REPORT

### Report 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 M/s MAHINDRA HOTELS AND RESIDENCES INDIA LIMITED ("the Company") as of 31<sup>st</sup> March, 2016 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For ANIL NAIR & ASSOCIATES  
Chartered Accountants  
Firm Reg. No.: 000175S

Place: Chennai  
Date: 13<sup>th</sup> May, 2016

P. NARAYANAN  
Partner  
Membership No.: 201758

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

		In Rs.	
Particulars	Note	As at 31-Mar-16	As at 31-Mar-15
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds:</b>			
Share capital	2	500,000	500,000
Reserves and surplus	3	(1,354,988)	(1,283,777)
		<u>(854,988)</u>	<u>(783,777)</u>
<b>Non-Current Liabilities</b>			
Other Long term Liabilities	4	740,333	740,333
<b>Current Liabilities</b>			
Short term borrowings	5	50,000	–
Other Current Liabilities	6	84,955	44,944
		<u>134,955</u>	<u>44,944</u>
		<u>20,300</u>	<u>1,500</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents	7	20,300	1,500
		<u>20,300</u>	<u>1,500</u>
		<u>20,300</u>	<u>1,500</u>
Significant Accounting Policies	1		

The Notes referred above forms an integral part of the Financial Statements

In terms of our report attached

For **Anil Nair & Associates**  
Chartered Accountants  
Firm Reg. No.: 000175S

**P. Narayanan**  
Partner  
Membership No.: 201758

Place : Chennai  
Date : 13<sup>th</sup> May 2016

For and on behalf of the Board of Directors

**Ajay Agarwal**  
Director

**Ravindera Nath Khanna**  
Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No	In Rs.	
		Year ended 31-Mar-16	Year ended 31-Mar-15
<b>Revenue:</b>			
Revenue from operations		-	-
Other Income		-	-
<b>Total Revenue</b>		<b>-</b>	<b>-</b>
<b>Expenses:</b>			
Finance Costs	8	2,764	-
Other Expenses	9	68,447	80,944
<b>Total Expenses</b>		<b>71,211</b>	<b>80,944</b>
<b>Profit before tax</b>		<b>(71,211)</b>	<b>(80,944)</b>
<b>Less : Tax expense</b>			
- Current tax		-	-
- Deferred tax		-	-
<b>Profit/loss for the year</b>		<b>(71,211)</b>	<b>(80,944)</b>
Significant Accounting Policies	1		

The Notes referred above forms an integral part of the Financial Statements

In terms of our report attached

For **Anil Nair & Associates**  
Chartered Accountants  
Firm Reg. No.: 000175S

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

**P. Narayanan**  
Partner  
Membership No.: 201758

**Ajay Agarwal**  
Director

**Ravindera Nath Khanna**  
Director

Place : Chennai  
Date : 13<sup>th</sup> May 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	In Rs.	
	Year ended 31-Mar-16	Year ended 31-Mar-15
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before exceptional items and tax	(71,211)	(80,944)
Adjustments:		
Finance Costs	2,764	-
<b>Operating profit before working capital changes</b>	<b>(68,447)</b>	<b>(80,944)</b>
<b>Changes in working capital:</b>		
Other Current Liabilities	37,247	80,944
	<b>(31,200)</b>	-
Income tax	-	-
<b>Net Cash (used in)/from Operating Activities</b>	<b>(31,200)</b>	-
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Net Cash (used in)/from Investing Activities	-	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	50,000	-
<b>Net Cash (used in)/from Financing Activities</b>	<b>50,000</b>	-
<b>Net increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>18,800</b>	-
<b>Cash &amp; Cash Equivalents:</b>		
Opening Balance	1,500	1,500
Closing Balance	<b>20,300</b>	1,500
	<b>18,800</b>	-

The Notes referred above forms an integral part of the Financial Statements

In terms of our report attached

For **Anil Nair & Associates**  
Chartered Accountants  
Firm Reg. No.: 000175S

**P. Narayanan**  
Partner  
Membership No.: 201758

Place : Chennai  
Date : 13<sup>th</sup> May 2016

For and on behalf of the Board of Directors

**Ajay Agarwal**  
Director

**Ravindera Nath Khanna**  
Director

## NOTES ON ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS AS AT AND FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016

#### 1. Significant Accounting Policies

##### (i) Accounting Convention

- The financial statements have been prepared under Historical Cost Convention and in accordance with the accounting standards referred to in Section 133 of the Companies Act, 2013.
- The company generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

##### (ii) Fixed Assets

There were no fixed assets in the company during the year ended 31<sup>st</sup> March, 2016.

##### (iii) Revenue Recognition

The company had not commenced commercial operations during the year ended 31<sup>st</sup> March, 2016.

##### (iv) Inventories

The company did not have inventories during the year ended 31<sup>st</sup> March, 2016.

##### (v) Retirement Benefits

The company did not have any employees on rolls during the year ended 31<sup>st</sup> March, 2016.

##### (vi) Taxes on Income

Since the company did not have any commercial operations during the year, the question of income tax/deferred tax does not arise.

##### (vii) Earnings per share

Since the company did not have any commercial operations during the year ended 31<sup>st</sup> March, 2016 the Accounting Standard ('AS') 20 on Earnings per Share, issued by the Institute of Chartered Accountants of India would not be applicable to the company.

#### 2. Share Capital

Particulars	In Rs.			
	As at 31 <sup>st</sup> March, 2016 No. of Shares	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 No. of Shares	As at 31 <sup>st</sup> March, 2015 Rs.
<b>Authorised:</b>				
50,000 Equity Shares of Rs. 10 each	50,000	500,000	50,000	500,000
	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>
<b>Issued, Subscribed &amp; Paid up:</b>				
<b>Equity:</b>				
50,000 equity shares of Rs. 10 each	50,000	500,000	50,000	500,000
	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>

#### Notes:

- The Company has only one class of shares referred to as equity shares having a par value of Rs. 10. Each holder of equity share is entitled to one vote per share.
- In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company,

after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

- Reconciliation of No. of Shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 <sup>st</sup> March, 2016 No. of Shares	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 No. of Shares	As at 31 <sup>st</sup> March, 2015 Rs.
	At the beginning of the year	50,000	500,000	50,000
Add: Issued during the year	-	-	-	-
At the end of the year	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>

- Shares in the company held by each shareholder holding more than 5% shares specifying the no. of shares held

Name of shareholder	No. of shares 31 <sup>st</sup> March, 2016	% held as at 31 <sup>st</sup> March, 2016	No. of shares 31 <sup>st</sup> March, 2015	% held as at 31 <sup>st</sup> March, 2015
Mahindra Holidays and Resorts India Limited	49,994	99.99%	49,994	99.99%

#### 3. Reserves and Surplus

Particulars	In Rs.	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Surplus/(Deficit) in Statement of Profit &amp; Loss</b>		
As per last balance sheet	(1,283,777)	(1,202,833)
Add: Profit/(Loss) for the year	(71,211)	(80,944)
Closing Balance	<u>(1,354,988)</u>	<u>(1,283,777)</u>

#### 4. Other Long term Liabilities

Particulars		
Due to Holding Company (MHRIL)	740,333	740,333
	<u>740,333</u>	<u>740,333</u>

#### 5. Short term borrowings

ICD from MHRIL	50,000	-
	<u>50,000</u>	<u>-</u>

#### 6. Other Current Liabilities

Audit Fee Payable	34,350	33,708
Other Expenses Payable	44,841	11,236
Interest accrued on ICD from MHRIL	2,764	-
TDS Payable	3,000	-
	<u>84,955</u>	<u>44,944</u>

#### 7. Cash & Cash Equivalents

Cash on hand	-	-
<b>Balances with Banks</b>		
On Current Account	20,300	1,500
	<u>20,300</u>	<u>1,500</u>



**8. Finance Costs**

Particulars	In Rs.	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Interest on ICD	2,764	-
	<u>2,764</u>	<u>-</u>

**9. Other Expenses**

Rates & Taxes	1,797	4,000
Legal and Professional Charges	23,300	43,236
Auditors' Remuneration	34,350	33,708
Training	9,000	-
	<u>68,447</u>	<u>80,944</u>

**10. Related party Transactions**

There are transactions with related parties, required to be disclosed as per AS 18 on Related Party Disclosure issued by Institute of Chartered Accountants of India, during the year ended March 31, 2016.

**a. Names of related parties and nature of relationship where control exists:**

Name of the Related Party	Nature of Relationship
Mahindra Holidays & Resorts India Limited	Holding Company
Mahindra & Mahindra Ltd	Ultimate Holding Company

**b. The related party transactions are as under:**

Name of Related Party	Particulars	Balance
Mahindra Holidays & Resorts India Limited	Other Long term Liabilities	Rs. 740,333
	ICD Outstanding	Rs. 50,000
	Interest accrued & not due (ICD)	Rs. 2,764

Mahindra & Mahindra Limited	Other Payables	Rs. 10,305
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Name of Related Party	Particulars	Balance
Mahindra Holidays & Resorts India Limited	Interest accrued on ICD	Rs. 2,764
Mahindra & Mahindra Limited	Training Expenses	Rs. 9,000

**11. Segment Reporting**

The Company did not commence commercial operations during the year ended 31<sup>st</sup> March, 2016. Hence, the disclosure requirement as per AS 17 on Segment Reporting would not be applicable to the company.

**12. The previous year numbers have been regrouped/reclassified to correspond with current year's classification/disclosure, wherever deemed necessary.**

In terms of our report attached

For **Anil Nair & Associates**

Chartered Accountants

Firm Reg. No.: 000175S

**P. Narayanan**

Partner

Membership No.: 201758

Place : Chennai

Date : 13<sup>th</sup> May 2016

For and on behalf of the Board of Directors

**Ajay Agarwal**

Director

**Ravindera Nath Khanna**

Director

## DIRECTORS' REPORT

The following shall constitute a report of the Board of Directors relating to the activities of the Company for the year ended March 31, 2016.

Your Company continues to remain a wholly owned subsidiary of MHR Holdings (Mauritius) Limited, Mauritius (MHR Holdings) and in turn a wholly owned subsidiary of Mahindra Holidays & Resorts India Limited, a company incorporated in India.

Your Company has increased its stake from 23.3% to 85.6% in the share capital of Holiday Club Resorts Oy, Finland (HCR) during the year under review. Further, your Company also increased its stake from 18.7% to 100% in the share capital of HCR Management Oy, Finland (HCRM). Consequently to the above, HCR and HCRM became Subsidiary Companies of the Company effective from September 2015.

Your Company has availed loans from RCI, Europe and MHR Holdings for the purpose of increasing its stake in HCR and HCRM, during the year under review. As of March 31, 2016 the net outstanding loans amount are, Euro 10 million in respect of RCI, Europe and Euro 20.38 million in respect of MHR Holdings.

Your Company has incurred loss of Euro 768,913 (INR 57,645,408) for the financial year ended March 31, 2016.

Mr. Dinesh Shetty, Mr. Ajay Agrawal and Mr. Livio Gambardella are the Directors of your Company.

In the opinion of the Board of Directors, the accompanying financial statement together with its notes, annexures, etc., as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

For **Covington S.à.r.l**

**Dinesh Shetty**  
Director

**Ajay Agrawal**  
Director

Dated : May 12, 2016

## INDEPENDENT AUDITOR'S REPORT

To

The Board of Directors  
Covington S.A.R.L

### Report on Financial Statements

We have audited the accompanying financial statements of Covington S.A.R.L. Luxembourg (hereinafter referred to as "Company") the Balance Sheet as at 31<sup>st</sup> March, 2016, and Statement of Profit & Loss for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors are responsible for the preparation of these financial statements in terms of the requirements of Indian Companies Act, 2013 to the extent applicable (hereinafter referred to as "the Act") that give a true and fair view of the financial position, financial performance and cash flows of the Company 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. The Board of Directors of the Company are responsible for maintenance of adequate accounting records in line with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control, 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, which have been used for the purpose of preparation of the financial statements by the Directors of the Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. While conducting the 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 there under. 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 but not for the purpose of expressing an opinion on whether the Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of Balance sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and the Statements of Profit and Loss of the loss for the year ended on that date.

### Other Matters

The financial statements of Covington S.A.R.L. Luxembourg are being audited by the overseas auditors according to the applicable statute. We have audited the financial statements in accordance with the requirements of the Standards on Auditing specified under Section 143(10) of the Act based on management's request for consolidation of the financial statements of the Company with that of its holding company, Mahindra Holidays & Resorts India Limited. These financial statements/financial information of Company have been provided to us by the management of the Holding Company and our opinion on the financial statements, in so far as it relates to the amounts and disclosures included in respect of these companies, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid Company, is based solely on the report and information made available by the Holding Company in India.

Our opinion on the financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the information, data, financial statements/ financial information provided by the Management of the Holding Company and certified by the Board of Directors of the Company.

### Report on Other Legal and Regulatory Requirements

1. The Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, is not applicable to this Company.

2. As required by Section 143(3) of the Act, I report, to the extent applicable, 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 purpose so far as the audit of the aforesaid financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Balance Sheet and the Statement of Profit and Loss, dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the financial statements.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) The clause regarding the disqualification from being appointed as a director in terms of Section 164(2) of the Act as on 31<sup>st</sup> March, 2016 is not applicable to this Company.
  - (f) The requirement with respect the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls is not applicable to it as it is incorporated outside India.
  - (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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The financial statements disclose the impact of pending litigations on the financial position of the Company.
    - ii. The Company did not have any material foreseeable losses on long-term contracts including derivative contracts.
    - iii. The clause regarding the amount required to be transferred to the Investor Education and Protection Fund is not applicable to this Company.

**R. Subramanian and Company**  
Chartered Accountants  
FRN 004137S

**R. Rajaram**  
Partner  
M. No. 25210

Place: Chennai  
Date: May 12, 2016

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

Particulars	Note Ref.	As at March 31, 2016		As at March 31, 2015	
		EURO	INR	EURO	INR
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Funds:</b>					
Share Capital .....	3	12,500	937,125	12,500	937,125
Reserves and Surplus .....	4	22,302,774	1,672,038,966	7,071,687	530,164,374
<b>Non Current Liabilities .....</b>					
Long Term Borrowings.....	5	26,700,000	2,001,699,000	10,184,000	763,494,480
<b>Current Liabilities</b>					
Short Term Borrowings .....	6	3,684,000	276,189,480	–	–
Trade Payables .....		34,487	2,585,492	48,467	3,633,571
Other Current Liabilities .....	7	752,759	56,434,343	133,907	10,039,008
Short-term provisions .....	8	9,630	721,961	9,630	721,961
<b>TOTAL.....</b>		<b>53,496,150</b>	<b>4,010,606,367</b>	<b>17,460,191</b>	<b>1,308,990,519</b>
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Non-current Investments.....	9	53,431,393	4,005,751,534	17,399,297	1,304,425,296
<b>Current Assets</b>					
Cash and Cash Equivalents .....	10	56,379	4,226,734	57,432	4,305,677
Short Term Loans and Advances...	11	8,378	628,099	3,462	259,546
<b>TOTAL.....</b>		<b>53,496,150</b>	<b>4,010,606,367</b>	<b>17,460,191</b>	<b>1,308,990,519</b>

See accompanying notes forming part of the financial statements

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

Particulars	Note Ref.	For the Year ended March 31, 2016		For the period ended March 31, 2015	
		EURO	INR	EURO	INR
Revenue from Operations .....		-	-	-	-
Other Income .....		-	-	12,733	954,593
<b>Total Revenue</b> .....		<b>-</b>	<b>-</b>	<b>12,733</b>	<b>954,593</b>
<b>Expenses</b>					
Finance Cost .....	12	700,642	52,527,131	76,033	5,700,194
Other Expenses .....	13	68,271	5,118,277	18,564	1,391,743
<b>Total Expenses</b> .....		<b>768,913</b>	<b>57,645,408</b>	<b>94,597</b>	<b>7,091,937</b>
<b>Loss Before Taxes</b> .....		<b>(768,913)</b>	<b>(57,645,408)</b>	<b>(81,864)</b>	<b>(6,137,344)</b>
<b>Tax Expense</b>					
Current Tax .....		-	-	3,210	240,654
Deferred Tax .....		-	-	-	-
<b>Loss for the year</b> .....		<b>(768,913)</b>	<b>(57,645,408)</b>	<b>(85,074)</b>	<b>(6,377,998)</b>

See accompanying notes forming part of the financial statements

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### 1 Corporate Information

Covington S.a.r.l. hereinafter the "Company" was incorporated on 27<sup>th</sup> November, 2013. The principal activity of the company is to hold investments.

### 2 Significant Accounting Policies

#### (i) Basis for preparation of financial statements:

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.

#### (ii) Use of estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the years in which the results are known/materialise.

#### (iii) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### (iv) Investments:

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

#### (v) Provision and contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are disclosed in the notes.

### 3 Share Capital (Refer Note 14)

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	EURO	No. of Shares	EURO
<b>Authorised:</b>				
12,500 Equity Shares of EURO 1 each	12,500	12,500	12,500	12,500
	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>
<b>Issued, Subscribed &amp; Paid up:</b>				
<b>Equity:</b>				
12,500 Equity Shares of EURO 1 each	12,500	12,500	12,500	12,500
	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	INR	No. of Shares	INR
<b>Authorised:</b>				
12,500 Equity Shares of INR 74.97 each	12,500	937,125	12,500	937,125
	<b>12,500</b>	<b>937,125</b>	<b>12,500</b>	<b>937,125</b>
<b>Issued, Subscribed &amp; Paid up:</b>				
<b>Equity:</b>				
12,500 Equity Shares of INR 74.97 each	12,500	937,125	12,500	937,125
	<b>12,500</b>	<b>937,125</b>	<b>12,500</b>	<b>937,125</b>

#### Notes:

- The Company has only one class of shares referred to as equity shares having a par value of EURO 1 (INR 74.97).
- Reconciliation of No. of Shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	EURO	No. of Shares	EURO
At the beginning of the year	12,500	12,500	12,500	12,500
Add: Issued during the year	-	-	-	-
At the end of the year	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of Shares	INR	No. of Shares	INR
At the beginning of the year	12,500	937,125	12,500	937,125
Add: Issued during the year	-	-	-	-
At the end of the year	<b>12,500</b>	<b>937,125</b>	<b>12,500</b>	<b>937,125</b>

- Shares in the company held by each shareholder holding more than 5% shares and that of holding company specifying the no. of shares held:

Name of the Shareholder	No. of Shares March 31, 2016	% held as at March 31, 2016	No. of Shares March 31, 2015	% held as at March 31, 2015
	MHR Holdings (Mauritius) Ltd.	12,500	100.00%	12,500

**4 Reserves and Surplus**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
<b>Share Premium and Similar Premiums (A)</b>				
As per last financial statement	7,165,000	537,160,050	7,165,000	537,160,050
Additions during the year*	16,000,000	1,199,520,000	-	-
	<u>23,165,000</u>	<u>1,736,680,050</u>	<u>7,165,000</u>	<u>537,160,050</u>
<b>Surplus/ (deficit) in the statement of Profit and Loss (B)</b>				
As per last financial statement	(93,313)	(6,995,676)	(8,239)	(617,678)
Net profit/(loss) for the current year/(period)	(768,913)	(57,645,408)	(85,074)	(6,377,998)
	<u>(862,226)</u>	<u>(64,641,084)</u>	<u>(93,313)</u>	<u>(6,995,676)</u>
<b>TOTAL (A+B)</b>	<u><b>22,302,774</b></u>	<u><b>1,672,038,966</b></u>	<u><b>7,071,687</b></u>	<u><b>530,164,374</b></u>

\* During the year, the "Company" has received a contribution towards equity from Holding company i.e., MHR Holdings (Mauritius) Ltd., without the issuance of new shares.

**5 Long Term Borrowings**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Loan from MHR Holdings (Mauritius) Ltd.	16,700,000	1,251,999,000	3,684,000	276,189,480
Loan from RCI Europe*	10,000,000	749,700,000	6,500,000	487,305,000
<b>TOTAL</b>	<u><b>26,700,000</b></u>	<u><b>2,001,699,000</b></u>	<u><b>10,184,000</b></u>	<u><b>763,494,480</b></u>

\* The Loan from RCI Europe is secured against an unconditional and irrevocable Corporate Guarantee from Mahindra Holidays and Resorts India Limited (the "Guarantor") of EURO 11,000,000 (INR 824,670,000)

**6 Short Term Borrowings**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Loan from MHR Holdings (Mauritius) Ltd.	3,684,000	276,189,480	-	-
<b>TOTAL</b>	<u><b>3,684,000</b></u>	<u><b>276,189,480</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

**7 Other Current Liabilities**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Interest Accrued but not due	698,049	52,332,734	133,857	10,035,259
Net wealth tax payable	3,260	244,402	50	3,749
Corporate Guarantee Commission Payable	51,450	3,857,207	-	-
<b>TOTAL</b>	<u><b>752,759</b></u>	<u><b>56,434,343</b></u>	<u><b>133,907</b></u>	<u><b>10,039,008</b></u>

**8 Short-term provisions**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Provision for Income Tax (Refer Note 15)	9,630	721,961	9,630	721,961
<b>TOTAL</b>	<u><b>9,630</b></u>	<u><b>721,961</b></u>	<u><b>9,630</b></u>	<u><b>721,961</b></u>

**9 Non Current Investments (Also refer Note 16)**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Investment in Shares of Holiday Club Resorts, OY, Finland (subsidiary)	51,131,512	3,833,329,455	16,891,468	1,266,353,356
Investment in Shares of HCR Management Oy, Finland (wholly owned subsidiary)	2,299,881	172,422,079	507,829	38,071,940
<b>TOTAL</b>	<u><b>53,431,393</b></u>	<u><b>4,005,751,534</b></u>	<u><b>17,399,297</b></u>	<u><b>1,304,425,296</b></u>

**10 Cash and Cash Equivalents**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Balances with Bank	56,379	4,226,734	57,432	4,305,677

**11 Short Term Loans and Advances**

Particulars	As at March 31, 2016		As at March 31, 2015	
	EURO	INR	EURO	INR
Prepaid Expenses	3,563	267,118	3,462	259,546
Advance Tax (Refer Note 15)	4,815	360,981	-	-
<b>TOTAL</b>	<u><b>8,378</b></u>	<u><b>628,099</b></u>	<u><b>3,462</b></u>	<u><b>259,546</b></u>



**12 Finance Cost**

Particulars	For the Year ended March 31, 2016		For the Year ended March 31, 2015	
	EURO	INR	EURO	INR
Interest Expense on Borrowings	649,192	48,669,924	76,032	5,700,119
Other Borrowing Costs (Commission on Corporate Guarantee)	51,450	3,857,207	1	75
<b>TOTAL</b>	<b>700,642</b>	<b>52,527,131</b>	<b>76,033</b>	<b>5,700,194</b>

**13 Other Expenses**

Particulars	For the Year ended March 31, 2016		For the Year ended March 31, 2015	
	EURO	INR	EURO	INR
Rates & Taxes	3,354	251,449	25	1,874
Legal & Professional Expenses	50,695	3,800,604	15,738	1,179,878
Auditor's Remuneration	8,140	610,256	1,750	131,198
Subscriptions & Donations	350	26,240	-	-
Net Loss on Foreign Exchange Fluctuation	2	150	-	-
Bank Charges	5,467	409,861	1,051	78,793
Miscellaneous Expenses	263	19,717	-	-
<b>TOTAL</b>	<b>68,271</b>	<b>5,118,277</b>	<b>18,564</b>	<b>1,391,743</b>

**14 Parties exercising control**

The entire share capital is held by MHR Holdings (Mauritius) Limited which is a wholly owned subsidiary of Mahindra Holidays & Resorts India Limited. The ultimate Holding Company is Mahindra & Mahindra Limited.

**15 Taxation**

Provision for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under "Short-term provisions". The advance payments are shown in the assets of the balance sheet under the caption "Advance tax" under "Short Term Loans and Advances".

**16 Non current Investments**

The Company holds 81.37% of the shares of Holiday Club Resorts Oy, directly and 4.24% through HCR Management Oy, a wholly owned subsidiary of the Company. The value of investments disclosed in the financial statements includes an amount of EURO 857,446 (INR 64,282,694) towards the acquisition cost of Holiday Club Resorts Oy and an amount of EURO 31,289 (INR 2,345,766) towards HCR Management Oy.

**17 Related Party Transactions and balances**

(As declared and certified by the management)

Name of the related party	Nature of relationship
MHR Holdings (Mauritius) Ltd.	Holding Company
Mahindra Holidays & Resorts India Ltd	Step up Holding Company

in EURO

Name of the related party	Nature of Transaction	Transaction Value	Balance as on March 31, 2016	Transaction Value	Balance as on March 31, 2015
MHR Holdings (Mauritius) Ltd.	Loans	16,700,000	20,384,000	-	3,684,000
MHR Holdings (Mauritius) Ltd.	Interest accrued	434,934	377,855	36,140	27,921
Mahindra Holidays & Resorts India Ltd.	Commission on Corporate Guarantee	51,450	51,450	-	-

in INR

Name of the related party	Nature of Transaction	Transaction Value	Balance as on March 31, 2016	Transaction Value	Balance as on March 31, 2015
MHR Holdings (Mauritius) Ltd.	Loans	1,251,999,000	1,528,188,480	-	276,189,480
MHR Holdings (Mauritius) Ltd.	Interest accrued	32,607,002	28,327,789	2,709,416	2,093,237
Mahindra Holidays & Resorts India Ltd.	Commission on Corporate Guarantee	3,857,207	3,857,207	-	-

**18 Exchange Rate**

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = EUR 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31<sup>st</sup> March 2016.

**19 Previous period figures**

The financial statements for the previous period are for the period from 1<sup>st</sup> January, 2015 to 31<sup>st</sup> March, 2015 whereas the current year financial statements are prepared for the year 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016. Hence the Statement of Profit & Loss for the current year is not comparable to the previous period.

Previous period's figures have been reclassified to conform with the current year's classification/presentation, wherever applicable. Further the previous period figures are unaudited and based on the accounts prepared by the management of the Company.

For Covington S.à.r.l

**Dinesh Shetty**  
Director

**Ajay Agrawal**  
Director

Dated : May 12, 2016

## DIRECTORS' REPORT

The following shall constitute a report of the Board of Directors relating to the activities of the Company during the financial year ended March 31, 2016.

Your Company continues to be a subsidiary of Mahindra Holidays & Resorts India Limited, a Company incorporated in India.

Your Company was incorporated to carry on the business of buying, obtaining, receiving, renting, leasing, buying on hire purchase, owning, possessing, improving, using, constructing, modifying, developing or otherwise managing any property whatsoever as well as fruits thereof.

Your Company continues to hold 51% of ordinary shares of Infinity Hospitality Group Company Limited.

Your Company has incurred loss of THB 2,706,739 (INR 5,115,737) for the financial year ended March 31, 2016

Mr. Dinesh Shetty, Mr. Ravindera Khanna, Mr. Noppun Muangkote and Mr. Helmut Horst Mekelburg are Directors of the Company.

For **MH Boutique Hospitality Limited**

**Dinesh Shetty**  
Director

**Ravindera Khanna**  
Director

Dated: April 7, 2016

## Report of Independent Auditor

To the Shareholders of MH Boutique Hospitality Limited

I have audited the accompanying financial statements of **MH Boutique Hospitality Limited**, which comprise the statements of financial position as at 31<sup>st</sup> March, 2016, and the related statement of Income and changes in shareholders' equity 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 and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit accordance with Thai Standards on Auditing. Those standards require that I 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 entity'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 accounting estimates made by management as well as evaluating the overall Presentation of the financial statements.

I believe that the audit evidence I had obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MH Boutique Hospitality Limited as at 31<sup>st</sup> March 2016, and its financial performance for the year then ended in accordance with the Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

### Other matter

The financial statement of MH Boutique Hospitality Limited for the year ended 31<sup>st</sup> March 2016 have been audited by other auditor, whose was expressed an unqualified opinion on those financial statement which audited report dated 4<sup>th</sup> April, 2015.

(Pongteera Chainsakultam)  
Certified Public Accountant (Thailand) No. 9387

Cover Biz Co., Ltd.

Bangkok  
7<sup>th</sup> April, 2016

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH, 2016

	Notes	Currency : Baht	Currency : INR	Currency : Baht	Currency : INR
		31 Mar 2016	31 Mar 2016	31 Mar 2015	31 Mar 2015
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		62,523	118,169	62,292	117,732
<b>TOTAL CURRENT ASSETS</b>		<b>62,523</b>	<b>118,169</b>	<b>62,292</b>	<b>117,732</b>
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries	4	38,000,000	71,820,000	38,000,000	71,820,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>38,000,000</b>	<b>71,820,000</b>	<b>38,000,000</b>	<b>71,820,000</b>
<b>TOTAL ASSETS</b>		<b>38,062,523</b>	<b>71,938,169</b>	<b>38,062,292</b>	<b>71,937,732</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payable	5	9,166,192	17,324,103	6,458,817	12,207,164
Other current liabilities		0	0	405	765
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,166,192</b>	<b>17,324,103</b>	<b>6,459,222</b>	<b>12,207,930</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loan	6	28,000,000	52,920,000	28,000,000	52,920,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>28,000,000</b>	<b>52,920,000</b>	<b>28,000,000</b>	<b>52,920,000</b>
<b>TOTAL LIABILITIES</b>		<b>37,166,192</b>	<b>70,244,103</b>	<b>34,459,222</b>	<b>65,127,930</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Authorized share capital</b>					
51,000 preference shares of Baht 100 each		5,100,000	9,639,000	5,100,000	9,639,000
49,000 ordinary shares of Baht 100 each		4,900,000	9,261,000	4,900,000	9,261,000
Issued and paid-up share capital					
51,000 preference shares of Baht 100 each		5,100,000	9,639,000	5,100,000	9,639,000
49,000 ordinary shares of Baht 100 each		4,900,000	9,261,000	4,900,000	9,261,000
Retained earnings (Deficits)		(9,103,669)	(17,205,934)	(6,396,930)	(12,090,197)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>896,331</b>	<b>1,694,066</b>	<b>3,603,070</b>	<b>6,809,803</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38,062,523</b>	<b>71,938,169</b>	<b>38,062,292</b>	<b>71,937,732</b>

The accompanying notes are an integral part of the financial statements.

\_\_\_\_\_  
Director

**STATEMENTS OF INCOME FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

		<i>Currency : Baht</i>	<i>Currency : INR</i>	<i>Currency : Baht</i>	<i>Currency : INR</i>
	<b>Notes</b>	<b>31 Mar 2016</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Mar 2015</b>
<b>REVENUES</b>					
Other income	3	233	441	262	495
<b>TOTAL REVENUES</b>		<b>233</b>	<b>441</b>	<b>262</b>	<b>495</b>
<b>EXPENSES</b>					
Administrative expenses	3	46,972	88,778	40,344	76,249
<b>TOTAL EXPENSES</b>		<b>46,972</b>	<b>88,778</b>	<b>40,344</b>	<b>76,249</b>
<b>EARNINGS BEFORE FINANCIAL COST</b>		(46,739)	(88,337)	(40,082)	(75,755)
Financial costs		2,660,000	5,027,400	2,660,000	5,027,400
<b>NET PROFIT (LOSS)</b>		<b>(2,706,739)</b>	<b>(5,115,737)</b>	<b>(2,700,082)</b>	<b>(5,103,155)</b>

The accompanying notes are an integral part of the financial statements.

\_\_\_\_\_  
Director

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	Issued and paid-up share capital		Retained earnings	Currency : Baht Total
	Preference	Ordinary	(Deficits)	
	<b>BEGINNING BALANCE AS OF 31 MARCH 2014</b>	5,100,000	4,900,000	(3,696,848)
Changes in shareholders' equity for the period				
Net profit (loss) for the period			(2,700,082)	(2,700,081.75)
<b>ENDING BALANCE AS OF 31 MARCH 2015</b>	<b>5,100,000</b>	<b>4,900,000</b>	<b>(6,396,930)</b>	<b>3,603,070.24</b>
Changes in shareholders' equity for the period				
Net profit (loss) for the period			(2,706,739)	(2,706,739.16)
<b>ENDING BALANCE AS OF 31 MARCH 2016</b>	<b>5,100,000</b>	<b>4,900,000</b>	<b>(9,103,669)</b>	<b>896,331.08</b>

The accompanying notes are an integral part of the financial statements.

	Issued and paid-up share capital		Retained earnings	Currency : INR Total
	Preference	Ordinary	(Deficits)	
	<b>BEGINNING BALANCE AS OF 31 MARCH 2014</b>	9,639,000	9,261,000	(6,987,043)
Changes in shareholders' equity for the period	-	-	-	-
Net profit (loss) for the period	-	-	(5,103,155)	(5,103,155)
<b>ENDING BALANCE AS OF 31 MARCH 2015</b>	<b>9,639,000</b>	<b>9,261,000</b>	<b>(12,090,197)</b>	<b>6,809,803</b>
Changes in shareholders' equity for the period	-	-	-	-
Net profit (loss) for the period	-	-	(5,115,737)	(5,115,737)
<b>ENDING BALANCE AS OF 31 MARCH 2016</b>	<b>9,639,000</b>	<b>9,261,000</b>	<b>(17,205,934)</b>	<b>1,694,066</b>

The accompanying notes are an integral part of the financial statements.

\_\_\_\_\_  
Director

## NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> MARCH, 2016

### 1. GENERAL INFORMATION

#### Company status

MH Boutique Hospitality Limited, "The Company", is a limited company under Thai Civil and Commercial Code and domiciled in Thailand. It was incorporated on 10<sup>th</sup> October, 2012 with registration no. 0105555151500.

#### Place of company

33/118-119 23<sup>rd</sup> Floor Wall street Tower, Surawongse, Suriyawongse, Bangrak, Bangkok.

#### Business and operation

The objective of the Company is to become a partner with limited liability in a partnership or a shareholder in a private limited company and a public limited company.

### 2. BASIC OF FINANCIAL STATEMENT PREPARATION

The company financial statements have been prepared in accordance with Generally Accepted Accounting Principles and Thai Financial Reporting Standards for Non-Publicly Accountable Entities enunciated on Notification of Federation of Accounting Professions (FAP) no. 20 (B.E. 2554) under the Accounting Profession Act B.E. 2547 which is effective on the financial statements for fiscal year beginning on or after 1<sup>st</sup> January, 2011.

The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development; Define Financial statement abstract B.E. 2554 dated 28<sup>th</sup> September, 2011, issued under the Accounting Act B.E. 2543 which is effective on the financial statements for fiscal year beginning on or after 1<sup>st</sup> January, 2011.

The company financial statements have been prepared under the historical cost convention, except those explain in accounting policies.

### 5. TRADE AND OTHER PAYABLES

Consist of:

Accrued Interest expenses - Related parties (Note 6)

Accrued Interest expenses for withholding tax

Accrued expenses

Other payable - Related parties (Note 6)

**Total**

### 3. SUMMARIZED SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Cash and cash equivalents

Cash and cash equivalents is consist of cash on hand and deposit at banks including time deposit and temporary investment which is not over than 3 months to maturity date excepted cash deposit with obligation.

#### 3.2 Investment

Investment in subsidiary, associated and other companies are stated at cost. An allowance for impairment loss will be made when the net realisable value of the investment is lower than its cost.

#### 3.3 Revenue and expenses recognition

The company record other revenue and expenses based on accrual basis.

### 4. INVESTMENT IN SUBSIDIARIES

On 5<sup>th</sup> November, 2012, the company invested in 51% of Infinity Hospitality Company Limited as a subsidiary company, which had authorised capital of Baht 150 million divided into 150,000 ordinary shares at a par value of Baht 100.

Details of the company's subsidiaries, as at 31<sup>st</sup> March, 2016 are as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)
<b>Investment in subsidiaries</b>			
Infinity Hospitality Group Co., Ltd.	Hotel	Thailand	51

	Currency : Baht	Currency : INR	Currency : Baht	Currency : INR
	31 Mar 2016	31 Mar 2016	31 Mar 2015	31 Mar 2015
Accrued Interest expenses - Related parties (Note 6)	7,669,143	14,494,680	5,408,143	10,221,390
Accrued Interest expenses for withholding tax	1,353,378	2,557,885	954,378	1,803,775
Accrued expenses	23,210	43,867	24,815	46,900
Other payable - Related parties (Note 6)	120,461	227,671	71,481	135,099
<b>Total</b>	<b>9,166,192</b>	<b>17,324,103</b>	<b>6,458,817</b>	<b>12,207,164</b>

\_\_\_\_\_  
Director

**NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> MARCH, 2016****6. RELATED PARTIES TRANSACTIONS**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Relationship with related parties were as follows:

<b>Name of entities</b>	<b>Country of Incorporation/ Nationality</b>	<b>Nature of Relationships</b>
Mahindra Holidays & Resorts India Limited	India	49% shareholder

The Pricing policies for particular types of transactions are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Interest charged	Contractually agreed rate

Relationships with related parties that control or jointly control the Company or are being controlled or jointly controlled by the Company or have transactions with the Group were as follows:

	<i>Currency : Baht</i>	<i>Currency : INR</i>	<i>Currency : Baht</i>	<i>Currency : INR</i>
	<b>31 Mar 2016</b>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>31 Mar 2015</b>
<b>Expenses</b>				
Mahindra Holidays & Resorts India Limited	2,660,000	5,027,400	2,660,000	5,027,400
<b>Payable</b>				
Mahindra Holidays & Resorts India Limited	7,669,143	14,494,680	5,408,143	10,221,390
Infinity Hospitality Group Co., Ltd.	120,461	227,671	71,481	135,099
<b>Loan from related parties</b>				
Mahindra Holidays & Resorts India Limited	28,000,000	52,920,000	28,000,000	52,920,000
<b>Interest Rate</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>

**7. APPROVAL OF FINANCIAL STATEMENT**

These financial statements were authorised for issue by company's authorised director on 7<sup>th</sup> April, 2016.

8. FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 1.89 = THB 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

\_\_\_\_\_  
Director



## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended March 31, 2016.

### Principal Activity

The Company's principal activities are holding of investment and leasing of properties.

There have been no significant changes in the nature of the principal activities during the financial year under review.

### Financial Results

	RM	INR
Net loss before taxation	(74,722)	(1,276,999)
Taxation	(5,100)	(87,159)
Net loss for the year	(79,822)	(1,364,158)

### Dividends

No dividends was proposed during the financial year under review.

### Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year under review.

### Issue of Shares and Debentures

The Company did not issue any shares and debentures during the financial year.

### Options

No option has been granted during the financial year under review to take up unissued shares in the Company.

### Directors

The names of the directors of the Company who held office since the date of the last report and at the date of this report are:-

Ravindera Nath Khanna

Koh Yeow York

Koh Tong Ngee

Ajay Agarwal

Dinesh Shivanna Shetty

### Directors' Interest

According to the register of directors' shareholding, none of the directors in office at the end of the financial year had interest in the ordinary shares of the Company.

### Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire

benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

No director has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emolument received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company or a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### Bad and Doubtful Debts

Before the income statement and the balance sheet were made out, the directors took reasonable steps to ascertain that action has been taken in relation to the writing off of and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

### Current Assets

Before the income statement and the balance sheet were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

### Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

### Contingent and Other Liabilities

At the date of this report, there does not exist:

- a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve

months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations when they fall due.

**Change of Circumstances**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amounts stated in the financial statements misleading.

**Items of an Unusual Nature**

The results of the operations of the Company for the financial year under review were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

**Events Subsequent to Balance Sheet Date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

**Holding Company**

The holding company is Mahindra Holidays & Resorts India Ltd., a company incorporated in India, which holds the entire issued and paid up capital of the Company.

**Auditors**

The auditors, Messrs. Lloyds.Earle.Panicker, Chartered Accountants, have intimated their willingness to continue in office in accordance with Section 172(2) of the Companies Act, 1965.

Signed on behalf of the board of directors in accordance with a resolution of the directors.

**AJAY AGARWAL**  
Director

**RAVINDERA NATH KHANNA**  
Director

Dated: May 11, 2016

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERITAGE BIRD (M) SDN. BHD.**

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

We have audited the financial statements of Heritage Bird (M) Sdn. Bhd., which comprise the balance sheet as at 31<sup>st</sup> March 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on herein.

### **Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31<sup>st</sup> March 2016 and of its financial performance and cash flows for the year then ended.

### **Emphasis of matter**

Without qualifying our opinion, we wish to draw attention to Note 14 of the notes to the financial statements. The Company has incurred losses which exceed the issued and fully paid-up capital of the Company. However, the financial statements have been prepared on a going concern basis, which is dependent upon the future profitable operations and additional finance sufficient to sustain such operations.

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

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**LLOYDS.EARLE.PANICKER**  
A.F. 0604  
*Chartered Accountants*

**KESAVAN K. PANICKER**  
761/03/17(J)  
*Partner of Firm*

Place : Kuala Lumpur  
Dated : 11<sup>th</sup> May, 2016

## BALANCE SHEET AS AT 31 MARCH, 2016

	Note	F-2016 In MYR	F-2016 In INR	F-2015 In MYR	F-2015 In INR
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	5	4,150,524	70,932,455	4,249,346	72,621,323
<b>CURRENT ASSETS</b>					
Trade Receivables	6	6,615	113,050	204,924	3,502,151
Non-Trade Receivables		47,430	810,579	47,430	810,579
Cash at Bank		123,103	2,103,830	69,797	1,192,831
		177,148	3,027,459	322,151	5,505,561
<b>CURRENT LIABILITIES</b>					
Trade Payables		193,431	3,305,736	74,640	1,275,598
Non-Trade Payables		84,671	1,447,027	96,929	1,656,517
Amount due to Directors	7	14,000	239,260	14,000	239,260
Amount due to holding company	8	4,488,199	76,703,321	4,763,835	81,413,940
Taxation		6,000	102,540	900	15,381
		4,786,301	81,797,884	4,950,304	84,600,695
<b>Net Current Liabilities</b>		(4,609,153)	(78,770,425)	(4,628,153)	(79,095,135)
		(458,629)	(7,837,970)	(378,807)	(6,473,812)
<b>FINANCED BY:</b>					
Share Capital	9	300,002	5,127,034	300,002	5,127,034
Accumulated loss		(758,631)	(12,965,004)	(678,809)	(11,600,846)
<b>SHAREHOLDER'S EQUITY</b>		(458,629)	(7,837,970)	(378,807)	(6,473,812)

The notes form an integral part of these Financial statements

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

	Note	F-2016 In MYR	F-2016 In INR	F-2015 In MYR	F-2015 In INR
<b>Revenue</b>	10	<b>905,281</b>	<b>15,471,252</b>	897,620	15,340,326
Cost of Sales		<b>314,213</b>	<b>5,369,900</b>	325,799	5,567,905
<b>Gross Profit</b>		<b>591,068</b>	<b>10,101,352</b>	571,821	9,772,421
Administration Expenses		<b>256,815</b>	<b>4,388,968</b>	262,496	4,486,057
Profit from operations	11	<b>334,253</b>	<b>5,712,384</b>	309,325	5,286,364
Finance Charges	12	<b>408,975</b>	<b>6,989,383</b>	408,975	6,989,383
Net Loss before taxation		<b>(74,722)</b>	<b>(1,276,999)</b>	(99,650)	(1,703,019)
Taxation	13	<b>5,100</b>	<b>87,159</b>	2,900	49,561
<b>Net Loss for the year</b>		<b>(79,822)</b>	<b>(1,364,158)</b>	(102,550)	(1,752,580)

The notes form an integral part of these financial statements.

## CASH FLOWS STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

	F-2016 In MYR	F-2016 In INR	F-2015 In MYR	F-2015 In INR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net loss before taxation	(74,722)	(1,276,999)	(99,650)	(1,703,019)
Adjustment:				
Depreciation on property, plant & equipments	98,822	1,688,868	98,822	1,688,868
Operating profit/(loss) before working capital changes	24,100	411,869	(828)	(14,151)
Changes in receivables	198,309	3,389,101	476,190	8,138,087
Changes in payables	106,533	1,820,649	(124,137)	(2,121,501)
Cash generated from/(absorbed by) operations	328,942	5,621,619	351,225	6,002,435
Taxes paid	-	-	(11,400)	(194,826)
<b>Net cash from operating activities</b>	<b>328,942</b>	<b>5,621,619</b>	<b>339,825</b>	<b>5,807,609</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
	-	-	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Amount due to directors	-	-	14,000	239,260
Amount due to holding company	(275,636)	(4,710,619)	(368,079)	(6,290,470)
<b>Net cash used in financing activities</b>	<b>(275,636)</b>	<b>(4,710,619)</b>	<b>(354,079)</b>	<b>(6,051,210)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>53,306</b>	<b>911,000</b>	<b>(14,254)</b>	<b>(243,601)</b>
<b>Cash and cash equivalents brought forward</b>	<b>69,797</b>	<b>1,192,831</b>	<b>84,051</b>	<b>1,436,432</b>
<b>Cash and cash equivalents carried forward</b>	<b>123,103</b>	<b>2,103,830</b>	<b>69,797</b>	<b>1,192,831</b>

The notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2016

	<b>Share Capital</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>In MYR</b>	<b>In MYR</b>	<b>In MYR</b>
Balance as at 31 <sup>st</sup> March, 2014	300,002	(576,259)	(276,257)
Loss for the year	–	(102,550)	(102,550)
Balance as at 31 <sup>st</sup> March, 2015	300,002	(678,809)	(378,807)
Loss for the year	–	(79,822)	(79,822)
Balance as at 31 <sup>st</sup> March, 2016	<u>300,002</u>	<u>(758,631)</u>	<u>(458,629)</u>

	<b>Share Capital</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>In INR</b>	<b>In INR</b>	<b>In INR</b>
Balance as at 31 <sup>st</sup> March, 2014	5,127,034	(9,848,266)	(4,721,232)
Loss for the year	–	(1,752,580)	(1,752,580)
Balance as at 31 <sup>st</sup> March, 2015	5,127,034	(11,600,846)	(6,473,812)
Loss for the year	–	(1,364,158)	(1,364,158)
Balance as at 31 <sup>st</sup> March, 2016	<u>5,127,034</u>	<u>(12,965,004)</u>	<u>(7,837,970)</u>

The notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH, 2016

### 1. PRINCIPAL ACTIVITIES

The Company's principal activities are holding of investment properties and provision of time-sharing services.

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### 3. FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

#### a) Liquidity and cash flow risks

The Company ensures that there are adequate funds to meet all their obligations in a timely and cost-effective manner.

#### b) Foreign currency risk

The Company is exposed to foreign currency risk as a result of its normal trading activities where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Company manages its exposure to foreign currency risk by monitoring fluctuations in foreign exchange and by timing its payments in foreign currencies accordingly.

Apart from the above, the Company does not face any material financial risks in other areas such as credit risk, interest rate risk, market risk, etc.

### 4. ACCOUNTING POLICIES

#### a) Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise indicated.

#### b) Cash and cash equivalents

Cash comprises cash at bank and in hand including bank overdraft and deposits. Cash equivalents comprises investments maturing within three months from the date of acquisition and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value.

#### c) Income tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year. It is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities and their tax bases at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are not recognised on temporary differences arising from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity. In

this case the deferred tax is charged or credited directly in equity. When the deferred tax arises from a business combination that is an acquisition, it is included in the resulting goodwill or negative goodwill.

#### d) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables and payables and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the individual accounting policies with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the respective contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### e) Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of a past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

#### f) Foreign currency transactions and balances

Transaction in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date.

#### g) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amount at the period end.

#### h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.

Depreciation is provided on the straight line method to write off each asset over its estimated useful life. The principal rates used are as follows:

Furniture and fittings	10%
Freehold building	2%

#### i) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.



**j) Revenue recognition**

Revenue is recognised on invoiced value of sales, less credit notes issued.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fittings In MYR	Freehold Building In MYR	Total In MYR
Net Book Value:			
Opening balance	–	4,249,346	4,249,346
Depreciation charge	–	(98,822)	(98,822)
Closing balance	–	4,150,524	4,150,524
<b>As at 31 March 2015</b>			
Cost	50,254	4,941,100	4,991,354
Accumulated depreciation	(50,254)	(691,754)	(742,008)
Net book value	–	4,249,346	4,249,346
<b>As at 31 March 2016</b>			
Cost	50,254	4,941,100	4,991,354
Accumulated depreciation	(50,254)	(790,576)	(840,830)
Net book value	–	4,150,524	4,150,524
	Furniture and fittings In INR	Freehold Building In INR	Total In INR
Net Book Value:			
Opening balance	–	72,621,323	72,621,323
Depreciation charge	–	(1,688,868)	(1,688,868)
Closing balance	–	70,932,455	70,932,455
<b>As at 31 March 2015</b>			
Cost	858,841	84,443,399	85,302,240
Accumulated depreciation	(858,841)	(11,822,076)	(12,680,917)
Net book value	–	72,621,323	72,621,323
<b>As at 31 March 2016</b>			
Cost	858,841	84,443,399	85,302,240
Accumulated depreciation	(858,841)	(13,510,944)	(14,369,785)
Net book value	–	70,932,455	70,932,455

**6. TRADE AND OTHER RECEIVABLES**

Included under Trade Receivables is an amount of RM NIL (INR NIL), (2015: RM 198,309 (INR 3,389,101) due by the holding company.

**7. AMOUNT DUE TO DIRECTORS**

The amount due to Directors is interest free, unsecured and without any fixed terms of repayment.

**8. AMOUNT DUE TO HOLDING COMPANY**

The holding company is Mahindra Holidays & Resorts India Ltd, a company incorporated in India, which holds the entire issued and paid up capital of the company.

The amount due to holding company, consisting of non-trade balances, is unsecured and without any fixed terms of repayment.

**9. SHARE CAPITAL**

	2016			2015		
	No of Shares	In MYR	In INR	No of Shares	In MYR	In INR
Authorised ordinary shares of RM1 each						
Balance b/f	500,000	500,000	8,545,000	500,000	500,000	8,545,000
Created during the year	–	–	–	–	–	–
Balance c/f	500,000	500,000	8,545,000	500,000	500,000	8,545,000
Issued and fully paid ordinary shares of MYR 1 each						
Balance b/f issued during the year	300,002	300,002	5,127,034	300,002	300,002	5,127,034
Balance c/f	300,002	300,002	5,127,034	300,002	300,002	5,127,034

**10. REVENUE**

Revenue represents income from time-sharing sales and rental income receivable.

**11. PROFIT FROM OPERATIONS**

The following items have been charged in arriving at profit from operations:

	2016 In MYR	2016 In INR	2015 In MYR	2015 In INR
Audit fee	16,000	273,440	13,500	230,715
Assessment and quit rent	6,122	104,625	4,875	83,314
Depreciation of property, plant and equipment	98,822	1,688,868	98,822	1,688,868
Directors fee	14,000	239,260	42,000	717,780

**12. FINANCE CHARGE**

	2016 In MYR	2016 In INR	2015 In MYR	2015 In INR
Interest on loan paid to holding company	408,975	6,989,383	408,975	6,989,383

**13. TAXATION**

	2016 In MYR	2016 In INR	2015 In MYR	2015 In INR
Current year's provision	5,100	87,159	900	15,381
Under provision for previous year	–	–	2,000	34,180
	5,100	87,159	2,900	49,561

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

Loss before taxation	(74,722)	(1,276,999)	(99,650)	(1,703,019)
Tax at statutory income tax rate of 20%	(14,944)	(255,400)	(19,930)	(340,604)
Tax effect of expenses that are not deductible for tax purposes	1,285	21,961	2,071	35,393
Deferred tax not recognised in the financial statements	18,759	320,591	18,759	320,591
Underprovision from previous year	–	–	2,000	–
	5,100	87,152	2,900	15,381

**14. GOING CONCERN**

The Company has net current liabilities and deficiency in shareholders' funds amounting to MYR 4,609,153 (INR 78,770,425) (2015: MYR 4,628,153 (INR 79,095,135) and MYR 4,58,629 (INR 78,37,970) (2015:MYR 378,807 (INR 6,473,812) respectively.

However, the financial statements have been prepared on a going concern basis, as the directors are of the opinion that the efficiency in shareholders' fund may be overcome by appreciation in the market value of the Company's freehold land and building. The management will be actively pursuing any investment and business opportunities in the foreseeable future that will reduce and gradually eliminate the said deficiencies.

The financial statements of the Company do not include any adjustments relating to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as going concern.

**15. RELATED PARTY TRANSACTIONS**

	2016 In MYR	2016 In INR	2015 In MYR	2015 In INR
Revenue	(905,281)	(15,471,252)	(897,620)	(15,340,326)
Interest on Loan	408,975	6,989,383	408,975	6,989,383

The directors are of the opinion that the above transactions have been entered into in normal course of business and have been established on a negotiated basis.

**16 EMPLOYEES**

The number of employees of the Company as at 31<sup>st</sup> March, 2016 is NIL.  
 (2015: NIL)

**17 COMPARATIVES**

Certain Comparative figures have been reclassified to conform the current year's presentation.

**18 DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The Financial Statements were authorised for issue by the board of directors on 11<sup>th</sup> May, 2016.

**18 EXCHANGE RATES**

Foreign Currency (FC) amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 17.09 = MYR 1, which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

## COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED MARCH 31, 2016

The Directors present the Audited Financial Statements of MHR Holdings (Mauritius) Ltd, the “Company”, for the year ended March 31, 2016.

### PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments.

### RESULTS

The results for the year are shown in the statement of comprehensive income and related notes.

### DIRECTORS

The present membership of the Board are Mr. Zakir Hussein Niamut, Mr Teemulsing Luchowa and Mr. Dinesh Shivanna Shetty. There was no change during the year under review.

### STATEMENT OF DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare Financial Statements for each financial year, which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time

the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### AUDITORS

The auditors, Grant Thornton, have indicated their willingness to continue in office until the next Annual Meeting.

### CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of MHR Holdings (Mauritius) Ltd under the Mauritius Companies Act 2001 for the year ended March 31, 2016.

**For International Financial Services Limited**  
Secretary

**Registered Office:**  
IFS Court  
Bank Street  
TwentyEight  
Cyber City  
Ebene 72201  
Republic of Mauritius

Date: May 12, 2016

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MHR HOLDINGS (MAURITIUS) LTD**

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

We have audited the accompanying financial statements of MHR Holdings (Mauritius) Ltd, the "Company", which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibilities for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 auditors' 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 auditors consider internal control relevant to the entity'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 accounting estimates made by the 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.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and the requirements of the Mauritius Companies Act 2001.

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

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

### **Other Matters**

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.

**Grant Thornton**  
**Chartered Accountants**

**K RAMCHURUN, FCCA**  
**Licensed by FRC**

**Date: 12 May 2016**

**Ebene 72201, Republic of Mauritius**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ENDED 31 MARCH 2016

	Notes	Year ended		For the	For the
		31 March 2016	31 March 2016	period from 26 June 14 to 31 March 2015	period from 26 June 14 to 31 March 2015
		EUR	INR	EUR	INR
<b>INCOME</b>					
<b>Total Income</b> .....		-	-	-	-
<b>EXPENDITURE</b>					
Professional fees .....	14	24,105	1,807,152	21,990	1,648,590
Audit fees .....		4,751	356,182	4,000	299,880
Bank charges.....		1,825	136,820	1,424	106,757
Licence fees.....		1,439	107,882	372	27,889
<b>Total Expenses</b> .....		<b>32,120</b>	<b>2,408,036</b>	<b>27,786</b>	<b>2,083,116</b>
<b>OPERATING LOSS</b> .....		<b>(32,120)</b>	<b>(2,408,036)</b>	<b>(27,786)</b>	<b>(2,083,116)</b>
Finance Income .....	10	434,935	32,607,077	97,093	7,279,062
Finance Costs.....	10	(1,469,241)	(110,148,998)	(229,181)	(17,181,700)
<b>Loss before tax</b> .....		<b>(1,066,426)</b>	<b>(79,949,957)</b>	<b>(159,874)</b>	<b>(11,985,754)</b>
Tax Expense.....	8	-	-	-	-
<b>Loss for the year/period</b> .....		<b>(1,066,426)</b>	<b>(79,949,957)</b>	<b>(159,874)</b>	<b>(11,985,754)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>					
Items that will not be re-classified subsequently to profit or loss .....		-	-	-	-
Items that will be re-classified subsequently to profit or loss.....		-	-	-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX</b> .....		-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD</b> .....		<b>(1,066,426)</b>	<b>(79,949,957)</b>	<b>(159,874)</b>	<b>(11,985,754)</b>

The notes form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 16 EUR	As at 31 March 16 INR	As at 31 March 15 EUR	As at 31 March 15 INR
<b>ASSETS</b> .....					
<b>Non-Current</b>					
Investment in subsidiary.....	9	23,182,500	1,737,992,025	7,182,500	538,472,025
Loans.....	11	16,987,170	1,273,528,135	3,711,920	278,282,642
<b>Non-Current Assets</b> .....		<b>40,169,670</b>	<b>3,011,520,160</b>	<b>10,894,420</b>	<b>816,754,667</b>
<b>Current</b>					
Loans.....	11	3,774,685	282,988,134	–	–
Prepayments .....		2,989	224,085	1,287	96,486
Cash and cash equivalents.....		105,746	7,927,778	58,147	4,359,281
<b>Current Assets</b> .....		<b>3,883,420</b>	<b>291,139,997</b>	<b>59,434</b>	<b>4,455,767</b>
<b>TOTAL ASSETS</b> .....		<b>44,053,090</b>	<b>3,302,660,157</b>	<b>10,953,854</b>	<b>821,210,434</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital .....	16	145,000	10,870,650	145,000	10,870,650
Accumulated losses/loss for the period .....		(1,226,300)	(91,935,711)	(159,874)	(11,985,754)
<b>Total Equity</b> .....		<b>(1,081,300)</b>	<b>(81,065,061)</b>	<b>(14,874)</b>	<b>(1,115,104)</b>
<b>Liabilities</b>					
<b>Non-current</b> .....					
Borrowings.....	12	44,060,810	3,303,238,926	10,850,000	813,424,500
Derivative financial instrument .....	13	492,508	36,923,325	–	–
<b>Non current Liabilities</b> .....		<b>44,553,318</b>	<b>3,340,162,250</b>	<b>10,850,000</b>	<b>813,424,500</b>
<b>Current</b>					
Borrowings.....	12	350,504	26,277,285	74,562	5,589,913
Accruals .....		230,568	17,285,683	44,166	3,311,125
<b>Current Liabilities</b> .....		<b>581,072</b>	<b>43,562,968</b>	<b>118,728</b>	<b>8,901,038</b>
<b>Total Liabilities</b> .....		<b>45,134,390</b>	<b>3,383,725,218</b>	<b>10,968,728</b>	<b>822,325,538</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....		<b>44,053,090</b>	<b>3,302,660,157</b>	<b>10,953,854</b>	<b>821,210,434</b>

Approved by the Board of Directors on 12 May 2016 and signed on its behalf by:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD/YEAR ENDED 31 MARCH**

	<u>Stated capital</u>	<u>Accumulated losses</u>	<u>Total</u>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Issue of shares .....	145,000	–	145,000
Transactions with the shareholder .....	145,000	–	145,000
Loss for the period .....	–	(159,874)	(159,874)
Other comprehensive income .....	–	–	–
Total comprehensive loss for the period .....	–	(159,874)	(159,874)
<b>At 31 March 2015</b> .....	<b>145,000</b>	<b>(159,874)</b>	<b>(14,874)</b>
<b>At 1 April 2015</b> .....	<b>145,000</b>	<b>(159,874)</b>	<b>(14,874)</b>
Loss for the year	–	(1,066,426)	(1,066,426)
Other comprehensive income	–	–	–
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>(1,066,426)</b>	<b>(1,066,426)</b>
<b>At 31 March 2016</b>	<b>145,000</b>	<b>(1,226,300)</b>	<b>(1,081,300)</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD/YEAR ENDED 31 MARCH (CONTD...)**

	<u>Stated capital</u>	<u>Accumulated losses</u>	<u>Total</u>
	INR	INR	INR
Issue of shares .....	10,870,650	–	10,870,650
Transactions with the shareholder .....	10,870,650	–	10,870,650
Loss for the period .....		(11,985,754)	(11,985,754)
Other comprehensive income .....	–	–	–
Total comprehensive loss for the period .....	–	(11,985,754)	(11,985,754)
<b>At 31 March 2015</b> .....	<b><u>10,870,650</u></b>	<b><u>(11,985,754)</u></b>	<b><u>(1,115,104)</u></b>
<b>At 1 April 2015</b> .....	<b>10,870,650</b>	<b>(11,985,754)</b>	<b>(1,115,104)</b>
Loss for the year	–	(79,949,957)	(79,949,957)
Other comprehensive income	–	–	–
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b><u>(79,949,957)</u></b>	<b><u>(79,949,957)</u></b>
<b>At 31 March 2016</b>	<b><u>10,870,650</u></b>	<b><u>(91,935,711)</u></b>	<b><u>(81,065,061)</u></b>



## STATEMENT OF CASH FLOWS FOR THE YEAR/PERIOD ENDED 31 MARCH

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>Operating activities</b>				
Loss before tax .....	(1,066,426)	(79,949,957)	(159,874)	(11,985,754)
<i>Adjustments for:</i>				
Interest income .....	(434,935)	(32,607,077)	(97,093)	(7,279,062)
Interest expense .....	649,528	48,695,114	195,350	14,645,390
Amortisation of transaction costs.....	122,298	9,168,681	-	-
Loss on interest rate swaps .....	19,545	1,465,289	-	-
Fair value adjustment - Derivative financial instrument .....	492,508	36,923,325	-	-
	<u>(217,482)</u>	<u>(16,304,626)</u>	<u>(61,617)</u>	<u>(4,619,426)</u>
<i>Changes in working capital:</i>				
Increase in prepayments.....	(1,701)	(127,524)	(1,287)	(96,486)
Increase in accruals.....	186,402	13,974,558	44,166	3,311,125
<b>Net cash used in operations</b> .....	<b>(32,781)</b>	<b>(2,457,592)</b>	<b>(18,738)</b>	<b>(1,404,788)</b>
Interest received .....	85,000	6,372,450	69,173	5,185,900
Interest paid .....	(643,131)	(48,215,531)	(120,788)	(9,055,476)
<b>Net cash used in operating activities</b> .....	<b>(590,912)</b>	<b>(44,300,673)</b>	<b>(70,353)</b>	<b>(5,274,364)</b>
<b>Investing activities</b>				
Investments in subsidiary.....	(16,000,000)	(1,199,520,000)	(7,182,500)	(538,472,025)
<b>Net cash used in investing activities</b> .....	<b>(16,000,000)</b>	<b>(1,199,520,000)</b>	<b>(7,182,500)</b>	<b>(538,472,025)</b>
<b>Financing activities</b>				
Loans received .....	37,338,511	2,799,268,170	10,850,000	813,424,500
Loans repaid .....	(4,000,000)	(299,880,000)	-	-
Proceeds from issue of shares .....	-	-	145,000	10,870,650
Loans to subsidiary .....	(16,700,000)	(1,251,999,000)	(3,800,000)	(284,886,000)
Loans repaid by subsidiary.....	-	-	116,000	8,696,520
<b>Net cash from financing activities</b> .....	<b>16,638,511</b>	<b>1,247,389,170</b>	<b>7,311,000</b>	<b>548,105,670</b>
<b>Net change in cash and cash equivalents</b> .....	<b>47,599</b>	<b>3,568,497</b>	<b>58,147</b>	<b>4,359,281</b>
<b>Cash and cash equivalents at beginning of year/period</b> .....	<b>58,147</b>	<b>4,359,281</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year/period</b> .....	<b>105,746</b>	<b>7,927,778</b>	<b>58,147</b>	<b>4,359,281</b>

The notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 1 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

MHR Holdings (Mauritius) Ltd, the "Company", was incorporated in the Republic of Mauritius under the Mauritius Companies Act 2001 on 26 June 2014 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company's registered office is IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Republic of Mauritius.

The principal activity of the Company is to hold investments.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence.

### 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### 2.1 New and revised standards that are effective for the annual year beginning on 01 April 2015

In the current year, the Company has applied the following new and revised standards issued by the International Accounting Standards Board ("IASB") that are mandatory for the first time for the financial year beginning on 01 April 2015:

IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Various	Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The directors have assessed the impact of these revised standards and amendments and concluded that only IAS 24, *Related Party Disclosures* as defined in Annual Improvements to IFRSs 2010-2012 cycle has an impact on the disclosure of these financial statements.

#### 2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first year beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations is provided below.

IFRS 16	Leases
IFRS 9	Financial Instruments (2014)
IFRS 15	Revenue from Contracts with Customers
FRS for SMEs	Amendments to the International Financial Reporting Standard for Small and Medium Sized Entities
IAS 1	Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Various	Annual Improvements to IFRSs 2012-2014 Cycle
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)

IAS 16 and IAS 41 Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and AS 38)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

IFRS 14 Regulatory Deferral Accounts

### 3 SUMMARY OF ACCOUNTING POLICIES

#### 3.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

#### 3.2 Revenue

Interest income is recognised on the accrual basis using the effective interest method, unless collectability is in doubt.

#### 3.3 Expenses

All expenses are accounted for in the statement of comprehensive income on the accrual basis.

#### 3.4 Taxation

Tax expense recognised in the statement of comprehensive income comprises of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise of those obligations to, or claims from, fiscal authorities relating to the current period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

#### 3.5 Financial instruments

##### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the category of loans and receivables upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets are recognised in the statement of comprehensive income.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and loans fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**Classification and subsequent measurement of financial liabilities**

The Company's financial liabilities consist of borrowings and accruals.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are reported in the statement of comprehensive income.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**3.6 Consolidated financial statements**

The financial statements are separate financial statements which contain information about MHR Holdings (Mauritius) Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of a quoted company incorporated in the Republic of India, Mahindra Holidays and Resorts India Limited.

**3.7 Investment in subsidiary**

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is initially shown at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income.

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

**3.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.9 Equity**

Stated capital represents the value of shares that have been issued.

Accumulated losses includes current period and previous period results as disclosed in the statement of comprehensive income.

**3.10 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

**3.11 Related parties**

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

**3.12 Foreign currency translation***Functional and presentation currency*

The financial statements are presented in Euro ("EUR"), which is the Company's functional and presentation currency.

*Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**3.13 Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered any impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

**3.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowings using the effective interest method.

Fees paid on loan facilities are recognised as transaction costs and are deducted from borrowings and amortised over the period of the facility to which it relates.

**3.15 Derivative financial instruments**

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company has not designated the derivative contracts (interest rate swaps) as a hedging instrument.

**3.16 Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**4 SIGNIFICANT MANAGEMENT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgement**

The following is the significant management judgement in applying the accounting policies of the Company that have the most significant effect on the financial statements.

*Determination of functional currency*

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the EUR.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Impairment of investments in subsidiary*

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about

future operating results and the determination of a suitable discount rate. The directors have assessed the recoverable amount of the investments and confirmed that the carrying amounts have not suffered any impairment in value at the reporting date.

*Impairment of loans to subsidiary*

The Company reviews its significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

*Fair value of derivative financial instruments*

The fair value of the derivative financial instruments is determined based on valuation performed by an independent valuer. The assumptions used to value the derivative financial instruments are given in Note 13. In applying the valuation techniques the independent valuer makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument.

**5 FINANCIAL INSTRUMENT RISK****Risk management objectives and policies**

The Company is exposed to various risks in relation to its financial instruments. The main types of risks are market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company's financial assets and financial liabilities by category are summarised below.

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
<b>Non-current</b>				
Loans	16,987,170	1,273,528,135	3,711,920	278,282,642
<b>Current</b>				
Loans	3,774,685	282,988,134	–	–
Cash and cash equivalents	105,746	7,927,778	58,147	4,359,281
	3,880,431	290,915,912	58,147	4,359,281
<b>Total financial assets</b>	<b>20,867,601</b>	<b>1,564,444,047</b>	<b>3,770,067</b>	<b>282,641,923</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost:</i>				
<b>Non-current</b>				
Derivative financial instrument	492,508	36,923,325	–	–
Borrowings	44,060,810	3,303,238,926	10,850,000	813,424,500
<b>Current</b>	<b>44,553,318</b>	<b>3,340,162,250</b>	<b>10,850,000</b>	<b>813,424,500</b>
Borrowings	350,504	26,277,285	74,562	5,589,913
Accruals	230,568	17,285,683	44,166	3,311,125
	581,072	43,562,968	118,728	8,901,038
<b>Total financial liabilities</b>	<b>45,134,390</b>	<b>3,346,801,894</b>	<b>10,968,728</b>	<b>822,325,538</b>

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate measures and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the Company is exposed to are described below.

## 5.1 Market risk analysis

The Company is exposed to market risk through its use of financial instruments. Market risk is comprised specifically of currency risk and interest rate risk, which result from both its operating and investing activities.

### (i) Foreign currency sensitivity

The Company is not exposed to any currency risk as most of its financial assets and financial liabilities are denominated in the Euro which is the functional currency of the Company.

The currency profile of its financial assets and liabilities is as follows:

	Financial assets 2016		Financial liabilities 2016		Financial assets 2015		Financial liabilities 2015	
	EUR	INR	EUR	INR	EUR	INR	EUR	INR
<b>Long term exposure</b>								
Euro (EUR)	16,987,170	1,273,528,135	44,553,318	3,340,162,250	3,711,920	278,282,642	10,850,000	813,424,500
<b>Short term exposure</b>								
Euro (EUR)	3,880,431	290,915,912	350,504	26,277,285	58,147	4,359,281	74,562	5,589,913
United States Dollar (USD)	-	-	230,568	17,285,683	-	-	44,166	3,311,125
	<b>20,867,601</b>	<b>1,564,444,047</b>	<b>45,134,390</b>	<b>3,383,725,218</b>	<b>3,770,067</b>	<b>282,641,923</b>	<b>10,968,728</b>	<b>822,325,538</b>

### (ii) Interest rate sensitivity

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has interest bearing financial assets and liabilities in the form of loans and borrowings.

The Company's interest bearing financial assets are in the form of loans to the subsidiary at a fixed rate of interest and therefore are not subject to market fluctuations.

The Company has interest bearing financial liabilities in the form of bank loans from HSBC Bank (Mauritius) Limited and AXIS BANK LIMITED.

The Company's interest rate risk arises principally from part of the bank borrowings from AXIS BANK LIMITED which are at variable interest rates. The Company manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The Company has taken the following loans from HSBC Bank (Mauritius) Limited and AXIS BANK LIMITED:

#### Loans from HSBC Bank (Mauritius) Limited

##### Loan of EUR 6,850,000 (INR 513,544,500)

The bank loan of EUR 6,850,000 (INR 513,544,500) from HSBC Bank (Mauritius) Limited bears interest at Fixed EUR Interest Rate Swap ("IRS") 5 year plus a margin of 2.75% per annum on fixed basis (Note 11 (ii) to these financial statements). The all-inclusive rate of interest is fixed at 3.45%. The loan is repayable at the end of 5 years with an option to repay in full on any interest reset date. The interest is payable at the end of every 6 months. Since the interest rate is fixed, the Company is therefore not exposed to interest rate risk on this loan.

##### Loan of EUR 4,000,000 (INR 299,880,000)

The bank loan of EUR 4,000,000 (INR 299,880,000) from HSBC Bank (Mauritius) Limited carries interest at EURIBOR 6 months plus Margin of 1.95% on floating basis (Note 11 (ii) to these financial statements) and was fully repaid the year.

#### Loans from AXIS BANK LIMITED

##### Loan of EUR 47,000,000 (INR 3,523,590,000)

The Company has contracted a loan of EUR 47,000,000 (INR 3,523,590,000) from AXIS BANK LIMITED which carries interest at EURIBOR 3 - 6 months plus Margin of 1.50% per annum (Note 11 (ii) to these financial statements). The loan is repayable at the end of 5 years. As at 31 March 2016, the Company has received an amount of EUR 37,088,511 (INR 2,780,525,670) out of the EUR 47,000,000 (INR 3,523,590,000). The remaining amount is expected to be received in the next financial year.

The Company has entered into interest swaps for an amount EUR 34,600,000 (INR 2,593,962,000) by using floating to fixed interest rate swap. Such interest rate swap has the economic effect of converting borrowings from floating rate to fixed rate and protecting the Company from potential future interest rate hikes. Therefore the Company is not affected by interest rate fluctuations of these amounts. The Company is only marginally affected by interest rate fluctuations on its remaining balance of EUR 4,000,000 (INR 299,880,000) from AXIS BANK LIMITED.

## 5.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016		2015	
	EUR	INR	EUR	INR
<b>ASSETS</b>				
<b>Non-current</b>				
Loans	16,987,170	1,273,528,135	3,711,920	278,282,642

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>Current assets</b>				
Loans	3,774,685	282,988,134	–	–
Cash and cash equivalents	105,746	7,927,778	58,147	4,359,281
	<u>3,880,431</u>	<u>290,915,912</u>	<u>58,147</u>	<u>4,359,281</u>
<b>Total</b>	<u>20,867,601</u>	<u>1,564,444,047</u>	<u>3,770,067</u>	<u>282,641,923</u>

- (i) The Company has given loans to its subsidiary, which are unsecured, carry interest at 4% per annum and the repayment terms are disclosed in Note 11. Since the loans are contractual, the directors consider that no credit risk is associated with these loans.
- (ii) The credit risk for the bank balance is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.
- (iii) The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.
- (iv) None of the Company's financial assets are secured by collateral or other credit enhancements. The borrowings taken are secured against an Unconditional and Irrevocable Corporate Guarantee from Mahindra Holidays and Resorts India Limited, the parent company.

### 5.3 Liquidity risk analysis

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including interest payments:

	Less than 1 year	Less than 1 year	More than 1 year	More than 1 year
	EUR	INR	EUR	INR
Borrowings	350,504	26,277,285	44,060,810	3,303,238,926
Derivative financial instrument	–	–	492,508	36,923,325
Accruals	230,568	17,285,683	–	–
<b>Total</b>	<u>581,072</u>	<u>43,562,968</u>	<u>44,553,318</u>	<u>3,340,162,250</u>

### 5.4 Concentration risk

The Company has invested in an unlisted company whose security is considered to be illiquid. Such illiquidity may adversely affect the ability of the Company to acquire or dispose of such investments. These investments may be difficult to value and to sell or otherwise liquidate and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. On account of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would be used had a ready market for the investments existed. However the directors consider these investments to be strategic and the concentration risk in manageable.

## 6 FAIR VALUE MEASUREMENT

### 6.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within which the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 March 2016:

	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3	Total	Total
	EUR	INR	EUR	INR	EUR	INR	EUR	INR
<b>Liabilities</b>								
Interest rate swap	–	–	492,508	36,923,325	–	–	492,508	36,923,325

The fair value of financial instruments that are not traded in an active market (interest rate swap derivative) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Company's other financial assets and liabilities are measured at their carrying amounts, which approximate their fair values.

**6.2 Fair value measurement of non-financial instruments**

The Company's non-financial assets consist of investment in subsidiary and prepayments for which fair value measurement is not applicable since these are not measured at fair value on a recurring or non-recurring basis in the statement of financial position. At the reporting date, the Company did not have any non-financial liabilities.

**7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to its member.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its member, buy back shares or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. For the year/period ended 31 March 2016 and 31 March 2015, the Company was fully geared since it relies on external borrowing to finance its operations.

**8 TAXATION****(i) Income tax**

The Company is liable to pay tax in the Republic of Mauritius on its chargeable income at the rate of 15%. As a holder of a Category 1 Global Business Licence, it is entitled to a credit in respect of foreign tax equivalent to the higher of actual foreign tax suffered or a deemed credit equivalent to 80% of the Mauritius income tax liability on foreign source income. The maximum effective tax rate is 3%.

Gains or profits arising from sale of units or securities are tax-exempt in the hands of the Company in the Republic of Mauritius. Dividends and redemption proceeds paid by the Company to its shareholder do not attract withholding tax.

Loss for the period/year  
Tax calculated at the rate of 3%  
Non-allowable expenses  
Deferred tax asset not recognised  
Tax expense

**9 INVESTMENTS IN SUBSIDIARY****(i) Unquoted investment at cost:**

Opening balance  
Acquisition of equity shares during the period/year  
Funds contributed during the period/year  
Closing balance

**(ii) Details pertaining to the unquoted investments are as follows:**

Name of investee company	Country of Incorporation	Type of investments	Number of shares	Cost	Cost	Cost	Cost
				2016	2016	2015	2015
				EUR	INR	EUR	INR
Covington S.à.r.l	Luxembourg	Equity	12,500	17,500	1,311,975	17,500	1,311,975
Covington S.à.r.l	Luxembourg	Non-equity		23,165,000	1,736,680,050	7,165,000	537,160,050
<b>Total</b>				<b>23,182,500</b>	<b>1,737,992,025</b>	<b>7,182,500</b>	<b>538,472,025</b>

(iii) Pursuant to a Share Sale and Purchase Agreement dated 17 July 2014 between the Company (the "Purchaser") and D.LAW (the "Seller"), the Company purchased 12,500 shares without nominal value corresponding to 100% of the share capital of Covington S.à.r.l, a private limited company incorporated in Luxembourg, from the Seller for a total consideration of EUR 17,500 (INR 1,311,975).

(iv) Pursuant to Contribution Agreements dated 31 July 2014, 10 November 2014 and 18 August 2015 between the Company and Covington S.à.r.l (the "Receiver"), the Company contributed EUR 3,165,000 (INR 237,280,050), EUR 4,000,000 (INR 299,880,000) and EUR 16,000,000 (INR 1,199,520,000) respectively to the Receiver.

(v) The directors have assessed the recoverable amount of the investments (equity and non-equity) and confirmed that the carrying amount of these investments have not suffered any impairment in value at the reporting date.

The foregoing is based on current interpretation and practice and is subject to any future changes in tax laws and in the double tax treaty between the Republic of India and the Republic of Mauritius.

The Company has received tax residence certificates from the Mauritian authorities that it is a tax resident of the Republic of Mauritius, which is renewable on an annual basis subject to meeting certain conditions and which is eligible to obtain benefits under the double tax treaty between the Republic of Mauritius and the Republic of India.

At 31 March 2016, the Company has accumulated tax losses of EUR 368,718 (INR 27,642,788) (2015: EUR 123,295 (INR 9,243,426)) which will be carried forward and available for set off against future taxable profit as follows:

	EUR	INR
Up to the year ending 31 March 2020	123,295	9,243,426
Up to the year ending 31 March 2021	245,423	18,399,362
<b>Total</b>	<b>368,718</b>	<b>27,642,788</b>

**(ii) Deferred tax**

Deferred income tax is calculated on all temporary differences under the liability method at the rate of 3%. At 31 March 2016, no deferred tax has been recognised in respect of the tax losses carried forward as it is not probable that taxable profit will be available in the foreseeable future.

**(iii) Income tax reconciliation**

The income tax on the Company's loss before tax differs from the theoretical amount that would arise using the effective tax rate of the Company as follows:

	2016	2016	2015	2015
	EUR	INR	EUR	INR
	(1,066,426)	(79,949,957)	(159,874)	(11,985,754)
	(31,993)	(2,398,515)	(4,796)	(359,556)
	24,630	1,846,511	1,097	82,242
	7,363	552,004	3,699	277,314
	-	-	-	-

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Opening balance	7,182,500	538,472,025	-	-
Acquisition of equity shares during the period/year	-	-	17,500	1,311,975
Funds contributed during the period/year	16,000,000	1,199,520,000	7,165,000	537,160,050
Closing balance	<b>23,182,500</b>	<b>1,737,992,025</b>	<b>7,182,500</b>	<b>538,472,025</b>

- (vi) The Company has 100% shareholding in Covington S.à.r.l and is therefore considered as the Company's subsidiary since it has control over the subsidiary through its 100% voting rights. The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has therefore taken advantage of Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 which dispenses it from presenting consolidated financial statements as it is a wholly-owned subsidiary of a company incorporated in the Republic of India.
- (vii) The non-equity investment in Covington S.à.r.l represents funds invested as "capital contribution" and settlement is not likely within one year. Repayment would be agreed between the Company and its investee company.

**10 FINANCE INCOME AND FINANCE COSTS**

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>10.1 Finance income</b>				
Interest on loans (Note 11(i))	434,935	32,607,077	97,093	7,279,062
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	EUR	INR	EUR	INR
<b>10.2 Finance costs</b>				
Interest on borrowings (Note 12(i))	649,528	48,695,114	195,350	14,645,390
Commissions on Corporate Guarantee (Note 12(ii))	185,362	13,896,589	33,831	2,536,310
Fair value adjustment – Derivative financial instrument (Note 13)	492,508	36,923,325	–	–
Amortisation of transaction costs (Note 12(i) and note 15)	122,298	9,168,681	–	–
Loss on interest rate swaps (Note 12)	19,545	1,465,289	–	–
<b>Total</b>	<b>1,469,241</b>	<b>110,148,998</b>	<b>229,181</b>	<b>17,181,700</b>

**11 LOANS**

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<i>Loans to subsidiary:</i>				
<b>Non-current</b>				
Principal amounts (Note 11 (iii))	16,700,000	1,251,999,000	3,684,000	276,189,480
Interest receivable (Note 11 (iii))	287,170	21,529,135	27,920	2,093,162
<b>Total</b>	<b>16,987,170</b>	<b>1,273,528,135</b>	<b>3,711,920</b>	<b>278,282,642</b>
<b>Current</b>				
Principal amounts (Note 11 (ii))	3,684,000	276,189,480	–	–
Interest receivable (Note 11 (ii))	90,685	6,798,654	–	–
<b>Total</b>	<b>3,774,685</b>	<b>282,988,134</b>	<b>–</b>	<b>–</b>

- (i) The movement during the year/period on the loans is as follows:

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Opening balance	3,711,920	278,282,642	–	–
Loans granted during the year/period	16,700,000	1,251,999,000	3,800,000	284,886,000
Loans repaid during the year/period	–	–	(116,000)	(8,696,520)
Interest income for the year/period	434,935	32,607,077	97,093	7,279,062
Interest received during the year/period	(85,000)	(6,372,450)	(69,173)	(5,185,900)
Closing balance	<b>20,761,855</b>	<b>1,278,233,627</b>	<b>3,711,920</b>	<b>278,282,642</b>

- (ii) Pursuant to Loan Agreements dated 25 August 2014, 31 July 2014, and 10 September 2014 between the Company (the "Lender") and Covington S.à.r.l (the "Borrower"), the Company advanced funds to the Borrower amounting to EUR 200,000 (INR 14,994,000), EUR 3,500,000 (INR 262,395,000) and EUR 50,000 (INR 3,748,500) respectively bearing interest of 4% per annum and receivable within one year.
- (iii) During the year under review, the Company advanced an additional loan of EUR 16,700,000 (INR 1,251,999,000) to Covington S.à.r.l bearing interest of 4% per annum and receivable in two years' time.
- (iv) The directors have assessed the recoverable amounts of the advances made to the related party and confirmed that the carrying amounts of these advances have not suffered any impairment in values at the reporting date.



## 12 BORROWINGS

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>Non-current</b>				
Bank loans (Note 12 (ii))	44,060,810	3,303,238,926	10,850,000	813,424,500
<b>Current</b>				
Bank loans (Note 12 (ii))	84,800	6,357,456	74,562	5,589,913
Loan from holding company (Note 12 (iii))	265,704	19,919,829	–	–
	350,504	26,277,285	74,562	5,589,913
<b>Total</b>	<b>44,411,314</b>	<b>3,329,516,211</b>	<b>10,924,562</b>	<b>819,014,413</b>

(i) The movement during the year/period on the borrowings is as follows:

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Balance at start of the year/period	10,924,562	819,014,413	–	–
<i>Loans taken during the period/year:</i>				
HSBC Bank (Mauritius) Limited	–	–	10,850,000	813,424,500
AXIS BANK LIMITED	37,700,000	2,826,369,000	–	–
Mahindra Holidays and Resorts India Limited	250,000	18,742,500	–	–
<i>Loans paid during the year/period:</i>				
HSBC Bank (Mauritius) Limited	(4,000,000)	(299,880,000)	–	–
<i>Interest element for the year/period:</i>				
Interest expense	649,528	48,695,114	195,350	14,645,390
Interest payment	(623,586)	(46,750,242)	(120,788)	(9,055,476)
Loss on interest rate swaps	19,545	1,465,289	–	–
Interest rate swap payment	(19,545)	(1,465,289)	–	–
<i>Transaction costs incurred for the year/period:</i>				
Transaction cost incurred	(611,488)	(45,843,255)	–	–
Amortisation of transaction costs	122,298	9,168,681	–	–
At 31 March	<b>44,411,314</b>	<b>3,329,516,211</b>	<b>10,924,562</b>	<b>819,014,413</b>

(ii) **Bank loans**

**HSBC Bank (Mauritius) Limited****Loan of EUR 6,850,000 (INR 513,544,500)**

The Company (the "Borrower") entered into a Facility Agreement with HSBC Bank (Mauritius) Limited ("the Lender") on 31 July 2014 whereby the loan is repayable on 04 August 2019. The loan bears interest at Fixed EUR Interest Rate Swap ("IRS") 5 year plus a margin of 2.75% per annum on fixed basis. The all-inclusive rate of interest is fixed at 3.45%. The loan is repayable at the end of 5 years with an option to repay in full on any interest reset date. The interest is payable at the end of every 6 months and interest accrued on the loan outstanding at the reporting date amounted to EUR 36,105. (INR 2,706,792).

**Loan of EUR 4,000,000 (INR 299,880,000)**

The bank loan of EUR 4,000,000 (INR 299,880,000) from HSBC Bank (Mauritius) Limited carries interest at EURIBOR 6 months plus Margin of 1.95% on floating basis and was fully repaid the year.

**AXIS BANK LIMITED****Loan of EUR 47,000,000 (INR 3,523,590,000)**

The Company (the "Borrower") entered into a Facility Agreement with AXIS BANK LIMITED which carries interest at EURIBOR 3 - 6 months plus Margin of 1.50% per annum. The interest is payable at the end of every 6 months and interest accrued on the loan outstanding at the reporting date amounted to EUR 40,796 (INR 3,058,476).

The above loans are secured against an Unconditional and Irrevocable Corporate Guarantee from Mahindra Holidays and Resorts India Limited (the "Guarantor"). In that respect, an annual commission of 0.53% on the Corporate Guarantee (EUR 48,550,000) (INR 3,639,793,500) should be paid to the Guarantor until the loans are fully repaid. At 31 March 2016, an amount of EUR 185,362 (INR 13,896,589) was charged as commission.

(iii) During the year under review, the Company borrowed a loan of EUR 250,000 (INR 18,742,500) from Mahindra Holdings & Resorts India Limited bearing interest of 9.5% per annum and repayable on demand.

## 13 DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Interest rate swaps	<u>492,508</u>	<u>36,923,325</u>	-	-

The Company had entered into interest rate swap agreements to manage interest rate risk exposures.

The interest rate swap effectively modified the Company's exposure to interest rate risk by converting the Company's floating rate debt to a fixed rate basis for the entire term of the debt, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

The full fair value of the hedging derivative is classified as non-current liability since the maturity of the hedged item is more than one year.

The notional principal amount of the outstanding interest rate swap at 31 March 2016 was EUR 33,600,000 (INR 2,518,992,000).

At 31 March 2016, the fixed interest rate and fair value based on the interest rate swap are as follows:

Details	Notional amount EUR	Notional amount INR	Fixed interest rate	Start date	Maturity date	Fair Value EUR	Fair Value INR
AXIS BANK LIMITED	33,600,000	2,518,992,000	0.2526%	22 December 2015	28 August 2020	492,508	36,923,325
	<u>33,600,000</u>	<u>2,518,992,000</u>				<u>492,508</u>	<u>36,923,325</u>

## 14 PROFESSIONAL FEES

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Administration fees and disbursements	18,519	1,388,369	16018	1,200,869
Directors' fees	1,886	141,393	1414	106,008
Fees for tax filings	1,279	95,887	962	72,121
Secretarial fees	1,131	84,791	848	63,575
Fees for process agent	1,290	96,711	489	36,660
CDD verification fees	-	-	377	28,264
Fees for issue of legal opinion	-	-	1882	141,094
<b>Total</b>	<u>24,105</u>	<u>1,807,152</u>	<u>21,990</u>	<u>1,648,590</u>

All set up costs were borne by the holding company prior to the incorporation of the Company.

## 15 TRANSACTION COSTS

	2016	2016	2015	2015
	EUR	INR	EUR	INR
Agency fees	500	37,485	-	-
Brokerage fees	117,500	8,808,975	-	-
Legal fees	4,298	322,221	-	-
<b>Total</b>	<u>122,298</u>	<u>9,168,681</u>	-	-

Transaction costs relate to charges in respect of loan taken from AXIS BANK LIMITED (Note 12 (ii) to these financial statements). The costs have been amortised over a period of 5 years, which is the tenure of the loan.

## 16 STATED CAPITAL

	2016	2016	2015	2015
	EUR	INR	EUR	INR
<b>Issued and paid:</b>				
145,000 Ordinary shares of EUR1 (INR 74.97)each	<u>145,000</u>	<u>10,870,650</u>	<u>145,000</u>	<u>10,870,650</u>

In accordance with the Company's Constitution, the main rights and obligations attached to the ordinary shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the ordinary shares;
- have a right to receive any dividend or distribution; and
- be entitled, on a winding up, to share in the assets of the Company available for distribution.

**17 RELATED PARTY TRANSACTIONS**

During the period ended 31 March 2016, the Company had transactions with related parties. The nature, volume of transactions and balances with the related parties are as follows:

Name of companies	Nature of Relationship	Nature of transactions	Volume of transactions		Debit/(credit) balances at 31 March 2016		Debit/(credit) balances at 31 March 2015	
			EUR	INR	EUR	INR	EUR	INR
Covington S.à.r.l. (Note 10 (i))	Subsidiary	Loans	16,700,000	1,251,999,000	20,761,855	1,556,516,269	3,711,920	278,282,642
Mahindra Holidays and Resorts India Limited (Note 12(iii))	Holding company	Loans	250,000	18,742,500	(250,000)	(18,742,500)	-	-
Mahindra Holidays and Resorts India Limited (Note 12(iii))	Holding company	Interest payable	15,704	1,177,329	(15,704)	(1,177,329)	-	-
Mahindra Holidays and Resorts India Limited (Note 12(ii))	Holding company	Commission on Corporate Guarantee	185,362	13,896,589	(219,193)	(16,432,899)	33,831	2,536,310

**18 CONTINGENT LIABILITIES**

The Company has no litigation claims outstanding, pending or threatened against it, which could have a material adverse effect on the Company's financial position or results as at 31 March 2016.

**19 EVENTS AFTER THE REPORTING PERIOD**

There have been no events after the reporting date which requires disclosure or adjustment to the 31 March 2016 financial statements.

**20 HOLDING COMPANIES**

The directors consider Mahindra Holidays and Resorts India Limited, a quoted company incorporated in the Republic of India, as the Company's immediate holding company and Mahindra and Mahindra Limited, a quoted company incorporated in the Republic of India, as the Company's ultimate holding company.

21 FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 74.97 = EUR 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in Timeshare and renting business.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of SEK 61,994 thousand (INR 506,493 thousand) and made loss of SEK 8,284 thousand (INR 67,681 thousand).

### Dividends

The Board of Directors proposes a dividends of SEK 138,523 thousand (INR 1,131,731 thousand) for the financial period ended March 31, 2016.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Vesa Tengman
- 2) Tapio Anttila
- 3) Calvin Lucock

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Holiday Club Sweden AB

**Vesa Tengman**  
Director

**Tapio Anttila**  
Director

**Calvin Lucock**  
Director

Place: Östersund  
Dated: April 21, 2016

## AUDITOR'S REPORT

To the annual meeting of the shareholders of Holiday Club Sweden AB, corporate identity number 556683-0385.

### Report on the annual accounts

We have audited the annual accounts of Holiday Club Sweden AB for the financial year 2014.10.01-2016.03.31.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Holiday Club Sweden AB as of March 31, 2016 and of its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Holiday Club Sweden AB for the year the financial year 2014.10.01-2016.03.31.

### Responsibility of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Öhrlings PricewaterhouseCoopers AB**

**Helen Salmonsson**  
Authorized Accountant

Östersund, April 21, 2016

## ADMINISTRATION REPORT

### Operations

#### Information regarding the operations

The purpose of Holiday Club Sweden AB, Corporate Identity Number 556683-0385, is to fulfil parent company Holiday Club Resorts (HCR) OY's expansion plans in Sweden through the operation of hotel and experience facilities and time share activities.

Holiday Club currently only operates timeshare activities.

The hotel are operated by Holiday Club Sport and Spa Hotels AB.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on March 31, 2016.

#### Significant events during and after the end of the financial year

The company has changed its accounting year-end to March 31, and thus extended its accounting year from October 1, 2014 to March 31, 2016.

Holiday Club Sweden AB acquired 51 per cent of the new hotel operating company Holiday Club Sport and Spa Hotels AB on December 1, 2015.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

### Multi-Year Review kSEK

	2014/16	2013/14	2012/13	2011/12
	kSEK	kSEK	kSEK	kSEK
Net sales .....	54,933	18,903	27,315	29,647
Profit/loss after financial items .....	(8,284)	(6,976)	31,083	(1,524)
Equity/assets ratio ...	51.0%	51.6%	54.9%	49.5%

### Multi-Year Review kINR

	2014/16	2013/14	2012/13	2011/12
	kINR	kINR	kINR	kINR
Net sales .....	448,802	154,438	3,666,709	1,261,757
Profit/loss after financial items .....	(67,681)	(56,993)	(552,957)	(465,632)
Equity/assets ratio .....	51.0%	51.6%	54.9%	49.5%

### Proposed Appropriation of Profits

	kSEK	kINR
The following profits are at the disposal of the Annual General Meeting:		
Profit/loss brought forward .....	146,807	1,199,412
Profit/Loss for the year .....	(8,284)	(67,681)
<b>Total</b> .....	<b>138,523</b>	<b>1,131,731</b>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	138,523	1,131,731
<b>Total</b> .....	<b>138,523</b>	<b>1,131,731</b>

**INCOME STATEMENT**

	Note	1 Oct 2014 – 31 Mar 2016 kSEK	1 Oct 2013 – 30 Sept 2014 kSEK	1 Oct 2014 – 31 Mar 2016 kINR	1 Oct 2013 – 30 Sept 2014 kINR
<b>Operating income, changes in inventory, etc.</b>					
Net sales .....		54,933	18,903	448,802	154,438
Other operating income .....	2	7,061	4,514	57,692	36,882
<b>Total operating income, changes in inventory, etc.</b>		<b>61,994</b>	<b>23,417</b>	<b>506,493</b>	<b>191,320</b>
<b>Operating expenses</b>					
Raw materials and consumables.....		(35,155)	(9,364)	(287,215)	(76,502)
Other external expenses .....	3	(19,990)	(13,054)	(163,315)	(106,651)
Personnel costs .....	4	(17,192)	(8,685)	(140,456)	(70,959)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets .....		(166)	(111)	(1,357)	(905)
<b>Total operating expenses.....</b>		<b>(72,502)</b>	<b>(31,214)</b>	<b>(592,343)</b>	<b>(255,017)</b>
<b>Operating profit/loss.....</b>		<b>(10,508)</b>	<b>(7,797)</b>	<b>(85,850)</b>	<b>(63,698)</b>
<b>Financial items</b>					
Share of profits from interests in associates.....		–	(1,043)	–	(8,521)
Other interest income and similar profit/loss items.....	5	7,512	5,723	61,374	46,759
Interest and similar expenses .....	6	(5,288)	(3,860)	(43,206)	(31,534)
<b>Total financial items.....</b>		<b>2,224</b>	<b>821</b>	<b>18,168</b>	<b>6,705</b>
<b>Profit/loss after financial items .....</b>		<b>(8,284)</b>	<b>(6,976)</b>	<b>(67,681)</b>	<b>(56,993)</b>
<b>Appropriations</b>					
Changes in tax allocation reserves.....		–	–	–	–
<b>Total appropriations.....</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Profit/Loss before tax .....</b>		<b>(8,284)</b>	<b>(6,976)</b>	<b>(67,681)</b>	<b>(56,993)</b>
<b>Taxes</b>					
Tax on profit for the year.....		–	–	–	–
<b>Profit/Loss for the year.....</b>		<b>(8,284)</b>	<b>(6,976)</b>	<b>(67,681)</b>	<b>(56,993)</b>

**BALANCE SHEET**

	Note	31 Mar 2016 kSEK	30 Sept 2014 kSEK	31 Mar 2016 kINR	30 Sept 2014 kINR
<b>Assets</b>					
<b>Non-current assets</b>					
<i>Property, plant and equipment</i>					
Land and buildings.....	7	<b>12,365</b>	12,531	<b>101,024</b>	102,381
<b>Total property, plant and equipment .....</b>		<b>12,365</b>	12,531	<b>101,024</b>	102,381
<i>Financial non-current assets</i>					
Participations in Group companies.....	8	<b>10,731</b>	781	<b>87,675</b>	6,383
Receivables from Group companies .....	9	<b>179,503</b>	195,333	<b>1,466,536</b>	1,595,869
Other securities held as non-current assets .....		–	516	–	4,216
Other non-current receivables.....	10	<b>331</b>	1,522	<b>2,701</b>	12,435
<b>Total financial assets .....</b>		<b>190,564</b>	198,152	<b>1,556,912</b>	1,618,904
<b>Total non-current assets .....</b>		<b>202,930</b>	210,684	<b>1,657,935</b>	1,721,285
<b>Current assets</b>					
<i>Inventories etc.</i>					
Raw materials and consumables.....		<b>48,405</b>	54,440	<b>395,468</b>	444,772
Work on contract.....	11	–	4,393	–	35,891
<b>Total inventories .....</b>		<b>48,405</b>	58,833	<b>395,468</b>	480,663
<i>Current receivables</i>					
Trade receivables.....		<b>4,714</b>	1,165	<b>38,510</b>	9,514
Receivables from Group companies .....		<b>11,391</b>	7,570	<b>93,065</b>	61,848
Other receivables.....		<b>331</b>	5,188	<b>2,706</b>	42,389
Prepaid expenses and accrued income.....		<b>766</b>	203	<b>6,255</b>	1,661
<b>Total current receivables.....</b>		<b>17,201</b>	14,126	<b>140,535</b>	115,412
<i>Cash and bank balances.....</i>					
Cash and bank balances .....		<b>3,390</b>	1,202	<b>27,695</b>	9,820
<b>Total cash and bank balances.....</b>		<b>3,390</b>	1,202	<b>27,695</b>	9,820
<b>Total current assets .....</b>		<b>68,996</b>	74,161	<b>168,230</b>	605,895
<b>Total assets.....</b>		<b>271,926</b>	284,844	<b>168,230</b>	2,327,180



**BALANCE SHEET**

	Note	31 Mar 2016 kSEK	30 Sept 2014 kSEK	31 Mar 2016 kINR	30 Sept 2014 kINR
<b>Equity and liabilities</b>					
<b>Equity</b> .....	12				
<i>Restricted equity</i>					
Share capital, 1000 shares.....		100	100	817	817
<i>Total restricted equity</i> .....		100	100	817	817
<i>Non-restricted equity</i>					
Profit/loss brought forward.....		146,807	153,783	1,199,412	1,256,405
Profit/Loss for the year.....		(8,284)	(6,976)	(67,681)	(56,993)
<i>Total Non-restricted equity</i> .....		138,523	146,807	1,131,731	1,199,412
<b>Total equity</b> .....		138,623	146,907	1,132,548	1,200,229
<b>Non-current liabilities</b> .....					
Liabilities to Group companies.....	13	122,305	127,355	999,235	1,040,490
Other liabilities.....		2,007	3,344	16,394	27,324
<b>Total non-current liabilities</b> .....		124,312	130,699	1,015,629	1,067,814
<b>Current liabilities</b>					
Advances from customers.....		–	20	–	163
Trade creditors.....		361	950	2,945	7,760
Liabilities to Group companies.....		3,059	3,769	24,988	30,790
Other liabilities.....		1,358	510	11,097	4,164
Accrued expenses and deferred income.....		4,214	1,990	34,425	16,259
<b>Total current liabilities</b> .....		8,991	7,238	73,456	59,136
<b>Total equity and liabilities</b> .....		271,926	284,844	2,221,633	2,327,180

**BALANCE SHEET**

	Note	31 Mar 2016 kSEK	30 Sept 2014 kSEK	31 Mar 2016 kINR	30 Sept 2014 kINR
<b>Pledged assets and contingent liabilities</b>					
<b>Pledged assets</b>					
<i>Pledges and comparable collateral posted for own liabilities and provisions</i>					
Mortgages .....		4,000	4,000	32,680	32,680
Other pledged assets .....		48,405	54,411	395,468	444,535
<b>Total pledged assets .....</b>		<b>52,405</b>	<b>58,411</b>	<b>428,148</b>	<b>477,215</b>

## SUPPLEMENTARY DISCLOSURES

### Note 1: Accounting and Valuation Principles

The annual accounts have been prepared for the first time in accordance with BFNAR 2008:1 Annual Accounts of Small Limited Companies, which may mean that figures are not fully comparable with those for the preceding financial year.

Comparative figures have not been restated.

### Service assignments and contract work

The Company's income from assignments undertaken on a fixed price basis is recognised according to the alternative rule.

### Amortisation

Land and buildings 30 years

### Definitions of key performance indicators

#### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

### Note 2: Sales to Group companies

	1 Oct 2014 – 31 Mar 2016	1 Oct 2013 – 30 Sept 2014
Percentage of sales to companies in Groups of which the Company is a subsidiary	3%	0%

### Note 3: Purchases from Group companies

	1 Oct 2014 – 31 Mar 2016	1 Oct 2013 – 30 Sept 2014
Percentage of purchases from companies in Groups of which the Company is a subsidiary	2%	0%

### Income statement disclosures

### Note 4: Personnel

	1 Oct 2014 – 31 Mar 2016	1 Oct 2013 – 30 Sept 2014
Average number of employees, etc.		
Women	10	12
Men	15	7
<b>Total</b>	<b>25</b>	<b>19</b>

### Salaries, other remuneration and social security contributions, including pension costs

	1 Oct 2014 – 31 Mar 2016 kSEK	1 Oct 2013 – 30 Sept 2014 kSEK	1 Oct 2014 – 31 Mar 2016 kINR	1 Oct 2013 – 30 Sept 2014 kINR
Salaries and other remuneration	12,654	6,363	103,380	51,984
Social security contributions	3,576	1,865	29,215	15,237
Pension costs	393	344	3,207	2,813
Total salaries, other remuneration, social security contributions and pension expenses	<b>16,622</b>	<b>8,572</b>	<b>135,802</b>	<b>70,034</b>

### Board of Directors and Management by gender

	1 Oct 2014 – 31 Mar 2016	1 Oct 2013 – 30 Sept 2014
Number of Board members on the balance sheet date		
Men	3	3
<b>Total</b>	<b>3</b>	<b>3</b>
Number of CEOs and other senior executives		
Men	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

### Severance pay

Agreements regarding severance pay have been entered into with the CEO, Deputy CEO and the other members of senior management amounting to six monthly salaries in the event of dismissal by the company.

### Note 5: Other interest income and similar profit/loss items

	1 Oct 2014 – 31 Mar 2016 kSEK	1 Oct 2013 – 30 Sept 2014 kSEK	1 Oct 2014 – 31 Mar 2016 kINR	1 Oct 2013 – 30 Sept 2014 kINR
Of which from Group companies	7,438	5,599	60,765	45,743

### Note 6: Interest expense and similar profit/loss items

	1 Oct 2014 – 31 Mar 2016 kSEK	1 Oct 2013 – 30 Sept 2014 kSEK	1 Oct 2014 – 31 Mar 2016 kINR	1 Oct 2013 – 30 Sept 2014 kINR
Of which from Group companies	5,136	3,840	41,958	31,373

### Balance sheet disclosures

### Note 7: Land and buildings

	31 Mar 2016 kSEK	30 Sept 2014 kSEK	31 Mar 2016 kINR	30 Sept 2014 kINR
Opening cost of acquisition	13,323	13,323	108,846	108,846
Closing cost of acquisition	13,323	13,323	108,846	108,846
Opening depreciation/ amortisation	(791)	(681)	(6,465)	(5,560)
- Depreciation for the year	(166)	(111)	(1,357)	(905)
Closing depreciation	(957)	(791)	(7,822)	(6,465)
Carrying amount	<b>12,365</b>	<b>12,531</b>	<b>101,024</b>	<b>102,381</b>

HOLIDAY CLUB SWEDEN AB

**Note 8: Participations in Group companies**

	<b>31 Mar 2016</b>	30 Sept 2014	<b>31 Mar 2016</b>	30 Sept 2014
	<b>kSEK</b>	kSEK	<b>kINR</b>	kINR
Opening cost of acquisition	781	781	6,383	6,383
- Purchases	9,950	–	81,292	–
Carrying amount	<b>10,731</b>	781	<b>87,675</b>	6,383
<b>Name</b>	<b>Equity</b>	<b>Net profit/loss</b>	<b>Equity</b>	<b>Net profit/loss</b>
	<b>kSEK</b>	<b>kSEK</b>	<b>kINR</b>	<b>kINR</b>
Ownership Service AB 556676-0327 Åre	2,066	(45)	16,881	(370)
Åre Semesterby A AB 556651-1191 Åre	92	(1)	750	(6)
Åre Semesterby B AB 556651-1209 Åre	92	(1)	750	(6)
Åre Semesterby C AB 556651-1217 Åre	92	(1)	753	(6)
Åre Semesterby D AB 556651-1225 Åre	92	(1)	750	(6)
HC Canarias Sales & Marketing S.L B-76081611 Las Palmas	3,854	182	31,484	1,487
HC Canarias Investment S.L B-76081603 Las Palmas	1	1	5	10
HC Canarias Resort Management S.L B-76081629 Las Palmas	2,754	(274)	22,498	(2,235)
HC Sport and Spahotels AB 559032-5733 Åre	16,157	3,157	132,002	25,792
Åre Villa 1 AB 556996-2177 Åre	1,786	1,159	14,596	9,473
Åre Villa 2 AB 556996-2250 Åre	1,482	1,159	12,112	9,473
Total	<b>28,467</b>	5,337	<b>232,578</b>	43,607

<b>Name</b>	<b>Number of shares</b>	<b>Share of equity, %</b>	<b>Carrying amount, 31 Mar 2016</b>	<b>Carrying amount, 30 Sept 2014</b>
Ownership Service AB	1,000	100	100 kSEK 817 kINR	100 kSEK 817 kINR
Ownership Service AB	1,000	100	213 kSEK 1740 kINR	213 kSEK 1740 kINR
Åre Semesterby A AB	1,000	100	110 kSEK 899 kINR	110 kSEK 899 kINR
Åre Semesterby B AB	1,000	100	110 kSEK 899 kINR	110 kSEK 899 kINR
Åre Semesterby C AB	1,000	100	110 kSEK 899 kINR	110 kSEK 899 kINR
Åre Semesterby D AB	1,000	100	110 kSEK 899 kINR	110 kSEK 899 kINR
HC Canarias Sales & Marketing	1	100	9 kSEK 77 kINR	9 kSEK 77 kINR
HC Canarias Resort Management	1	100	9 kSEK 77 kINR	9 kSEK 77 kINR
HC Canarias Investment	1	100	9 kSEK 77 kINR	9 kSEK 77 kINR
Holiday Club Sport and Spa Hotels AB	510,000	51	9000 kSEK 73530 kINR	
Åre Villa 1 AB	50,000	100	627 kSEK 5126 kINR	
Åre Villa 2 AB	50,000	100	323 kSEK 2639 kINR	
			<b>10731 kSEK 87675 kINR</b>	781 kSEK 6383 kINR

**Note 9: Receivables from Group companies**

	<b>31 Mar 2016</b>	30 Sept 2014	<b>31 Mar 2016</b>	30 Sept 2014
	<b>kSEK</b>	kSEK	<b>kINR</b>	kINR
Opening cost of acquisition	<b>195,333</b>	179,116	<b>1,595,869</b>	1,463,380
– Deductible receivables	<b>(15,830)</b>	16,217	<b>(129,333)</b>	132,490
Carrying amount	<b>179,503</b>	195,333	<b>1,466,536</b>	1,595,869

**Note 10: Other non-current receivables**

	<b>31 Mar 2016</b>	30 Sept 2014	<b>31 Mar 2016</b>	30 Sept 2014
	<b>kSEK</b>	kSEK	<b>kINR</b>	kINR
Opening cost of acquisition	<b>1,522</b>	2,965	<b>12,435</b>	24,223
– Deductible receivables	<b>(1,192)</b>	(1,443)	<b>(9,735)</b>	(11,788)
Carrying amount	<b>331</b>	1,522	<b>2,701</b>	12,435

**Note 11: Work on contract**

	<b>31 Mar 2016</b>	30 Sept 2014	<b>31 Mar 2016</b>	30 Sept 2014
	<b>kSEK</b>	kSEK	<b>kINR</b>	kINR
Capitalized costs incurred	<b>4,458</b>	4,458	<b>36,423</b>	36,423
Regulated costs incurred	<b>(4,458)</b>	–	<b>(36,423)</b>	–
Work on contract	–	4,458	–	36,423

**Note 12: Changes in equity**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Net profit/loss for the year</b>	<b>Total</b>
Amount at beginning of year according to adopted balance sheet	100 kSEK 817 kINR	153783 kSEK 1256405 kINR	(6976) kSEK (56993) kINR	146907 kSEK 1200229 kINR
Appropriation of profits as resolved by the AGM		(6976) kSEK (56993) kINR	6976 kSEK 56993 kINR	
To be carried forward			(8284) kSEK (67681) kINR	(8284) kSEK (67681) kINR
Profit/Loss for the year			(8284) kSEK (67681) kINR	(8284) kSEK (67681) kINR
Amount at year-end	100 kSEK 817 kINR	146807 kSEK 1199412 kINR	(8284) kSEK (67681) kINR	138623 kSEK 1132548 kINR

**Note 13: Non-current liabilities**

	<b>31 Mar 2016</b>	30 Sept 2014	<b>31 Mar 2016</b>	30 Sept 2014
	<b>kSEK</b>	kSEK	<b>kINR</b>	kINR
Non-current liabilities maturing more than five years after the balance sheet date:				
Liabilities to Group companies	<b>119,882</b>	124,932	<b>979,440</b>	1,020,695
<b>Total</b>	<b>119,882</b>	124,932	<b>979,440</b>	1,020,695

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-04-21.  
Åre 2016-04-21

**Tapio Anttila**  
Board Member

**Vesa Tengman**  
Chair of the Board

**Calvin Lucock**  
Board Member

**Madelene Lillsund Queckfeldt**  
CEO

Our auditor's report has been submitted 2016-04-21.  
Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**  
Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements. During the period under review, the Company has made profit of Euro 12,950.60 (INR 970,906.48).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Himos Gardens

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Himos Gardens

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Himos Gardens for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016

**PROFIT AND LOSS STATEMENT**

	Eur	Rs	Eur	Rs
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Property management expenses</b>				
Administration .....	(793.22)	(59,467.70)	(608.91)	(45,649.98)
Property tax .....	(1,509.73)	(113,184.46)	(2,328.54)	(174,570.64)
Other management expenses .....	0.00	0.00	(237.00)	(17,767.89)
<b>Total .....</b>	<b>(2,302.95)</b>	<b>(172,652.16)</b>	<b>(3,174.45)</b>	<b>(237,988.52)</b>
<b>Profit(loss) .....</b>	<b>(2,302.95)</b>	<b>(172,652.16)</b>	<b>(3,174.45)</b>	<b>(237,988.52)</b>
<b>Financial income and expenses</b>				
Interest income .....	18,041.31	1,352,557.01	13,223.09	991,335.06
Interest charges .....	0.00	0.00	(13.60)	(1,019.59)
<b>Total financial income and expenses .....</b>	<b>18,041.31</b>	<b>1,352,557.01</b>	<b>13,209.49</b>	<b>990,315.47</b>
<b>Profit/loss before extraordinary items .....</b>	<b>15,738.36</b>	<b>1,179,904.85</b>	<b>10,035.04</b>	<b>752,326.95</b>
<b>Profit before appropriations and taxes .....</b>	<b>15,738.36</b>	<b>1,179,904.85</b>	<b>10,035.04</b>	<b>752,326.95</b>
Income taxes .....	(2,787.76)	(208,998.37)	2,007.01	150,465.54
<b>Profit/loss for the financial year .....</b>	<b>12,950.60</b>	<b>970,906.48</b>	<b>8,028.03</b>	<b>601,861.41</b>



**BALANCE SHEET**

		Eur	Rs	Eur	Rs
	appendix	31.3.2016	31.3.2016	30.9.2014	30.9.2014
<b>ASSETS</b> .....					
<b>NON-CURRENT ASSETS</b> .....					
<b>Tangible assets</b> .....	<b>1</b>				
Land areas.....		527,069.84	39,514,425.90	527,069.84	39,514,425.90
<b>Total tangible assets</b> .....		<b>527,069.84</b>	<b>39,514,425.90</b>	<b>527,069.84</b>	<b>39,514,425.90</b>
<b>TOTAL NON-CURRENT ASSETS</b> .....		<b>527,069.84</b>	<b>39,514,425.90</b>	<b>527,069.84</b>	<b>39,514,425.90</b>
<b>CURRENT ASSETS</b> .....					
<b>Short-term receivables</b> .....	<b>2</b>				
Loan receivables from group companies .....		535,714.27	40,162,498.82	522,866.06	39,199,268.52
<b>Total short-term receivables</b> .....		535,714.27	40,162,498.82	522,866.06	39,199,268.52
<b>Cash and cash equivalents</b> .....					
Cash at bank .....		285.75	21,422.68	69.88	5,238.90
<b>Total cash and cash equivalents</b> .....		285.75	21,422.68	69.88	5,238.90
<b>TOTAL CURRENT ASSETS</b> .....		<b>536,000.02</b>	<b>40,183,921.50</b>	<b>522,935.94</b>	<b>39,204,507.42</b>
<b>TOTAL ASSETS</b> .....		<b>1,063,069.86</b>	<b>79,698,347.40</b>	<b>1,050,005.78</b>	<b>78,718,933.33</b>
<b>LIABILITIES</b> .....					
<b>EQUITY</b> .....					
<b>Share capital</b> .....	<b>3</b>	2,500.00	187,425.00	2,500.00	187,425.00
<b>Building fund</b> .....		1,040,077.00	77,974,572.69	1,040,077.00	77,974,572.69
<b>Profit(loss) from previous years</b> .....		5,842.77	438,032.47	(2,185.26)	(163,828.94)
<b>Profit(loss) for the financial year</b> .....		12,950.60	970,906.48	8,028.03	601,861.41
<b>TOTAL EQUITY</b> .....		<b>1,061,370.37</b>	<b>79,570,936.64</b>	<b>1,048,419.77</b>	<b>78,600,030.16</b>
<b>BORROWED CAPITAL</b> .....					
<b>Short-term borrowed capital</b> .....	<b>4</b>				
Accruals and deferred income .....		1,699.49	127,410.77	1,586.01	118,903.17
<b>Total short-term borrowed capital</b> .....		1,699.49	127,410.77	1,586.01	118,903.17
<b>TOTAL LIABILITIES</b> .....		<b>1,063,069.86</b>	<b>79,698,347.40</b>	<b>1,050,005.78</b>	<b>78,718,933.33</b>

## NOTES TO THE FINANCIAL STATEMENTS

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 - 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

##### 1. Tangible assets

	Eur		Rs	
	Land areas	Land areas	Land areas	Land areas
Acquisition cost 1.10.2014 .....	527,069.84	39,514,425.90		
<b>Acquisition cost 31.3.2016</b> .....	<b>527,069.84</b>	<b>39,514,425.90</b>		
<b>Book value 31.3.2016</b> .....	<b>527,069.84</b>	<b>39,514,425.90</b>		

### CURRENT ASSETS

#### RECEIVABLES

##### 2. Short-term receivables

	Eur		Rs	
	2016	2016	2014	2014
Loan receivables from group companies .....	535,714.27	40,162,498.82	522,866.06	39,199,268.52
<b>Total</b> .....	<b>535,714.27</b>	<b>40,162,498.82</b>	<b>522,866.06</b>	<b>39,199,268.52</b>

##### 3. LIABILITIES

	Eur		Rs	
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Building fund in the beginning of the year .....	1,040,077.00	77,974,572.69	1,040,077.00	77,974,572.69
<b>Building fund in the end of the year</b> .....	<b>1,040,077.00</b>	<b>77,974,572.69</b>	<b>1,040,077.00</b>	<b>77,974,572.69</b>
Profit/loss from prev. financial period .....	5,842.77	438,032.47	(2,185.26)	(163,828.94)
Profit/loss for the financial year .....	12,950.60	970,906.48	8,028.03	601,861.41
<b>Total equity</b> .....	<b>1,061,370.37</b>	<b>79,570,936.64</b>	<b>1,048,419.77</b>	<b>78,600,030.16</b>

## BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No	Eur	No	Eur
1 vote/share .....	50.00	2,500.00	50.00	2,500.00
<b>TOTAL</b> .....	<b>50.00</b>	<b>2,500.00</b>	<b>50.00</b>	<b>2,500.00</b>

	2016		2014	
RS	No	RS.	No	RS.
1 vote/share .....	50.00	187,425.00	50.00	187,425.00
<b>Total</b> .....	<b>50.00</b>	<b>187,425.00</b>	<b>50.00</b>	<b>187,425.00</b>

## 4. SHORT-TERM BORROWED CAPITAL

	Eur		Rs	
	2016	2016	2014	2014
Accruals and deferred income .....	353.28	26,485.40	0.00	0.00
Tax liabilities .....	1,346.21	100,925.36	1,586.01	118,903.17
<b>Total</b> .....	<b>1,699.49</b>	<b>127,410.77</b>	<b>1,586.01</b>	<b>118,903.17</b>

### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Profit for the financial year Euro 12,950.60 (Rs. 970,906.48). The Board of Directors proposes to the Annual General Meeting that the profit be transferred to equity and that no dividends be distributed.

Helsinki, April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

### AUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant



## AUDIT REPORT

### to members, users of the accounting statements of Holiday Club Resorts Rus Limited Liability Company

#### Entity Subject to Audit:

#### **Holiday Club Resorts Rus Limited Liability Company**

- main registration number 5067847052301
- location: 191186, Saint-Petersburg, Bolshaya Konyushennaya, 4-6-8

#### Audit Organisation:

- Audit Company SPS, LLC
- main registration number 1147847428684
- location: 197101., St. Petersburg, Mira, 3, of. 310
- member of the self-regulated auditors' organisation NP Russian Collegium of Auditors
- number in the register of auditors and audit organisations (ORNZ): 11505006641

We have audited the enclosed accounting statements of Holiday Club Resorts Rus Limited Liability Company consisting of the Balance Sheet and profit and Loss Account, Statement of changes in equity, Statement of cash flows as of December 31, 2015.

#### Responsibility of the Entity Subject to Audit for the Accounting Statements

The management of the entity subject to audit is responsible for the drawing-up and accuracy of the mentioned accounting statements in accordance with the established accounting rules and procedures, and for the internal control system necessary for the drawing up of accounts free of material misstatements as result of negligent act or error.

#### Responsibility of the Auditor

Our responsibility is to express an opinion, based on our audit, on the reliability of the financial statements. We conducted our

audit in accordance with the federal standards for the audit activity. The said federal standards require adherence to established ethic rules, and planning the audit in such a way to obtain reasonable assurance about whether the financial (accounting) statements are free of material misstatement.

The audit included audit procedures aimed at audit findings supporting the numerical data in the accounting statements and disclosure of its information. The choice of audit procedures is a subject of our judgement based on the assessment of risk of material misstatements made as a result of negligent act or error. While assessing the said risk, we examined the internal control system (securing the drawing-up and accuracy of the accounting statements) with the purpose of choosing the appropriate audit procedures and not expressing an opinion on efficiency of the internal control system.

Also the audit included assessment of appropriateness of the applied accounting policy and the reasonableness of the estimated figures obtained by the management of the entity subject to audit, as well as assessment of the accounting reporting overall.

We believe that the audit findings obtained in the course of audit provide sufficient basis for expressing an opinion on the reliability of the accounting statements.

#### The Opinion

In our opinion, the accounting statements of <<Holiday Club Resorts Rus>> Limited Liability Company reflect fairly, in all material respects, the financial situation of the company as of December 31, 2015 and the results of its financial and economic activity in accordance with established rules for accounting statements.

Director General of  
Audit Company SPS, LLC

I. Y. Kochinskaya

March 24, 2016





### FINANCIAL RESULTS STATEMENT FOR JANUARY - DECEMBER 2015

Company	Holiday Club Resorts Rus LLC
Taxpayer's ID number	7801409574
Line of business	Rendering of intermediary services in purchasing, selling and renting of residential real estates
Form of incorporation/Form of ownership	Limited liability company/ownership of a foreign entity
Unit of measurement:	

Notes	Item	Code	January - December 2015 thousand RUB	January - December 2015 thousand Rs
	Revenue .....	2110	9,279	9,093
	Cost of sales .....	2120	–	–
	Gross profit (loss) .....	2100	9,279	9,093
	Commercial expenses .....	2210	–	–
	Administrative expenses .....	2220	(20,787)	(20,371)
	Sales profit (loss) .....	2200	(11,508)	(11,278)
	Income from participation in other organizations .....	2310	–	–
	Interest receivable .....	2320	168	165
	Interest payable .....	2330	–	–
	Other income .....	2340	37,974	37,215
	Other expenses .....	2350	(57,694)	(56,540)
	Profit (loss) before taxation .....	2300	(31,060)	(30,439)
	Current profit tax .....	2410	–	–
	including permanent tax liabilities (assets) .....	2421	(303)	(297)
	Change in deferred tax liabilities .....	2430	–	–
	Change in deferred tax assets .....	2450	5,909	5,791
	Other .....	2460	–	–
	Net profit (loss) .....	2400	<u>(25,151)</u>	<u>(24,648)</u>

#### FOR REFERENCE

Revaluation of non-current assets not included in net profit (loss) for the period .....	2510	–	–
Result of other transactions not included in net profit (loss) for the period .....	2520	–	–
Comprehensive financial result for the period .....	2500	(25,151)	(24,648)
Basic earnings (loss) per common share .....	2900	–	–
Diluted earnings (loss) per common share .....	2910	–	–

RUB amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 0.98 = 1 RUB which is the Bloomberg rate as on 31<sup>st</sup> March 2016

Director **Kuznetsova Irina Sergeevna**  
(signature) (name)

April 19, 2016

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## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in real estate agencies business.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 750.23 (INR 56,244.74).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Tapio Anttila, CEO, Chair of the Board of Directors
- 2) Iiro Rossi, Board member
- 3) Riku Rauhala, Board member

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Suomen Vapaa-aikakiinteistöt Oy

**Tapio Anttila**  
CEO, Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016



## AUDITOR'S REPORT

To the Annual General Meeting of Suomen Vapaa – aikakiinteistöt Oy LKV

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Suomen Vapaa –aikakiinteistöt Oy LKV for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016

## ACCOUNTING PRINCIPLES

### Valuation and amortisation principles and methods

Revenues and expenses are amortised on an accruals basis.

### Valuation of non-current assets

Tangible and intangible assets

The company has no non-current assets on its balance sheet.

### Current assets

Receivables and liabilities have been valued at the nominal value.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

		Eur	Rs.	Eur	Rs.
	appendix	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.09.2014	1.10.2013- 30.09.2014
<b>TURNOVER</b> .....	1	–	–	6,280.00	470,811.60
Outsourced services .....		–	–	6,280.00	470,811.60
Personnel expenses .....	2	–	–	(3,897.92)	(292,227.06)
Other operating expenses .....	3	1,085.83	81,404.68	171.14	12,830.37
<b>Profit(loss)</b> .....		<b>(1,085.83)</b>	<b>(81,404.68)</b>	<b>3,726.78</b>	<b>279,396.70</b>
<b>Financial income and expenses</b>	4				
Interest income .....		335.60	25,159.93	242.94	18,213.21
Interest charges .....		–	–	136.80	10,255.90
<b>Total financial income and expenses</b> .....		<b>335.60</b>	<b>25,159.93</b>	<b>106.14</b>	<b>7,957.32</b>
<b>Profit/loss before extraordinary items</b> .....		<b>(750.23)</b>	<b>(56,244.74)</b>	<b>3,832.92</b>	<b>287,354.01</b>
<b>Profit before appropriations and taxes</b> .....		<b>(750.23)</b>	<b>(56,244.74)</b>	<b>3,832.92</b>	<b>287,354.01</b>
Income taxes .....	5	–	–	783.90	58,768.98
<b>Profit/loss for the financial year</b> .....		<b>(750.23)</b>	<b>(56,244.74)</b>	<b>3,049.02</b>	<b>228,585.03</b>

**BALANCE SHEET**

		Eur	Rs.	Eur	Rs.
	appendix	31.3.2016	31.3.2016	30.9.2014	30.9.2014
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
Short-term receivables .....	6	13,780.76	1,033,143.58	16,442.10	1,232,664.24
<b>Total short-term receivables .....</b>		<b>13,780.76</b>	<b>1,033,143.58</b>	<b>16,442.10</b>	<b>1,232,664.24</b>
<b>Cash and cash equivalents</b>					
Cash at bank .....		6,446.07	483,261.87	4,534.96	339,985.95
<b>Total cash and cash equivalents .....</b>		<b>6,446.07</b>	<b>483,261.87</b>	<b>4,534.96</b>	<b>339,985.95</b>
<b>TOTAL CURRENT ASSETS .....</b>		<b>20,226.83</b>	<b>1,516,405.45</b>	<b>20,977.06</b>	<b>1,572,650.19</b>
<b>TOTAL ASSETS .....</b>		<b>20,226.83</b>	<b>1,516,405.45</b>	<b>20,977.06</b>	<b>1,572,650.19</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	7	2,500.00	187,425.00	2,500.00	187,425.00
<b>Profit(loss) from previous years .....</b>		<b>18,477.06</b>	<b>1,385,225.19</b>	<b>15,428.04</b>	<b>1,156,640.16</b>
<b>Profit(loss) for the financial year .....</b>		<b>(750.23)</b>	<b>(56,244.74)</b>	<b>3,049.02</b>	<b>228,585.03</b>
<b>TOTAL EQUITY .....</b>		<b>20,226.83</b>	<b>1,516,405.45</b>	<b>20,977.06</b>	<b>1,572,650.19</b>
<b>TOTAL LIABILITIES .....</b>		<b>20,226.83</b>	<b>1,516,405.45</b>	<b>20,977.06</b>	<b>1,572,650.19</b>

## NOTES TO THE FINANCIAL STATEMENTS

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### Board of Directors proposal to process profit and loss for the previous financial year

The Board of Directors proposes to the Annual General Meeting that a loss of EUR 750.23 (Rs. 56,244.74) be transferred to the profit and loss account and that no dividends be distributed.

### Company shares

There are 100 company shares. Each share confers the same right to dividends and company assets.

## NOTES TO THE PROFIT AND LOSS STATEMENT

### TURNOVER

#### 1. TURNOVER BY SECTOR

##### Breakdown by sector

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
Sales, commissions.....	–	–	6,280.00	470,811.60
<b>Total</b> .....	<b>–</b>	<b>–</b>	<b>6,280.00</b>	<b>470,811.60</b>

## NOTES CONCERNING PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES

#### 2. PERSONNEL EXPENSES

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
Pension expenses.....	–	–	–	–
Other personnel expenses .....	–	–	(3,897.92)	(292,227.06)
<b>Total</b> .....	<b>–</b>	<b>–</b>	<b>(3,897.92)</b>	<b>(292,227.06)</b>

#### 3. OTHER OPERATING EXPENSES

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
Voluntary personnel expenses.....	–	–	–	–
Marketing expenses.....	–	–	(1,222.77)	(91,671.07)
Other business expenses.....	1,085.83	81,404.68	1,393.91	104,501.43
<b>Total</b> .....	<b>1,085.83</b>	<b>81,404.68</b>	<b>171.14</b>	<b>12,830.37</b>

#### 4. FINANCIAL INCOME AND EXPENSES

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
Interest income from companies in the same Group.....	312.53	23,430.37	222.68	16,694.32
Other interest income.....	23.07	1,729.56	20.26	1,518.89
<b>Total</b> .....	<b>335.60</b>	<b>25,159.93</b>	<b>242.94</b>	<b>18,213.21</b>

## NOTES TO THE FINANCIAL STATEMENTS

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Interest income from long-term investments and other interest income total</b> .....	-	-	242.94	18,213.21
Interest expenses and other financial expenses .....	-	-	-	-
Other interest expenses .....	-	-	136.80	10,255.90
<b>Total interest expenses</b> .....	-	-	136.80	10,255.90
<b>Total financial income and expenses</b> .....	335.60	25,159.93	106.14	7,957.32

## 5. INCOME TAXES

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
Direct taxes .....	-	-	783.90	58,768.98
Taxes from previous years .....	-	-	-	-
<b>Total</b> .....	-	-	783.90	58,768.98

## NOTES TO THE BALANCE SHEET

## ASSETS

## CURRENT ASSETS

## RECEIVABLES

## 6. SHORT-TERM RECEIVABLES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Receivables from companies in the same Group .....	9,485.21	711,106.19	9,172.68	687,675.82
Accrued income .....	4,295.55	322,037.38	7,269.42	544,988.42
<b>Total</b> .....	13,780.76	1,033,143.58	16,442.10	1,232,664.24

## LIABILITIES

	42,460.00	3,183,226.20	41,912.00	3,142,142.64
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## 7. EQUITY

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Share capital 1.1. ....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital 31.3.</b> .....	2,500.00	187,425.00	2,500.00	187,425.00
Profit/loss from prev. financial period .....	18,477.06	1,385,225.19	15,428.04	1,156,640.16
Profit/loss for the financial year .....	(750.23)	(56,244.74)	3,049.02	228,585.03
<b>Total equity</b> .....	20,226.83	1,516,405.45	20,977.06	1,572,650.19

## NOTES TO THE FINANCIAL STATEMENTS

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
<b>CALCULATION OF DISTRIBUTABLE FUNDS</b> .....	<b>42,460.00</b>	<b>3,183,226.20</b>	<b>41,912.00</b>	<b>3,142,142.64</b>
Profit/loss from the previous financial year .....	18,477.06	1,385,225.19	15,428.04	1,156,640.16
Profit/loss for the financial year .....	(750.23)	(56,244.74)	3,049.02	228,585.03
<b>Total</b> .....	<b>17,726.83</b>	<b>1,328,980.45</b>	<b>18,477.06</b>	<b>1,385,225.19</b>

Helsinki, April 21, 2016

**Tapio Anttila**  
CEO  
Chair of the Board of Directors

**Iiro Rossi**  
board member

**Riku Rauhala**  
board member

## AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company's is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 8,426.22 (INR 631,713.71).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Himoksen Tähti 2

**Riku Rauhala**  
Chair of the Board of Directors

Place: Tampere  
Dated: April 21, 2016



## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Himoksen Tähti 2

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Himoksen Tähti 2 for the year ended 31 March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

Tampere 26<sup>th</sup> of April, 2016

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

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**Pekka Hiltunen**  
Authorised Public Accountant

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Property management expenses</b>				
Administration.....	(829.81)	(62,210.86)	(398.58)	(29,881.54)
Property tax .....	(7,564.98)	(567,146.55)	(6,314.77)	(473,418.31)
<b>Total .....</b>	<b>(8,394.79)</b>	<b>(629,357.41)</b>	<b>(6,713.35)</b>	<b>(503,299.85)</b>
<b>Profit(loss) .....</b>	<b>(8,394.79)</b>	<b>(629,357.41)</b>	<b>(6,713.35)</b>	<b>(503,299.85)</b>
<b>Financial income and expenses</b>				
Interest income.....	0.41	30.74	0.13	9.75
Interest charges.....	(31.84)	(2,387.04)	(8,346.44)	(625,732.61)
<b>Total financial income and expenses .....</b>	<b>(31.43)</b>	<b>(2,356.31)</b>	<b>(8,346.31)</b>	<b>(625,722.86)</b>
<b>Profit/loss before extraordinary items .....</b>	<b>(8,426.22)</b>	<b>(631,713.71)</b>	<b>(15,059.66)</b>	<b>(1,129,022.71)</b>
<b>Profit before appropriations and taxes .....</b>	<b>(8,426.22)</b>	<b>(631,713.71)</b>	<b>(15,059.66)</b>	<b>(1,129,022.71)</b>
<b>Profit/loss for the financial year .....</b>	<b>(8,426.22)</b>	<b>(631,713.71)</b>	<b>(15,059.66)</b>	<b>(1,129,022.71)</b>

**BALANCE SHEET**

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 30.9.2014	Rs. 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	<b>1</b>				
Land areas.....		662,628.72	49,677,275.14	662,628.72	49,677,275.14
<b>Total tangible assets.....</b>		<b>662,628.72</b>	<b>49,677,275.14</b>	<b>662,628.72</b>	<b>49,677,275.14</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>662,628.72</b>	<b>49,677,275.14</b>	<b>662,628.72</b>	<b>49,677,275.14</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank .....		8,127.91	609,349.41	5,983.20	448,560.50
<b>Total cash and cash equivalents .....</b>		<b>8,127.91</b>	<b>609,349.41</b>	<b>5,983.20</b>	<b>448,560.50</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>8,127.91</b>	<b>609,349.41</b>	<b>5,983.20</b>	<b>448,560.50</b>
<b>TOTAL ASSETS.....</b>		<b>670,756.63</b>	<b>50,286,624.55</b>	<b>668,611.92</b>	<b>50,125,835.64</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital.....</b>	<b>2</b>	2,500.00	187,425.00	2,500.00	187,425.00
<b>Invested unrestricted equity fund.....</b>		720,181.45	53,992,003.31	710,691.21	53,280,520.01
<b>Profit(loss) from previous years.....</b>		(44,579.29)	(3,342,109.37)	(29,519.63)	(2,213,086.66)
<b>Profit(loss) for the financial year.....</b>		(8,426.22)	(631,713.71)	(15,059.66)	(1,129,022.71)
<b>TOTAL EQUITY.....</b>		<b>669,675.94</b>	<b>50,205,605.22</b>	<b>668,611.92</b>	<b>50,125,835.64</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Accruals and deferred income .....	<b>3</b>	1,080.69	81,019.33	–	–
<b>Total short-term borrowed capital .....</b>		<b>1,080.69</b>	<b>81,019.33</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES.....</b>		<b>670,756.63</b>	<b>50,286,624.55</b>	<b>668,611.92</b>	<b>50,125,835.64</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE BALANCE SHEET

#### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

##### 1 Tangible assets

	Eur	Rs.
	Land areas	Land areas
Acquisition cost 1.10.2014 .....	662,628.72	49,677,275.14
<b>Acquisition cost 31.3.2016</b> .....	<b>662,628.72</b>	<b>49,677,275.14</b>
<b>Book value 31.3.2016</b> .....	<b>662,628.72</b>	<b>49,677,275.14</b>

##### 2 LIABILITIES

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year .....	710,691.21	53,280,520.01	710,691.21	53,280,520.01
Additions .....	9,490.24	711,483.29	-	-
<b>Invested unrestricted equity fund in the end of the year</b> .....	<b>720,181.45</b>	<b>53,992,003.31</b>	<b>710,691.21</b>	<b>53,280,520.01</b>
Profit/loss from prev. financial period .....	(44,579.29)	(3,342,109.37)	(29,519.63)	(2,213,086.66)
Profit/loss for the financial year .....	(8,426.22)	(631,713.71)	(15,059.66)	(1,129,022.71)
<b>Total equity</b> .....	<b>669,675.94</b>	<b>50,205,605.22</b>	<b>668,611.92</b>	<b>50,125,835.64</b>

##### 3 Short-term borrowed capital

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Accruals and deferred income .....	1,080.69	81,019.33	-	-
<b>Total short-term borrowed capital</b> .....	<b>1,080.69</b>	<b>81,019.33</b>	<b>-</b>	<b>-</b>

#### BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share .....	25	2,500.00	25	2,500.00
<b>Total</b> .....	<b>25</b>	<b>2,500.00</b>	<b>25</b>	<b>2,500.00</b>

	2016		2014	
Rs.	No.	Rs.	No.	Rs.
1 vote/share .....	25	187,425.00	25	187,425.00
<b>Total</b> .....	<b>25</b>	<b>187,425.00</b>	<b>25</b>	<b>187,425.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER COMMITMENTS

The property owned by the company (property identifier 182-40-4242-3) is encumbered by 8 mortgages of EUR 110,000.00 (Rs. 8,246,700.00) each, totalling EUR 880,000.00 (Rs. 65,973,600,00). The mortgage deeds are held by the City of Jämsä.

The Jämsä City Council is entitled to, upon application, to release from the lien a single building plot within the property after the final construction inspection of the building in question has been conducted. "Building plot" refers to individual holiday residences.

The Company is hereby obligated to build on lot 182-40-4243-3 holiday residences, which are in compliance with the local detailed plan, municipal building ordinance and approved drawings, to such a degree of completion that the building inspection authority may conduct a final inspection in accordance with the Land Use and Building Act by 15 June 2016.

If the Company fails to meet the completion commitments within the specified period of time, the parent company of said Company shall be obligated to pay the City of Jämsä a contractual penalty of EUR 127,408.60 (Rs. 9,551,522.74).

### OTHER EASEMENTS

The company-owned area (182-430-2-79-M602) encumbers the leasing agreement dated 1 August 2005. The lease term ends on 1 August 2055.

### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution.

Loss for the financial year EUR 8,426.22 (Rs. 631,713.71). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

### FINANCIAL STATEMENTS

#### DATE AND SIGNATURES

Helsinki, April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

#### AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiitonen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 1,931.76 (INR 144,824.05).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Ilpo Antikainen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Vanha Ykköstii

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Vanha Ykköstii

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Vanha Ykköstii for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : 26<sup>th</sup> of April 2016



## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 - 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.09.2014	1.10.2013- 30.09.2014
<b>Property management expenses</b>				
Administration.....	(814.69)	(61,077.31)	(398.28)	(29,859.05)
Property tax .....	(1,114.11)	(83,524.83)	(582.38)	(43,661.03)
<b>Total .....</b>	<b>(1,928.80)</b>	<b>(144,602.14)</b>	<b>(980.66)</b>	<b>(73,520.08)</b>
<b>Profit(loss) .....</b>	<b>(1,928.80)</b>	<b>(144,602.14)</b>	<b>(980.66)</b>	<b>(73,520.08)</b>
<b>Financial income and expenses</b>				
Interest income.....	0.04	3.00	0.65	48.73
Interest charges.....	(3.00)	(224.91)	(604.24)	(45,299.87)
<b>Total financial income and expenses .....</b>	<b>(2.96)</b>	<b>(221.91)</b>	<b>(603.59)</b>	<b>(45,251.14)</b>
<b>Profit/loss before extraordinary items .....</b>	<b>(1,931.76)</b>	<b>(144,824.05)</b>	<b>(1,584.25)</b>	<b>(118,771.22)</b>
<b>Profit before appropriations and taxes .....</b>	<b>(1,931.76)</b>	<b>(144,824.05)</b>	<b>(1,584.25)</b>	<b>(118,771.22)</b>
<b>Profit/loss for the financial year .....</b>	<b>(1,931.76)</b>	<b>(144,824.05)</b>	<b>(1,584.25)</b>	<b>(118,771.22)</b>

**BALANCE SHEET**

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 30.9.2014	Rs. 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	1				
Land areas.....		52,142.00	3,909,085.74	52,142.00	3,909,085.74
<b>Total tangible assets.....</b>		<b>52,142.00</b>	<b>3,909,085.74</b>	<b>52,142.00</b>	<b>3,909,085.74</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>52,142.00</b>	<b>3,909,085.74</b>	<b>52,142.00</b>	<b>3,909,085.74</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		307.82	23,077.27	2,080.43	155,969.84
<b>Total cash and cash equivalents.....</b>		<b>307.82</b>	<b>23,077.27</b>	<b>2,080.43</b>	<b>155,969.84</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>307.82</b>	<b>23,077.27</b>	<b>2,080.43</b>	<b>155,969.84</b>
<b>TOTAL ASSETS.....</b>		<b>52,449.82</b>	<b>3,932,163.01</b>	<b>54,222.43</b>	<b>4,065,055.58</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Invested unrestricted equity fund.....	2	56,443.17	4,231,544.45	56,443.17	4,231,544.45
Profit(loss) from previous years.....		(4,720.74)	(353,913.88)	(3,136.49)	(235,142.66)
Profit(loss) for the financial year.....		(1,931.76)	(144,824.05)	(1,584.25)	(118,771.22)
<b>TOTAL EQUITY.....</b>		<b>52,290.67</b>	<b>3,920,231.53</b>	<b>54,222.43</b>	<b>4,065,055.58</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Accruals and deferred income.....	3	159.15	11,931.48	15.00	1,124.55
<b>Total short-term borrowed capital.....</b>		<b>159.15</b>	<b>11,931.48</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES.....</b>		<b>52,449.82</b>	<b>3,932,163.01</b>	<b>54,222.43</b>	<b>4,065,055.58</b>

## NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 1 Tangible assets

	Eur	Rs.
	Land areas	Land areas
Acquisition cost 1.10.2014 .....	52,142.00	3,909,085.74
<b>Acquisition cost 31.3.2016</b> .....	<b>52,142.00</b>	<b>3,909,085.74</b>
<b>Book value 31.3.2016</b> .....	<b>52,142.00</b>	<b>3,909,085.74</b>

## 2 LIABILITIES

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year .....	56,443.17	4,231,544.45	56,443.17	4,231,544.45
<b>Invested unrestricted equity fund in the end of the year</b> .....	<b>56,443.17</b>	<b>4,231,544.45</b>	<b>56,443.17</b>	<b>4,231,544.45</b>
Profit/loss from prev. financial period .....	(4,720.74)	(353,913.88)	(3,136.49)	(235,142.66)
Profit/loss for the financial year .....	(1,931.76)	(144,824.05)	(1,584.25)	(118,771.22)
<b>Total equity</b> .....	<b>52,290.67</b>	<b>3,920,231.53</b>	<b>54,222.43</b>	<b>4,065,055.58</b>

## 3 Short-term borrowed capital

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Accruals and deferred income .....	159.15	11,931.48	0.00	0.00
<b>Total short-term borrowed capital</b> .....	<b>159.15</b>	<b>11,931.48</b>	<b>0.00</b>	<b>0.00</b>

## BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share .....	25.00	2,500.00	25.00	2,500.00
<b>Total</b> .....	<b>25.00</b>	<b>2,500.00</b>	<b>25.00</b>	<b>2,500.00</b>

	2016		2014	
Rs.	No.	Rs.	No.	Rs.
1 vote/share .....	25.00	187,425.00	25.00	187,425.00
<b>Total</b> .....	<b>25.00</b>	<b>187,425.00</b>	<b>25.00</b>	<b>187,425.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

### OTHER NOTES

#### PERPETUAL EASEMENTS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

The company-owned area (765-401-2-294) encumbers the land lease agreement signed on 28 June 2011.

The lease term is 50 years.

#### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 1,931.76 (Rs 144,824.05). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

### FINANCIAL STATEMENTS

#### DATE AND SIGNATURES

Helsinki April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Anne Oravainen**  
Board Member

**Ilpo Antikainen**  
Board Member and CEO

### AUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements. During the period under review, the Company has made loss of Euro 922.76 (INR 69,179.32).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila
- 4) Ilpo Antikainen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Katinnurkka

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Katinnurkka

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Katinnurkka for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have

violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. This information in the report of the Board of directors is consistent with the information in the financial statements.

Tampere, April 26, 2016

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of INR 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.



## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Property management expenses</b>				
Administration.....	(877.56)	(65,790.67)	(539.27)	(40,429.07)
Property tax .....	(42.20)	(3,163.73)	(70.44)	(5,280.89)
<b>Total .....</b>	<b>(919.76)</b>	<b>(68,954.41)</b>	<b>(609.71)</b>	<b>(45,709.96)</b>
<b>Profit(loss) .....</b>	<b>(919.76)</b>	<b>(68,954.41)</b>	<b>(609.71)</b>	<b>(45,709.96)</b>
<b>Financial income and expenses</b>				
Interest charges.....	(3.00)	(224.91)	(3,567.42)	(267,449.48)
<b>Total financial income and expenses .....</b>	<b>(3.00)</b>	<b>(224.91)</b>	<b>(3,567.42)</b>	<b>(267,449.48)</b>
<b>Profit/loss before extraordinary items .....</b>	<b>(922.76)</b>	<b>(69,179.32)</b>	<b>(4,177.13)</b>	<b>(313,159.44)</b>
<b>Profit before appropriations and taxes .....</b>	<b>(922.76)</b>	<b>(69,179.32)</b>	<b>(4,177.13)</b>	<b>(313,159.44)</b>
<b>Profit/loss for the financial year .....</b>	<b>(922.76)</b>	<b>(69,179.32)</b>	<b>(4,177.13)</b>	<b>(313,159.44)</b>

**BALANCE SHEET**

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 30.9.2014	Rs. 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	1				
Land areas.....		307,958.00	23,087,611.26	307,958.00	23,087,611.26
<b>Total tangible assets.....</b>		<b>307,958.00</b>	<b>23,087,611.26</b>	<b>307,958.00</b>	<b>23,087,611.26</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>307,958.00</b>	<b>23,087,611.26</b>	<b>307,958.00</b>	<b>23,087,611.26</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		1,421.84	106,595.34	2,344.60	175,774.66
<b>Total cash and cash equivalents.....</b>		<b>1,421.84</b>	<b>106,595.34</b>	<b>2,344.60</b>	<b>175,774.66</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>1,421.84</b>	<b>106,595.34</b>	<b>2,344.60</b>	<b>175,774.66</b>
<b>TOTAL ASSETS.....</b>		<b>309,379.84</b>	<b>23,194,206.60</b>	<b>310,302.60</b>	<b>23,263,385.92</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	2	2,500.00	187,425.00	2,500.00	187,425.00
Invested unrestricted equity fund.....		316,041.01	23,693,594.52	316,041.01	23,693,594.52
Profit(loss) from previous years.....		(8,238.41)	(617,633.60)	(4,061.28)	(304,474.16)
Profit(loss) for the financial year.....		(922.76)	(69,179.32)	(4,177.13)	(313,159.44)
<b>TOTAL EQUITY.....</b>		<b>309,379.84</b>	<b>23,194,206.60</b>	<b>310,302.60</b>	<b>23,263,385.92</b>
<b>TOTAL LIABILITIES.....</b>		<b>309,379.84</b>	<b>23,194,206.60</b>	<b>310,302.60</b>	<b>23,263,385.92</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE BALANCE SHEET

#### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

##### 1 Tangible assets

	Eur	Rs.
	Land areas	Land areas
Acquisition cost 1.10.2014 .....	307,958.00	23,087,611.26
<b>Acquisition cost 31.3.2016</b> .....	<b>307,958.00</b>	<b>23,087,611.26</b>
<b>Book value 31.3.2016</b> .....	<b>307,958.00</b>	<b>23,087,611.26</b>

##### 2 LIABILITIES

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year .....	316,041.01	23,693,594.52	316,041.01	23,693,594.52
<b>Invested unrestricted equity fund in the end of the year</b> .....	<b>316,041.01</b>	<b>23,693,594.52</b>	<b>316,041.01</b>	<b>23,693,594.52</b>
Profit/loss from prev. financial period 1.10 .....	(8,238.41)	(617,633.60)	(4,061.28)	(304,474.16)
Profit/loss for the financial year .....	(922.76)	(69,179.32)	(4,177.13)	(313,159.44)
<b>Total equity</b> .....	<b>309,379.84</b>	<b>23,194,206.60</b>	<b>310,302.60</b>	<b>23,263,385.92</b>

#### BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share .....	25.00	2,500.00	25.00	2,500.00
<b>Total</b> .....	<b>25.00</b>	<b>2,500.00</b>	<b>25.00</b>	<b>2,500.00</b>

	2016		2014	
Rs.	No.	Rs.	No.	Rs.
1 vote/share .....	25.00	187,425.00	25.00	187,425.00
<b>Total</b> .....	<b>25.00</b>	<b>187,425.00</b>	<b>25.00</b>	<b>187,425.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year Euro 922.76 (Rs. 69,179.32). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

### FINANCIAL STATEMENTS

#### DATE AND SIGNATURES

Helsinki, April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
Board member

**Anne Oravainen**  
Board member

**Ilpo Antikainen**  
CEO

### AUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 941.36 (INR 70,573.76).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila
- 4) Ilpo Antikainen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Tenetinlahti

**Riku Rauhala**  
Chair of the Board of Directors

Place: Tampere  
Dated: April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Tenetinlahti

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Tenetinlahti for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### **Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place: Tampere  
Date: April 26, 2016

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014- 31.3.2016	1.10.2014- 31.3.2016	1.10.2013- 30.9.2014	1.10.2013- 30.9.2014
<b>Property management expenses</b>				
Administration .....	(782.74)	(58,682.02)	(661.91)	(49,623.39)
Property tax .....	(155.62)	(11,666.83)	(227.86)	(17,082.66)
<b>Total</b> .....	<b>(938.36)</b>	<b>(70,348.85)</b>	<b>(889.77)</b>	<b>(66,706.06)</b>
<b>Profit(loss)</b>	<b>(938.36)</b>	<b>(70,348.85)</b>	<b>(889.77)</b>	<b>(66,706.06)</b>
<b>Financial income and expenses</b>				
Interest income .....	0.00	0.00	0.00	0.00
Interest charges .....	(3.00)	(224.91)	(1,262.25)	(94,630.88)
<b>Total financial income and expenses</b> .....	<b>(3.00)</b>	<b>(224.91)</b>	<b>(1,262.25)</b>	<b>(94,630.88)</b>
<b>Profit/loss before extraordinary items</b> .....	<b>(941.36)</b>	<b>(70,573.76)</b>	<b>(2,152.02)</b>	<b>(161,336.94)</b>
<b>Profit before appropriations and taxes</b> .....	<b>(941.36)</b>	<b>(70,573.76)</b>	<b>(2,152.02)</b>	<b>(161,336.94)</b>
<b>Profit/loss for the financial year</b> .....	<b>(941.36)</b>	<b>(70,573.76)</b>	<b>(2,152.02)</b>	<b>(161,336.94)</b>

**BALANCE SHEET**

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 30.9.2014	Rs. 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	<b>1</b>				
Land areas .....		108,666.66	8,146,739.50	108,666.66	8,146,739.50
<b>Total tangible assets</b> .....		<b>108,666.66</b>	<b>8,146,739.50</b>	<b>108,666.66</b>	<b>8,146,739.50</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>108,666.66</b>	<b>8,146,739.50</b>	<b>108,666.66</b>	<b>8,146,739.50</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank .....		1,002.92	75,188.91	1,913.17	143,430.35
<b>Total cash and cash equivalents</b> .....		<b>1,002.92</b>	<b>75,188.91</b>	<b>1,913.17</b>	<b>143,430.35</b>
<b>TOTAL CURRENT ASSETS</b> .....		<b>1,002.92</b>	<b>75,188.91</b>	<b>1,913.17</b>	<b>143,430.35</b>
<b>TOTAL ASSETS</b> .....		<b>109,669.58</b>	<b>8,221,928.41</b>	<b>110,579.83</b>	<b>8,290,169.86</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital</b> .....	<b>2</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	187,425.00
<b>Invested unrestricted equity fund</b> .....		<b>113,674.11</b>	<b>8,522,148.03</b>	<b>113,674.11</b>	8,522,148.03
<b>Profit(loss) from previous years</b> .....		<b>(5,594.28)</b>	<b>(419,403.17)</b>	<b>(3,442.26)</b>	(258,066.23)
<b>Profit(loss) for the financial year</b> .....		<b>(941.36)</b>	<b>(70,573.76)</b>	<b>(2,152.02)</b>	(161,336.94)
<b>TOTAL EQUITY</b> .....		<b>109,638.47</b>	<b>8,219,596.10</b>	<b>110,579.83</b>	<b>8,290,169.86</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Accruals and deferred income .....	<b>3</b>	31.11	2,332.32	0.00	0.00
<b>Total short-term borrowed capital</b> .....		<b>31.11</b>	<b>2,332.32</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES</b> .....		<b>109,669.58</b>	<b>8,221,928.41</b>	<b>110,579.83</b>	<b>8,290,169.86</b>



## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 1. Tangible assets

	Eur		Rs.	
	Land areas	Land areas	Land areas	Land areas
Acquisition cost 1.10.2014...	108,666.66	8,146,739.50		
Acquisition cost 31.3.2016...	108,666.66	8,146,739.50		
<b>Book value 31.3.2016.....</b>	<b>108,666.66</b>	<b>8,146,739.50</b>		

## 2. Liabilities

	Eur		Rs.	
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year.....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year.....</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year.....	113,674.11	8,522,148.03	113,674.11	8,522,148.03
<b>Invested unrestricted equity fund in the end of the year.....</b>	<b>113,674.11</b>	<b>8,522,148.03</b>	<b>113,674.11</b>	<b>8,522,148.03</b>
Profit/loss from prev. financial period 1.10.....	(5,594.28)	(419,403.17)	(3,442.26)	(258,066.23)
Profit/loss for the financial year.....	(941.36)	(70,573.76)	(2,152.02)	(161,336.94)
<b>Total equity</b>	<b>109,638.47</b>	<b>8,219,596.10</b>	<b>110,579.83</b>	<b>8,290,169.86</b>

## 3. Short-term borrowed capital

	2016		2014	
	Eur	Rs.	Eur	Rs.
Accruals and deferred income.....	31.11	2,332.32	0.00	0.00
<b>Total short-term borrowed capital.....</b>	<b>31.11</b>	<b>2,332.32</b>	<b>0.00</b>	<b>0.00</b>

## BREAKDOWN OF SHARE CAPITAL

	2016		2014	
	No.	Eur	No.	Eur
1 vote/share.....	25.00	2,500.00	25.00	2,500.00
<b>Total</b>	<b>25.00</b>	<b>2,500.00</b>	<b>25.00</b>	<b>2,500.00</b>

	2016		2014	
Rs	No.	Rs.	No.	Rs.
1 vote/share.....	25.00	187,425.00	25.00	187,425.00
<b>Total</b>	<b>25.00</b>	<b>187,425.00</b>	<b>25.00</b>	<b>187,425.00</b>

## Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 941.36 (Rs. 70,573.76). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

FINANCIAL STATEMENTS  
DATE AND SIGNATURES

Helsinki April 21, 2016

**Riku Rauhala**  
Chair of the Board of Director

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

**Ilpo Antikainen**  
CEO

## AUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Sotkamo.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 8,316.00 (INR 623,450.52) and made loss of Euro 542,153.21 (INR 40,645,226.15).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Tapio Anttila
- 2) Anne Oravainen
- 3) Riku Rauhala
- 4) Ilpo Antikainen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion

of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Mällösnieni

**Tapio Anttila**  
Chair of the Board of Directors

Place : Tampere  
Dated : 21<sup>st</sup> April, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Mällösniemi

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Mällösniemi for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : 26<sup>th</sup> April, 2016

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value. Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.1.2014 - 31.12.2014 financial period, i.e. a twelve-month period. This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy. Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters. Hitsaajankatu 22, 00810 Helsinki.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
appendix	1.1.2015 -31.3.2016	1.1.2015 -31.3.2016	1.1.2014 -31.12.2014	1.1.2014 -31.12.2014
<b>TURNOVER</b>				
Considerations.....	8,316.00	623,450.52	16,632.00	1,246,901.04
<b>Total</b> .....	<b>8,316.00</b>	<b>623,450.52</b>	<b>16,632.00</b>	<b>1,246,901.04</b>
<b>Depreciation</b>				
	1			
Machines and equipment .....	-	-	(969.18)	(72,659.42)
Impairments from non-current assets .....	(522,805.78)	(39,194,749.33)	-	-
<b>Total</b> .....	<b>(522,805.78)</b>	<b>(39,194,749.33)</b>	<b>(969.18)</b>	<b>(72,659.42)</b>
<b>Property management expenses</b>				
Administration.....	(1,250.74)	(93,767.98)	(1,402.32)	(105,131.93)
Operation and maintenance .....	(114.10)	(8,554.08)	(864.69)	(64,825.81)
Cleaning.....	(651.27)	(48,825.71)	(295.74)	(22,171.63)
Water and sewage .....	206.06	15,448.32	(180.09)	(13,501.35)
Electricity.....	(5,290.23)	(396,608.54)	(8,019.46)	(601,218.92)
Waste management .....	(111.34)	(8,347.16)	(83.09)	(6,229.26)
Indemnity insurance.....	(651.76)	(48,862.45)	(532.83)	(39,946.27)
Rents.....	(10,638.65)	(797,579.59)	-	-
Property tax .....	(2,594.16)	(194,484.18)	(2,089.23)	(156,629.57)
Repairs.....	(5,993.18)	(449,308.70)	(2,168.84)	(162,597.93)
Other expenses .....	(1,814.12)	(136,004.58)	-	-
<b>Total</b> .....	<b>(28,903.49)</b>	<b>(2,166,894.65)</b>	<b>(15,636.29)</b>	<b>(1,172,252.66)</b>
<b>Profit(loss)</b> .....	<b>(543,393.27)</b>	<b>(40,738,193.45)</b>	26.53	1,988.95
<b>Financial income and expenses</b>				
Interest income.....	1,301.74	97,591.45	-	-
Interest charges.....	(61.68)	(4,624.15)	-	-
<b>Total financial income and expenses</b> .....	<b>1,240.06</b>	<b>92,967.30</b>	<b>-</b>	<b>-</b>
<b>Profit/loss before extraordinary items</b> .....	<b>(542,153.21)</b>	<b>(40,645,226.15)</b>	26.53	1,988.95
<b>Profit before appropriations and taxes</b> .....	<b>(542,153.21)</b>	<b>(40,645,226.15)</b>	26.53	1,988.95
<b>Profit/loss for the financial year</b> .....	<b>(542,153.21)</b>	<b>(40,645,226.15)</b>	26.53	1,988.95

## BALANCE SHEET

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 31.12.2014	Rs. 31.12.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	2				
Land improvement contribution.....		–	–	10,696.40	801,909.11
Buildings and structures .....		200,000.00	14,994,000.00	769,618.93	57,698,331.18
Machines and equipment .....		5,000.00	374,850.00	47,490.45	3,560,359.04
<b>Total tangible assets.....</b>		<b>205,000.00</b>	<b>15,368,850.00</b>	<b>827,805.78</b>	<b>62,060,599.33</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>205,000.00</b>	<b>15,368,850.00</b>	<b>827,805.78</b>	<b>62,060,599.33</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>	3				
Receivables from companies in the same Group.....		95,548.16	7,163,245.56	–	–
<b>Total short-term receivables.....</b>		<b>95,548.16</b>	<b>7,163,245.56</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents</b>					
Cash at bank .....		27.62	2,070.67	18,145.71	1,360,383.88
<b>Total cash and cash equivalents .....</b>		<b>27.62</b>	<b>2,070.67</b>	<b>18,145.71</b>	<b>1,360,383.88</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>95,575.78</b>	<b>7,165,316.23</b>	<b>18,145.71</b>	<b>1,360,383.88</b>
<b>TOTAL ASSETS.....</b>		<b>300,575.78</b>	<b>22,534,166.23</b>	<b>845,951.49</b>	<b>63,420,983.21</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital.....</b>	4	9,000.00	674,730.00	9,000.00	674,730.00
<b>Building fund.....</b>		836,372.70	62,702,861.32	836,372.70	62,702,861.32
<b>Profit(loss) from previous years.....</b>		(3,579.18)	(268,331.12)	(3,605.71)	(270,320.08)
<b>Profit(loss) for the financial year.....</b>		(542,153.21)	(40,645,226.15)	26.53	1,988.95
<b>TOTAL EQUITY.....</b>		<b>299,640.31</b>	<b>22,464,034.04</b>	<b>841,793.52</b>	<b>63,109,260.19</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>	5				
Trade payables.....		–	–	3,178.97	238,327.38
Liabilities for companies in the same Group ...		–	–	979.00	73,395.63
Accruals and deferred income .....		935.47	70,132.19	–	–
<b>Total short-term borrowed capital .....</b>		<b>935.47</b>	<b>70,132.19</b>	<b>4,157.97</b>	<b>311,723.01</b>
<b>TOTAL LIABILITIES.....</b>		<b>300,575.78</b>	<b>22,534,166.23</b>	<b>845,951.49</b>	<b>63,420,983.21</b>

## NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE PROFIT AND LOSS STATEMENT

## 1. DEPRECIATION AND IMPAIRMENTS

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Machines and equipment.....	-	-	969.18	72,659.42
Impairments from non-current assets.....	522,805.78	39,194,749.33	-	-
<b>TOTAL.....</b>	<b>522,805.78</b>	<b>39,194,749.33</b>	<b>969.18</b>	<b>72,659.42</b>

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 2. TANGIBLE ASSETS

Eur	Land areas	Buildings and structures	Machines and equipment	Total
Acquisition cost 1.1.2015 .....	10,696.40	769,618.93	47,516.98	827,832.31
Additions .....	0.00	0.00	0.00	0.00
<b>Acquisition cost 31.3.2016 .....</b>	<b>10,696.40</b>	<b>769,618.93</b>	<b>47,516.98</b>	<b>827,832.31</b>
Accumulated depreciation 1.1.2015 .....	0.00	0.00	26.53	26.53
Depreciation for the financial year .....	0.00	0.00	0.00	0.00
Impairments .....	10,696.40	569,618.93	42,490.45	622,805.78
<b>Book value 31.3.2016 .....</b>	<b>0.00</b>	<b>200,000.00</b>	<b>5,000.00</b>	<b>205,000.00</b>

Rs	Land areas	Buildings and structures	Machines and equipment	Total
Acquisition cost 1.1.2015 .....	801,909.11	57,698,331.18	3,562,347.99	62,062,588.28
Additions .....	0.00	0.00	0.00	0.00
<b>Acquisition cost 31.3.2016 .....</b>	<b>801,909.11</b>	<b>57,698,331.18</b>	<b>3,562,347.99</b>	<b>62,062,588.28</b>
Accumulated depreciation 1.1.2015 .....	0.00	0.00	1,988.95	1,988.95
Depreciation for the financial year .....	0.00	0.00	0.00	0.00
Impairments .....	801,909.11	42,704,331.18	3,185,509.04	46,691,749.33
<b>Book value 31.3.2016 .....</b>	<b>0.00</b>	<b>14,994,000.00</b>	<b>374,850.00</b>	<b>15,368,850.00</b>

## CURRENT ASSETS

## RECEIVABLES

## 3. SHORT-TERM RECEIVABLES

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Receivables from companies in the same Group.....	95,950.20	7,193,386.49	0.00	0.00
<b>TOTAL.....</b>	<b>95,950.20</b>	<b>7,193,386.49</b>	<b>0.00</b>	<b>0.00</b>



## NOTES TO THE FINANCIAL STATEMENTS

## 4. LIABILITIES

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	9,000.00	674,730.00	9,000.00	674,730.00
<b>Share capital in the end of the year</b> .....	9,000.00	674,730.00	9,000.00	674,730.00
Building fund in the beginning of the year.....	836,372.70	62,702,861.32	836,372.70	62,702,861.32
<b>Building fund in the end of the year</b> .....	836,372.70	62,702,861.32	836,372.70	62,702,861.32
Profit/loss from prev. financial period .....	(3,579.18)	(268,331.12)	(3,605.71)	(270,320.08)
Profit/loss for the financial year.....	(542,153.21)	(40,645,226.15)	26.53	1,988.95
<b>Total equity</b> .....	<b>299,640.31</b>	<b>22,464,034.04</b>	<b>841,793.52</b>	<b>63,109,260.19</b>

The company has no distributable assets

## 5. SHORT-TERM BORROWED CAPITAL

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
Trade payables .....	-	-	3,178.97	238,327.38
Liabilities for companies in the same Group .....	-	-	979.00	73,395.63
Accruals and deferred income.....	935.47	70,132.19	-	-
<b>Total borrowed capital</b> .....	<b>935.47</b>	<b>70,132.19</b>	<b>4,157.97</b>	<b>311,723.01</b>

## BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share	45.00	9,000.00	45.00	9,000.00
<b>Total</b> .....	<b>45.00</b>	<b>9,000.00</b>	<b>45.00</b>	<b>9,000.00</b>

	2016		2014	
Rs	No.	Rs	No.	Rs
1 vote/share	45.00	674,730.00	45.00	674,730.00
<b>Total</b> .....	<b>45.00</b>	<b>674,730.00</b>	<b>45.00</b>	<b>674,730.00</b>

## Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 542,153.21 (Rs. 40,645,226.15). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

## AUDITOR'S NOTE

Helsinki, April 21, 2016

A report of the audit has been submitted today.

**Tapio Anttila**  
Chair of the Board of Directors

**Riku Rauhala**  
Board Member

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Anne Oravainen**  
Board Member

**Ippo Antikainen**  
CEO

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### OPERATIONS/STATE OF THE COMPANY'S AFFAIRS

The Company is primarily engaged in letting of estate.

The Company's is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### FINANCIAL HIGHLIGHTS

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 3,964.04 (INR 297,184.08).

### DIVIDENDS

No Dividend was proposed for the financial period under review.

### DIRECTORS

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila

### STATEMENT OF DIRECTORS

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### ISSUE OF SHARES

The Company did not issue shares during the financial period under review.

### HOLDING COMPANY

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### COMPLIANCE

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### AUDITORS

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### ACKNOWLEDGEMENTS

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Rauhalla Ranta 1

**Riku Rauhala**  
Chair of the Board of Directors

Place: Tampere  
Dated: April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Rauhan Ranta 1

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Rauhan Ranta 1 for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have

violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

Tampere, April 26, 2016

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

## **ACCOUNTING PRINCIPLES**

### **Valuation principles**

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### **Comparability of the previous financial year data**

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur 1.10.2014 -31.3.2016	Rs. 1.10.2014 -31.3.2016	Eur 1.10.2013 -30.9.2014	Rs. 1.10.2013 -30.9.2014
<b>Property management expenses</b>				
Administration .....	(988.35)	(74,096.60)	(522.08)	(39,140.34)
Outdoor area management .....	(2,976.00)	(223,110.72)	(1,488.00)	(111,555.36)
Other management expenses .....	0.00	0.00	(85.00)	(6,372.45)
<b>Total .....</b>	<b>(3,964.35)</b>	<b>(297,207.32)</b>	<b>(2,095.08)</b>	<b>(157,068.15)</b>
<b>Profit(loss).....</b>	<b>(3,964.35)</b>	<b>(297,207.32)</b>	<b>(2,095.08)</b>	<b>(157,068.15)</b>
<b>Financial income and expenses</b>				
Interest income .....	0.31	23.24	1.02	76.47
Interest charges .....	0.00	0.00	(44.96)	(3,370.65)
<b>Total financial income and expenses .....</b>	<b>0.31</b>	<b>23.24</b>	<b>(43.94)</b>	<b>(3,294.18)</b>
<b>Profit/loss before extraordinary items .....</b>	<b>(3,964.04)</b>	<b>(297,184.08)</b>	<b>(2,139.02)</b>	<b>(160,362.33)</b>
<b>Profit before appropriations and taxes .....</b>	<b>(3,964.04)</b>	<b>(297,184.08)</b>	<b>(2,139.02)</b>	<b>(160,362.33)</b>
<b>Profit/loss for the financial year .....</b>	<b>(3,964.04)</b>	<b>(297,184.08)</b>	<b>(2,139.02)</b>	<b>(160,362.33)</b>

**BALANCE SHEET**

		Eur	Rs	Eur	Rs
		31.3.2016	31.3.2016	30.9.2014	30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>					
Land areas.....	1	124,800.00	9,356,256.00	124,800.00	9,356,256.00
<b>Total tangible assets.....</b>		<b>124,800.00</b>	<b>9,356,256.00</b>	<b>124,800.00</b>	<b>9,356,256.00</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>124,800.00</b>	<b>9,356,256.00</b>	<b>124,800.00</b>	<b>9,356,256.00</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank .....		1,289.48	96,672.32	3,765.52	282,301.03
<b>Total cash and cash equivalents .....</b>		<b>1,289.48</b>	<b>96,672.32</b>	<b>3,765.52</b>	<b>282,301.03</b>
<b>TOTAL CURRENT ASSETS .....</b>		<b>1,289.48</b>	<b>96,672.32</b>	<b>3,765.52</b>	<b>282,301.03</b>
<b>TOTAL ASSETS .....</b>		<b>126,089.48</b>	<b>9,452,928.32</b>	<b>128,565.52</b>	<b>9,638,557.03</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	2	2,500.00	187,425.00	2,500.00	187,425.00
Building fund .....		124,800.00	9,356,256.00	124,800.00	9,356,256.00
Invested unrestricted equity fund.....		7,777.97	583,114.41	7,777.97	583,114.41
Profit(loss) from previous years.....		(6,512.45)	(488,238.38)	(4,373.43)	(327,876.05)
Profit(loss) for the financial year.....		(3,964.04)	(297,184.08)	(2,139.02)	(160,362.33)
<b>TOTAL EQUITY .....</b>		<b>124,601.48</b>	<b>9,341,372.96</b>	<b>128,565.52</b>	<b>9,638,557.03</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital .....</b>					
Accruals and deferred income .....	3	1,488.00	111,555.36	0.00	0.00
<b>Total short-term borrowed capital .....</b>		<b>1,488.00</b>	<b>111,555.36</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES.....</b>		<b>126,089.48</b>	<b>9,452,928.32</b>	<b>128,565.52</b>	<b>9,638,557.03</b>

## NOTES TO THE BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

##### 1 Tangible assets

	Eur	Rs
	Land areas	Land areas
Acquisition cost 1.10.2014	124,800.00	9,356,256.00
<b>Acquisition cost 31.3.2016</b>	<b>124,800.00</b>	<b>9,356,256.00</b>
<b>Book value 31.3.2016</b>	<b>124,800.00</b>	<b>9,356,256.00</b>

##### 2 LIABILITIES

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Building fund in the beginning of the year	124,800.00	9,356,256.00	124,800.00	9,356,256.00
<b>Building fund in the end of the year</b>	<b>124,800.00</b>	<b>9,356,256.00</b>	<b>124,800.00</b>	<b>9,356,256.00</b>
Invested unrestricted equity fund in the beginning of the year	7,777.97	583,114.41	7,777.97	583,114.41
<b>Invested unrestricted equity fund in the end of the year</b>	<b>7,777.97</b>	<b>583,114.41</b>	<b>7,777.97</b>	<b>583,114.41</b>
Profit/loss from prev. financial period	(6,512.45)	(488,238.38)	(4,373.43)	(327,876.05)
Profit/loss for the financial year	(3,964.04)	(297,184.08)	(2,139.02)	(160,362.33)
<b>Total equity</b>	<b>124,601.48</b>	<b>9,341,372.96</b>	<b>128,565.52</b>	<b>9,638,557.03</b>

#### BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share	25.00	2,500.00	25.00	2,500.00
<b>Total</b>	<b>25.00</b>	<b>2,500.00</b>	<b>25.00</b>	<b>2,500.00</b>

	2016		2014	
Rs	No.	Rs	No.	Rs
1 vote/share	25.00	187,425.00	25.00	187,425.00
<b>Total</b>	<b>25.00</b>	<b>187,425.00</b>	<b>25.00</b>	<b>187,425.00</b>

##### 3 Short-term borrowed capital

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Accruals and deferred income	1,488.00	111,555.36	-	-
<b>Total short-term borrowed capital</b>	<b>1,488.00</b>	<b>111,555.36</b>	<b>-</b>	<b>-</b>

#### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 3,964.04 (Rs. 297,184.08). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

Helsinki April 21, 2016

**Riku Rauhala**  
Chair of the Board of Director

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
board member

#### AUDITOR'S NOTE

A report of the audit has been submitted today.  
Öhrlings PricewaterhouseCoopers AB

#### PricewaterhouseCoopers Oy

Authorised Public Accounting Firm

#### Pekka Hiltunen

Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 6,143.86 (INR 460,605.18).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Rauhan Ranta 2

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016



## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Rauhan Ranta 2

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Rauhan Ranta 2 for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016

## PROFIT AND LOSS STATEMENT

	Eur 1.10.2014 -31.3.2016	INR 1.10.2014 -31.3.2016	Eur 1.10.2013 -30.9.2014	INR 1.10.2013 -30.9.2014
<b>Property management expenses</b>				
Administration.....	(1,030.55)	(77,260.33)	(547.89)	(41,075.31)
Outdoor area management .....	(4,438.20)	(332,731.85)	(2,219.10)	(166,365.93)
Property tax .....	(667.83)	(50,067.22)	(543.36)	(40,735.70)
Other management expenses .....	-	-	(85.00)	(6,372.45)
<b>Total .....</b>	<b>(6,136.58)</b>	<b>(460,059.40)</b>	<b>(3,395.35)</b>	<b>(254,549.39)</b>
<b>Profit(loss).....</b>	<b>(6,136.58)</b>	<b>(460,059.40)</b>	<b>(3,395.35)</b>	<b>(254,549.39)</b>
<b>Financial income and expenses</b>				
Interest income.....	0.01	0.75	0.49	36.74
Interest charges.....	(7.29)	(546.53)	(224.40)	(16,823.27)
<b>Total financial income and expenses .....</b>	<b>(7.28)</b>	<b>(545.78)</b>	<b>(223.91)</b>	<b>(16,786.53)</b>
<b>Profit/loss before extraordinary items .....</b>	<b>(6,143.86)</b>	<b>(460,605.18)</b>	<b>(3,619.26)</b>	<b>(271,335.92)</b>
<b>Profit before appropriations and taxes .....</b>	<b>(6,143.86)</b>	<b>(460,605.18)</b>	<b>(3,619.26)</b>	<b>(271,335.92)</b>
<b>Profit/loss for the financial year.....</b>	<b>(6,143.86)</b>	<b>(460,605.18)</b>	<b>(3,619.26)</b>	<b>(271,335.92)</b>

**BALANCE SHEET**

		Eur	INR	Eur	INR
	Notes	31.3.2016	31.3.2016	30.9.2014	30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>					
Land areas.....	1	202,800.00	15,203,916.00	202,800.00	15,203,916.00
<b>Total tangible assets.....</b>		<b>202,800.00</b>	<b>15,203,916.00</b>	<b>202,800.00</b>	<b>15,203,916.00</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>202,800.00</b>	<b>15,203,916.00</b>	<b>202,800.00</b>	<b>15,203,916.00</b>
<b>CURRENT ASSETS</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		6,250.18	468,575.99	3,512.77	263,352.37
<b>Total cash and cash equivalents.....</b>		<b>6,250.18</b>	<b>468,575.99</b>	<b>3,512.77</b>	<b>263,352.37</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>6,250.18</b>	<b>468,575.99</b>	<b>3,512.77</b>	<b>263,352.37</b>
<b>TOTAL ASSETS.....</b>		<b>209,050.18</b>	<b>15,672,491.99</b>	<b>206,312.77</b>	<b>15,467,268.37</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	2	2,500.00	187,425.00	2,500.00	187,425.00
Building fund.....		202,800.00	15,203,916.00	202,800.00	15,203,916.00
Invested unrestricted equity fund.....		28,355.11	2,125,782.60	21,788.34	1,633,471.85
Profit(loss) from previous years.....		(20,775.57)	(1,557,544.48)	(17,156.31)	(1,286,208.56)
Profit(loss) for the financial year.....		(6,143.86)	(460,605.18)	(3,619.26)	(271,335.92)
<b>TOTAL EQUITY.....</b>		<b>206,735.68</b>	<b>15,498,973.93</b>	<b>206,312.77</b>	<b>15,467,268.37</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital.....</b>					
Accruals and deferred income.....	3	2,314.50	173,518.07	0.00	0.00
<b>Total short-term borrowed capital.....</b>		<b>2,314.50</b>	<b>173,518.07</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES.....</b>		<b>209,050.18</b>	<b>15,672,491.99</b>	<b>206,312.77</b>	<b>15,467,268.37</b>

## **ACCOUNTING PRINCIPLES**

### **Valuation principles**

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### **Comparability of the previous financial year data**

The reference figures used are from the 1.10.2013 - 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

##### 1 Tangible assets

	Eur	INR
	Land areas	Land areas
Acquisition cost 1.10.2014	202,800.00	15,203,916.00
<b>Acquisition cost 31.3.2016</b>	<b>202,800.00</b>	<b>15,203,916.00</b>
<b>Book value 31.3.2016</b>	<b><u>202,800.00</u></b>	<b><u>15,203,916.00</u></b>

##### 2 LIABILITIES

	Eur		INR	
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Building fund in the beginning of the year	202,800.00	15,203,916.00	202,800.00	15,203,916.00
<b>Building fund in the end of the year</b>	<b>202,800.00</b>	<b>15,203,916.00</b>	<b>202,800.00</b>	<b>15,203,916.00</b>
Invested unrestricted equity fund in the beginning of the year	21,788.34	1,633,471.85	21,788.34	1,633,471.85
Additions	6,566.77	492,310.75	–	–
<b>Invested unrestricted equity fund in the end of the year</b>	<b>28,355.11</b>	<b>2,125,782.60</b>	<b>21,788.34</b>	<b>1,633,471.85</b>
Profit/loss from prev. financial period	(20,775.57)	(1,557,544.48)	(17,156.31)	(1,286,208.56)
Profit/loss for the financial year	(6,143.86)	(460,605.18)	(3,619.26)	(271,335.92)
<b>Total equity</b>	<b><u>206,735.68</u></b>	<b><u>15,498,973.93</u></b>	<b><u>206,312.77</u></b>	<b><u>15,467,268.37</u></b>

#### BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share	25.00	2,500.00	25.00	2,500.00
<b>Total</b>	<b><u>25.00</u></b>	<b><u>2,500.00</u></b>	<b><u>25.00</u></b>	<b><u>2,500.00</u></b>

	2016		2014	
Rs.	No.	INR	No.	INR
1 vote/share	25.00	187,425.00	25.00	187,425.00
<b>Total</b>	<b><u>25.00</u></b>	<b><u>187,425.00</u></b>	<b><u>25.00</u></b>	<b><u>187,425.00</u></b>

##### 3 Short-term borrowed capital

	Eur		INR	
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Accruals and deferred income	2,314.50	173,518.07	0.00	0.00
<b>Total short-term borrowed capital</b>	<b><u>2,314.50</u></b>	<b><u>173,518.07</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

#### Notes to the financial statements compliant with the Limited Liability Companies Act.

#### Board of Directors' proposal for profit distribution

Loss for the financial year EUR 6,143.86 (Rs. 460,605.18). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

Helsinki, April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

#### AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Helsinki.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 584,187.44 (INR 43,796,532.38).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Tiurunniemi

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## Auditor's Report

To the Annual General Meeting of Kiinteistö Oy Tiurunniemi

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Tiurunniemi for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016

## PROFIT AND LOSS STATEMENT

		Eur	Rs	Eur	Rs
		1.10.2014	1.10.2014	1.10.2013	1.10.2013
	appendix	-31.3.2016	-31.3.2016	-30.9.2014	-30.9.2014
<b>Depreciation</b>					
Impairments land and water areas .....	1	(577,229.00)	(43,274,858.13)	0.00	0.00
<b>Total</b> .....		<u>(577,229.00)</u>	<u>(43,274,858.13)</u>	<u>0.00</u>	<u>0.00</u>
<b>Property management expenses</b>					
Administration .....		(805.48)	(60,386.84)	(430.09)	(32,243.85)
Property tax.....		(3,922.58)	(294,075.82)	(1,539.09)	(115,385.58)
Reparations .....		(2,202.24)	(165,101.93)	0.00	0.00
<b>Total</b> .....		<u>(6,930.30)</u>	<u>(519,564.59)</u>	<u>(1,969.18)</u>	<u>(147,629.42)</u>
<b>Profit(loss)</b> .....		(584,159.30)	(43,794,422.72)	(1,969.18)	(147,629.42)
<b>Financial income and expenses</b>					
Interest charges .....		(28.14)	(2,109.66)	(10,918.01)	(818,523.21)
<b>Total financial income and expenses</b> .....		<u>(28.14)</u>	<u>(2,109.66)</u>	<u>(10,918.01)</u>	<u>(818,523.21)</u>
<b>Profit/loss before extraordinary items</b> .....		<u>(584,187.44)</u>	<u>(43,796,532.38)</u>	<u>(12,887.19)</u>	<u>(966,152.63)</u>
<b>Profit before appropriations and taxes</b> .....		<u>(584,187.44)</u>	<u>(43,796,532.38)</u>	<u>(12,887.19)</u>	<u>(966,152.63)</u>
<b>Profit/loss for the financial year</b> .....		<u>(584,187.44)</u>	<u>(43,796,532.38)</u>	<u>(12,887.19)</u>	<u>(966,152.63)</u>



## BALANCE SHEET

	appendix	Eur 31.3.2016	Rs 31.3.2016	Eur 30.9.2014	Rs 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>					
Land areas.....	2	360,000.00	26,989,200.00	937,229.00	70,264,058.13
<b>Total tangible assets.....</b>		<b>360,000.00</b>	<b>26,989,200.00</b>	<b>937,229.00</b>	<b>70,264,058.13</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>360,000.00</b>	<b>26,989,200.00</b>	<b>937,229.00</b>	<b>70,264,058.13</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		4,488.84	336,528.33	4,336.58	325,113.40
<b>Total cash and cash equivalents.....</b>		<b>4,488.84</b>	<b>336,528.33</b>	<b>4,336.58</b>	<b>325,113.40</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>4,488.84</b>	<b>336,528.33</b>	<b>4,336.58</b>	<b>325,113.40</b>
<b>TOTAL ASSETS.....</b>		<b>364,488.84</b>	<b>27,325,728.33</b>	<b>941,565.58</b>	<b>70,589,171.53</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	3	2,500.00	187,425.00	2,500.00	187,425.00
Invested unrestricted equity fund.....		973,088.63	72,952,454.59	966,564.25	72,463,321.82
Profit(loss) from previous years.....		(27,498.67)	(2,061,575.29)	(14,611.48)	(1,095,422.66)
Profit(loss) for the financial year.....		(584,187.44)	(43,796,532.38)	(12,887.19)	(966,152.63)
<b>TOTAL EQUITY.....</b>		<b>363,902.52</b>	<b>27,281,771.92</b>	<b>941,565.58</b>	<b>70,589,171.53</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Accruals and deferred income.....	4	586.32	43,956.41	0.00	0.00
<b>Total short-term borrowed capital.....</b>		<b>586.32</b>	<b>43,956.41</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES.....</b>		<b>364,488.84</b>	<b>27,325,728.33</b>	<b>941,565.58</b>	<b>70,589,171.53</b>

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value.

Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 - 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsajankatu 22, 00810 Helsinki

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE PROFIT AND LOSS STATEMENT

### Note 1: Depreciation and impairments

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Impairments land and water areas .....	577,229.00	43,274,858.13	0.00	0.00
<b>Total depreciation and impairments .....</b>	<b>577,229.00</b>	<b>43,274,858.13</b>	<b>0.00</b>	<b>0.00</b>

## NOTES TO THE BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

### Note 2: Tangible assets

	Eur Land areas	Rs Land areas
Acquisition cost 1.10.2014 .....	937,229.00	70,264,058.13
Deduction .....	(577,229.00)	(43,274,858.13)
<b>Acquisition cost 31.3.2016 .....</b>	<b>360,000.00</b>	<b>26,989,200.00</b>
<b>Book value 31.3.2016 .....</b>	<b>360,000.00</b>	<b>26,989,200.00</b>

### LIABILITIES

### Note 3: Equity

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year .....</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year .....	966,564.25	72,463,321.82	0.00	0.00
Additions	6,524.38	489,132.77	966,564.25	72,463,321.82
<b>Invested unrestricted equity fund in the end of the year .....</b>	<b>973,088.63</b>	<b>72,952,454.59</b>	<b>966,564.25</b>	<b>72,463,321.82</b>
Profit/loss from prev. financial period .....	(27,498.67)	(2,061,575.29)	(14,611.48)	(1,095,422.66)
Profit/loss for the financial year .....	(584,187.44)	(43,796,532.38)	(12,887.19)	(966,152.63)
<b>Total equity .....</b>	<b>363,902.52</b>	<b>27,281,771.92</b>	<b>941,565.58</b>	<b>70,589,171.53</b>

### Note 4: Short-term borrowed capital

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Accruals and deferred income .....	586.32	43,956.41	0.00	0.00
<b>Total short-term borrowed capital .....</b>	<b>586.32</b>	<b>43,956.41</b>	<b>0.00</b>	<b>0.00</b>

### BREAKDOWN OF SHARE CAPITAL

Eur	2016 No	Eur	2014 No	Eur
1 vote/share .....	2,500.00	2,500.00	2,500.00	2,500.00
<b>Total .....</b>	<b>2,500.00</b>	<b>2,500.00</b>	<b>2,500.00</b>	<b>2,500.00</b>

Rs	2016 No	Rs	2014 No	Rs
1 vote/share .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Total .....</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>

### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 584,187.44 (Rs 43,796,532.38). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

Helsinki, April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
board member

**Anne Oravainen**  
Board Member

### AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State Of The Company's Affairs

The Company is primarily engaged in letting of real estate.

The Company's Resort Property is located at Tampere, was fully operation.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements. During the period under review, the Company has earned a revenue of Euro 1,311,697.59 (INR 98,337,968.32) and made loss of Euro 242,640.02 (INR 18,190,722.30).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Iiro Rossi, Chair of the Board of Directors
- 2) Marko Hiltunen, Board member
- 3) Riku Rauhala, CEO, Board member

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Rauhan Liikekiinteistöt 1

**Name of Director: Iiro Rossi**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Rauhan liikekiinteistöt 1.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Rauhan liikekiinteistöt 1 for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : May 4, 2016

## ACCOUNTING PRINCIPLES

### Non-current assets

In this balance sheet, capital assets are listed as the difference between purchase price and accumulated planned depreciation.

Planned depreciation is calculated as a straight-line depreciation based on the useful life of the object.

The indicative useful lives on which the planned depreciation is based are as follows:

- buildings 20-30 yrs
- machines and equipment 5-10 yrs
- other tangible assets 30 yrs

### Current assets

Receivables and liabilities have been valued at the nominal value.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India

## PROFIT AND LOSS STATEMENT

		Eur	Rs	Eur	Rs
		1.10.2014	1.10.2014	1.10.2013	1.10.2013
	appendix	-31.3.2016	-31.3.2016	-30.9.2014	-30.9.2014
<b>TURNOVER</b>	<b>1</b>	<b>1,311,697.59</b>	<b>98,337,968.32</b>	1,083,942.18	81,263,145.23
<b>Other operating income</b>					
Depreciation and impairments .....	<b>2</b>	<b>583,701.96</b>	<b>43,760,135.94</b>	386,515.62	28,977,076.03
Other operating expenses .....	<b>3</b>	<b>588,138.00</b>	<b>44,092,705.86</b>	436,964.86	32,759,255.55
<b>Total</b> .....		<b>1,171,839.96</b>	<b>87,852,841.80</b>	260,461.70	19,526,813.65
<b>Profit(loss)</b> .....		<b>139,857.63</b>	<b>10,485,126.52</b>	260,461.70	19,526,813.65
<b>Financial income and expenses</b>	<b>4</b>				
Interest income.....		<b>33.25</b>	<b>2,492.75</b>	133.91	10,039.23
Interest charges.....		<b>(359,723.75)</b>	<b>(26,968,489.54)</b>	(262,954.78)	(19,713,719.86)
<b>Total financial income and expenses</b> .....		<b>(359,690.50)</b>	<b>(26,965,996.79)</b>	(262,820.87)	(19,703,680.62)
<b>Profit/loss before extraordinary items</b> .....		<b>(219,832.87)</b>	<b>(16,480,870.26)</b>	(2,359.17)	(176,866.97)
<b>Profit before appropriations and taxes</b> .....		<b>(219,832.87)</b>	<b>(16,480,870.26)</b>	(2,359.17)	(176,866.97)
Change in depreciation difference .....	<b>5</b>	<b>22,807.15</b>	<b>1,709,852.04</b>	-	-
Income taxes .....		-	-	-	-
<b>Profit/loss for the financial year</b> .....		<b>(242,640.02)</b>	<b>(18,190,722.30)</b>	(2,359.17)	(176,866.97)

**BALANCE SHEET**

		Eur	Rs	Eur	Rs
	appendix	1.10.2014 -31.3.2016	1.10.2014 -31.3.2016	1.10.2013 -30.9.2014	1.10.2013 -30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	<b>6</b>	<b>10,061,289.73</b>	<b>754,294,891.06</b>	10,644,991.69	798,055,027.00
<b>Investments</b>					
Other receivables .....	<b>7</b>	<b>93,603.26</b>	<b>7,017,436.40</b>	93,603.26	7,017,436.40
<b>Total tangible assets</b> .....		<b>10,154,892.99</b>	<b>761,312,327.46</b>	10,738,594.95	805,072,463.40
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,154,892.99</b>	<b>761,312,327.46</b>	10,738,594.95	805,072,463.40
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
Short-term receivables .....	<b>8</b>	<b>55,168.26</b>	<b>4,135,964.45</b>	79,472.76	5,958,072.82
<b>Total short-term receivables</b> .....		<b>55,168.26</b>	<b>4,135,964.45</b>	79,472.76	5,958,072.82
<b>Cash and cash equivalents</b>					
Cash at bank .....		<b>61,091.06</b>	<b>4,579,996.77</b>	25,916.58	1,942,966.00
<b>Total cash and cash equivalents</b> .....		<b>116,259.32</b>	<b>8,715,961.22</b>	25,916.58	1,942,966.00
<b>TOTAL CURRENT ASSETS</b> .....		<b>116,259.32</b>	<b>8,715,961.22</b>	105,389.34	7,901,038.82
<b>TOTAL ASSETS</b> .....		<b>10,271,152.31</b>	<b>770,028,288.68</b>	10,843,984.29	812,973,502.22
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital</b> .....	<b>9</b>	<b>2,500.00</b>	<b>187,425.00</b>	2,500.00	187,425.00
<b>Building fund</b> .....		<b>4,873,919.95</b>	<b>365,397,778.65</b>	4,873,919.95	365,397,778.65
<b>Profit(loss) from previous years</b> .....		<b>(2,680,441.39)</b>	<b>(200,952,691.01)</b>	(2,678,082.22)	(200,775,824.03)
<b>Profit(loss) for the financial year</b> .....		<b>(242,640.02)</b>	<b>(18,190,722.30)</b>	(2,359.17)	(176,866.97)
<b>TOTAL EQUITY</b> .....		<b>1,953,338.54</b>	<b>146,441,790.34</b>	2,195,978.56	164,632,512.64
<b>ACCUMULATED APPROPRIATIONS</b> .....					
Accumulated depreciation difference .....	<b>10</b>	<b>25,557.15</b>	<b>1,916,019.54</b>	2,750.00	206,167.50
<b>BORROWED CAPITAL</b>					
Long-term borrowed capital.....	<b>11</b>	<b>5,473,431.96</b>	<b>410,343,194.04</b>	5,956,350.98	446,547,632.97
Short-term borrowed capital .....	<b>12</b>	<b>2,818,824.66</b>	<b>211,327,284.76</b>	2,688,904.75	201,587,189.11
<b>TOTAL BORROWED CAPITAL</b> .....		<b>8,292,256.62</b>	<b>621,670,478.80</b>	8,645,255.73	648,134,822.08
<b>TOTAL LIABILITIES</b> .....		<b>10,271,152.31</b>	<b>770,028,288.68</b>	10,843,984.29	812,973,502.22



## NOTES TO THE FINANCIAL STATEMENTS

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.  
Hitsaajankatu 22, 00810 Helsinki

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 - 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### Board of Directors proposal to process profit and loss for the previous financial year

The Board of Directors proposes to the Annual General Meeting that a loss of EUR 242,640.02 (Rs 18,190,722.30) be transferred to the profit and loss account and that no dividends be distributed.

### Company shares

There are 100 company shares. Each share confers the same right to dividends and company assets.

## NOTES TO THE PROFIT AND LOSS STATEMENT

### 1 TURNOVER BY SECTOR

Breakdown by sector	Eur		Rs	
	1.10.2014-31.3.2016	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2013-30.9.2014
Rent revenues	1,222,607.92	91,658,915.76	969,589.36	72,690,114.32
Service revenues	43,339.67	3,249,175.06	49,619.49	3,719,973.17
Other revenues	45,750.00	3,429,877.50	64,733.33	4,853,057.75
<b>TOTAL</b>	<b>1,311,697.59</b>	<b>98,337,968.32</b>	1,083,942.18	81,263,145.23

### 2 DEPRECIATION AND OTHER IMPAIRMENTS

	Eur		Rs	
	1.10.2014-31.3.2016	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2013-30.9.2014
Store and warehouse buildings	471,558.01	35,352,704.01	314,611.50	23,586,424.16
Building elements	65,303.29	4,895,787.65	41,927.19	3,143,281.43
Machines and equipment	32,440.66	2,432,076.28	20,376.93	1,527,658.44
Other tangible assets	8,250.00	618,502.50	5,499.99	412,334.25
Civil defence shelters	6,150.00	461,065.50	4,100.01	307,377.75
<b>Total</b>	<b>583,701.96</b>	<b>43,760,135.94</b>	386,515.62	28,977,076.03

### 3 OTHER OPERATING EXPENSES

	Eur		Rs	
	1.10.2014-31.3.2016	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2013-30.9.2014
Marketing expenses	20,067.70	1,504,475.47	26,012.35	1,950,145.88
Operating and maintenance expenses	39,006.35	2,924,306.06	36,992.16	2,773,302.24
Property management expenses	419,682.05	31,463,563.29	301,978.44	22,639,323.65
Other business expenses	109,381.90	8,200,361.04	71,981.91	5,396,483.79
<b>Total</b>	<b>588,138.00</b>	<b>44,092,705.86</b>	436,964.86	32,759,255.55

### 4 FINANCIAL INCOME AND EXPENSES

	Eur		Rs	
	1.10.2014-31.3.2016	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2013-30.9.2014
Interest income from companies in the same Group	-	-	-	-
Other interest income	33.25	2,492.75	133.91	10,039.23
<b>Total</b>	<b>33.25</b>	<b>2,492.75</b>	133.91	10,039.23

Interest expenses to companies in the same Group	98,512.60	7,385,489.62	-	-
Other interest expenses	261,211.15	19,582,999.92	262,954.78	19,713,719.86
<b>Total interest expenses</b>	<b>359,723.75</b>	<b>26,968,489.54</b>	262,820.87	19,703,680.62

**Total financial income and expenses** (359,690.50) (26,965,996.79) (262,820.87) (19,703,680.62)

### 5 APPROPRIATIONS

	Eur		Rs	
	1.10.2014-31.3.2016	1.10.2014-31.3.2016	1.10.2013-30.9.2014	1.10.2013-30.9.2014
Retail and warehouse buildings	23,972.64	1,797,228.82	-	-
Building elements	24,531.69	1,839,140.80	14,043.66	1,052,853.19
Machines and equipment	(22,275.64)	(1,670,004.73)	(14,043.66)	(1,052,853.19)
Other tangible assets	(2,750.00)	(206,167.50)	-	-
Civil defence shelters	(671.54)	(50345.35)	-	-
<b>Total</b>	<b>22,807.15</b>	<b>1,709,852.04</b>	-	-

## NOTES TO THE BALANCE SHEET

CAPITAL ASSETS AND OTHER LONG-TERM INVESTMENTS,  
I.E. NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 6 TANGIBLE ASSETS

Eur	Land and water areas	Buildings	Machines and equipment	Other tangible assets	Total
Acquisition cost 1.10.2014	329,375.58	10,542,489.36	111,741.31	165,000.00	11,148,606.25
Additions	-	-	-	-	-
<b>Acquisition cost 31.3.</b>	<b>329,375.58</b>	<b>10,542,489.36</b>	<b>111,741.31</b>	<b>165,000.00</b>	<b>11,148,606.25</b>
Accumulated depreciation and impairments	-	(2,960,813.35)	(25,313.22)	(6,874.99)	(2,993,001.56)
Depreciation for the financial year	-	(1,014,437.63)	(57,753.89)	(15,125.00)	(1,087,316.52)
Impairments	-	-	-	-	-
Accumulated depreciation	-	<b>(3,975,250.98)</b>	<b>(83,067.11)</b>	<b>(21,999.99)</b>	<b>(4,080,318.08)</b>

## 31.3.2016

## Book value 31.3.2016

Buildings are subject to an impairment of EUR 2,489,387.00, which has been entered according to expected revenues.

Rs	Land and water areas	Buildings	Machines and equipment	Other tangible assets	Total
Acquisition cost 1.10.2014	24,693,287.23	790,370,427.32	8,377,246.01	12,370,050.00	835,811,010.56
Additions	-	-	-	-	-
<b>Acquisition cost 31.3.</b>	<b>24,693,287.23</b>	<b>790,370,427.32</b>	<b>8,377,246.01</b>	<b>12,370,050.00</b>	<b>835,811,010.56</b>
Accumulated depreciation and impairments	-	(221,972,176.85)	(1,897,732.10)	(515,418.00)	(224,385,326.95)
Depreciation for the financial year	-	(76,052,389.12)	(4,329,809.13)	(1,133,921.25)	(81,516,119.50)
Impairments	-	-	-	-	-
Accumulated depreciation	-	<b>(298,024,565.97)</b>	<b>(6,227,541.24)</b>	<b>(1,649,339.25)</b>	<b>(305,901,446.46)</b>

## 31.3.2016

## Book value 31.3.2016

Buildings are subject to an impairment of Rs 186,629,343.39, which has been entered according to expected revenues.

## 7 OTHER RECEIVABLES

	Eur	Rs	Eur	Rs
	Other receivables	Other receivables	Other receivables	Other receivables
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Acquisition cost 1.10.2014	93603.26	7017436.40	63733.26	4778082.50
Additions	-	-	29870.00	2239353.90
<b>Acquisition cost 31.3.2016</b>	<b>93603.26</b>	<b>7017436.40</b>	<b>93603.26</b>	<b>7017436.40</b>
<b>Book value 31.3.2016</b>	<b>93603.26</b>	<b>7017436.40</b>	<b>93603.26</b>	<b>7017436.40</b>

## 8 SHORT-TERM RECEIVABLES

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Receivables from companies in the same Group	1,043.56	78,235.69	6,852.94	513,764.91
Accounts receivable	38,516.94	2,887,614.99	56,526.98	4,237,827.69
Other receivables	-	-	-	-
Accrued income	15,607.76	1,170,113.77	16,092.84	1,206,480.21
<b>Total</b>	<b>55,168.26</b>	<b>4,135,964.45</b>	<b>79,472.76</b>	<b>5,958,072.82</b>

## LIABILITIES

## 9. EQUITY

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
Share capital 1.1.	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital 31.3.</b>	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Building fund 1.10.	4,873,919.95	365,397,778.65	4,873,919.95	365,397,778.65
<b>Building fund 31.3.</b>	<b>4,873,919.95</b>	<b>365,397,778.65</b>	<b>4,873,919.95</b>	<b>365,397,778.65</b>
Profit/loss from prev. financial period 1.10.	(2,680,441.39)	(200,952,691.01)	(2,678,082.22)	(200,775,824.03)
Profit/loss for the financial year	(242,640.02)	(18,190,722.30)	(2,359.17)	(176,866.97)
<b>Total equity</b>	<b>1,953,338.54</b>	<b>146,441,790.34</b>	<b>2,195,978.56</b>	<b>164,632,512.64</b>

## CALCULATION OF DISTRIBUTABLE FUNDS

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Profit/loss from prev. financial period 1.1.	(2,680,441.39)	(200,952,691.01)	(2,678,082.22)	(200,775,824.03)
Adjustments to previous financial years	-	-	-	-
Profit/loss from prev. financial period 1.1.	(2,680,441.39)	(200,952,691.01)	(2,678,082.22)	(200,775,824.03)
<b>Profit/loss for the financial year</b>	<b>(242,640.02)</b>	<b>(18,190,722.30)</b>	<b>(2,359.17)</b>	<b>(176,866.97)</b>
<b>Total</b>	<b>(2,923,081.41)</b>	<b>(219,143,413.31)</b>	<b>(2,680,441.39)</b>	<b>(200,952,691.01)</b>

## 10. ACCUMULATED APPROPRIATIONS

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Depreciation difference retail and warehouse buildings	23,972.64	1,797,228.82	-	-
Depreciation difference on building elements	41,403.89	3,104,049.63	16,872.20	1,264,908.83
Depreciation difference on machines and equipment	(39,819.38)	(2,985,258.92)	(17,543.74)	(1,315,254.19)
Depreciation difference on other tangible assets	-	-	2,750.00	206,167.50
Depreciation difference on civil defence shelters	-	-	671.54	50345.35
<b>Total accumulated depreciation difference</b>	<b>25,557.15</b>	<b>1,916,019.54</b>	<b>2,750.00</b>	<b>206,167.50</b>

## 11. LONG-TERM BORROWED CAPITAL

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Loans from financial institutions	5,450,000.00	408,586,500.00	5,900,000.00	442,323,000.00
Security deposits received	23,431.96	1,756,694.04	56,350.98	4,224,632.97
<b>Total long-term borrowed capital</b>	<b>5,473,431.96</b>	<b>410,343,194.04</b>	<b>5,956,350.98</b>	<b>446,547,632.97</b>

## LIABILITIES MATURING IN MORE THAN FIVE YEARS

	Eur	Rs	Eur	Rs
	31.3.2016		30.9.2014	
Loans from financial institutions	4,000,000.00	299,880,000.00	4,000,000.00	299,880,000.00
<b>Total long-term borrowed capital</b>	<b>4,000,000.00</b>	<b>299,880,000.00</b>	<b>4,000,000.00</b>	<b>299,880,000.00</b>

## 12. SHORT-TERM BORROWED CAPITAL

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Loans from financial institutions	300,000.00	22,491,000.00	300,000.00	22,491,000.00
Trade payables	281.48	21,102.56	5,380.91	403,406.82
Liabilities for companies in the same Group	2,456,443.74	184,159,587.19	2,293,160.37	171,918,232.94
Other liabilities	6,701.35	502,400.21	21,369.27	1,602,054.17
Accruals and deferred income	55,398.09	4,153,194.81	68,994.20	5,172,495.17
<b>Total short-term borrowed capital</b>	<b>2,818,824.66</b>	<b>211,327,284.76</b>	<b>2,688,904.75</b>	<b>201,587,189.11</b>

## ESSENTIAL ITEMS OF ACCRUALS AND DEFERRED INCOME

	Eur	Rs
Accrued interest expense	36,617.64	2,745,224.47
Reserve for missing purchase invoices	18,780.45	1,407,970.34
<b>Total</b>	<b>55,398.09</b>	<b>4,153,194.81</b>

## GUARANTEES GIVEN

## LOANS FOR WHICH MORTGAGE ON PROPERTY HAS BEEN GIVEN AS A GUARANTEE

	Eur	Rs	Eur	Rs
	31.3.2016	31.3.2016	30.9.2014	30.9.2014
Loans from financial institutions	5,750,000.00	431,077,500.00	6,200,000.00	464,814,000.00
<b>Total</b>	<b>5,750,000.00</b>	<b>431,077,500.00</b>	<b>6,200,000.00</b>	<b>464,814,000.00</b>
Mortgages	10,000,000.00	749,700,000.00	10,000,000.00	749,700,000.00
<b>Total</b>	<b>10,000,000.00</b>	<b>749,700,000.00</b>	<b>10,000,000.00</b>	<b>749,700,000.00</b>

## OTHER NOTES

The company is obligated to audit VAT deductions made on its property investments every year for 10 years after completion of the investment, to the extent that the value added taxable use of the property decreases during the period under review.

The maximum liability is EUR 2,377,090.80 (Rs 178,210,497.28) as of 31 March 2016.

## Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 242,640.02 (Rs 18,190,722.30). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

Helsinki April 21, 2016

**Iiro Rossi**  
Chair of the Board of Directors

**Marko Hiltunen**  
Board Member

**Riku Rauhala**  
CEO  
board member

## AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in retail sale in self-service stores.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 565,901.07 and (INR 42,425,603.22) and made loss of Euro 78,876.68 (INR 5,913,384.70).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Iiro Rossi, Chair of the Board of Directors
- 2) Jussi Valtola, Board member
- 3) Marko Hiltunen, Board member

### Statement of directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Supermarket Capri Oy

Name of Director  
Director

Iiro Rossi  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Supermarket Capri Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Supermarket Capri Oy for the year ended 31 March, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : 26<sup>th</sup> April, 2016

## ACCOUNTING PRINCIPLES

### Non-current assets

In this balance sheet, capital assets are listed as the difference between purchase price and accumulated planned depreciation.

Planned depreciation is calculated as a straight-line depreciation based on the useful life of the object.

The indicative useful lives on which the planned depreciation is based are as follows:

- machines and equipment	3-5 yrs
- other tangible assets	5 yrs

### Current assets

Receivables and liabilities have been valued at the nominal value.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

		Eur	Rs.	Eur	Rs.
	appendix	1.1.2015- 31.3.2016	1.1.2015- 31.3.2016	1.1.2014- 31.12.2014	1.1.2014- 31.12.2014
<b>TURNOVER</b>	1	<b>565,901.07</b>	<b>42,425,603.22</b>	<b>1,684,799.99</b>	<b>126,309,455.25</b>
<b>Other operating income</b> .....		168,658.38	12,644,318.75	250.00	18,742.50
<b>Materials and services</b>					
Materials, supplies and goods.....		-	-	-	-
Purchases during the financial year .....		(382,430.74)	(28,670,832.58)	(1,395,002.22)	(104,583,316.43)
Change in inventory .....		(61,777.75)	(4,631,477.92)	(96,117.28)	(7,205,912.48)
External services .....		(11,537.34)	(864,954.38)	-	-
		<b>(455,745.83)</b>	<b>(34,167,264.88)</b>	<b>(1,491,119.50)</b>	<b>(111,789,228.92)</b>
<b>Personnel expenses</b>					
Salaries and fees .....	2	(119,769.95)	(8,979,153.15)	(190,567.51)	(14,286,846.22)
Social security costs.....					
Pension expenses .....		(22,698.62)	(1,701,715.54)	(36,084.66)	(2,705,266.96)
Other social security costs.....		(4,269.77)	(320,104.66)	(7,318.28)	(548,651.45)
		<b>(146,738.34)</b>	<b>(11,000,973.35)</b>	<b>(233,970.45)</b>	<b>(17,540,764.64)</b>
<b>Depreciation and impairments</b> .....					
Planned depreciation .....	3	(67,050.13)	(5,026,748.25)	(166,571.23)	(12,487,845.11)
<b>Other operating expenses</b> .....					
Other operating expenses .....	4	(119,816.03)	(8,982,607.77)	(384,945.35)	(28,859,352.89)
		<b>(186,866.16)</b>	<b>(14,009,356.02)</b>	<b>(551,516.58)</b>	<b>(41,347,198.00)</b>
<b>Profit(loss)</b> .....		<b>(54,790.88)</b>	<b>(4,107,672.27)</b>	<b>(591,556.54)</b>	<b>(44,348,993.80)</b>
<b>Financial income and expenses</b> .....	5				
Interest income.....		7.93	594.51	6.51	488.05
Interest charges.....					
for companies in the same Group		(16,127.49)	(1,209,077.93)	(6,125.92)	(459,260.22)
for others .....		(7,966.24)	(597,229.01)	(6,375.00)	(477,933.75)
<b>Total financial income and expenses</b> .....		<b>(24,085.80)</b>	<b>(1,805,712.43)</b>	<b>(12,494.41)</b>	<b>(936,705.92)</b>
<b>Profit/loss before extraordinary items</b> .....		<b>(78,876.68)</b>	<b>(5,913,384.70)</b>	<b>(604,050.95)</b>	<b>(45,285,699.72)</b>
<b>Profit before appropriations and taxes</b> .....		<b>(78,876.68)</b>	<b>(5,913,384.70)</b>	<b>(604,050.95)</b>	<b>(45,285,699.72)</b>
Change in depreciation difference .....		-	-	-	-
Income taxes .....		-	-	-	-
<b>Profit/loss for the financial year</b> .....		<b>(78,876.68)</b>	<b>(5,913,384.70)</b>	<b>(604,050.95)</b>	<b>(45,285,699.72)</b>

**BALANCE SHEET**

		Eur	Rs.	Eur	Rs.
	appendix	1.1.2015- 31.3.2016	1.1.2015- 31.3.2016	1.1.2014- 31.12.2014	1.1.2014- 31.12.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>	6				
<b>Other capitalised long-term expenditures....</b>		13,230.56	991,895.08	6,460.06	484,310.70
<b>Tangible assets</b> .....	7				
Machines and equipment .....		88,266.35	6,617,328.26	165,988.52	12,444,159.34
Other tangible assets .....		805.00	60,350.85	568.56	42,624.94
<b>Investments</b>					
Shares and participations .....		1,000.00	74,970.00	-	-
<b>Total tangible assets</b> .....		<b>90,071.35</b>	<b>6,752,649.11</b>	<b>166,557.08</b>	<b>12,486,784.29</b>
<b>TOTAL NON-CURRENT ASSETS</b> .....		<b>90,071.35</b>	<b>6,752,649.11</b>	<b>166,557.08</b>	<b>12,486,784.29</b>
<b>CURRENT ASSETS</b> .....		<b>103,301.91</b>	<b>7,744,544.19</b>	<b>173,017.14</b>	<b>12,971,094.99</b>
<b>Current assets</b>					
Materials and supplies .....		<b>15,363.64</b>	<b>1,151,812.09</b>	<b>77,898.80</b>	<b>5,840,073.04</b>
<b>Short-term receivables</b> .....	8				
Accounts receivable .....		2,739.81	205,403.56	11,087.65	831,241.12
Receivables from companies in the same Group .....		257.87	19,332.51	13,382.91	1,003,316.76
Other receivables .....		1,643.47	123,210.95	10,132.57	759,638.77
Accrued income .....		17,153.21	1,285,976.15	6,927.49	519,353.93
<b>Total short-term receivables</b> .....		<b>21,794.36</b>	<b>1,633,923.17</b>	<b>41,530.62</b>	<b>3,113,550.58</b>
<b>Cash and cash equivalents</b> .....					
Cash at bank .....		16,798.34	1,259,371.55	56,132.62	4,208,262.52
<b>Total cash and cash equivalents</b> .....		<b>16,798.34</b>	<b>1,259,371.55</b>	<b>56,132.62</b>	<b>4,208,262.52</b>
<b>TOTAL CURRENT ASSETS</b> .....		<b>53,956.34</b>	<b>4,045,106.81</b>	<b>175,562.04</b>	<b>13,161,886.14</b>
<b>TOTAL ASSETS</b> .....		<b>157,258.25</b>	<b>11,789,651.00</b>	<b>348,579.18</b>	<b>26,132,981.12</b>



		Eur	Rs.	Eur	Rs.
	appendix	1.1.2015- 31.3.2016	1.1.2015- 31.3.2016	1.1.2014- 31.12.2014	1.1.2014- 31.12.2014
<b>LIABILITIES</b>					
<b>EQUITY</b>					
	9				
Share capital		100,000.00	7,497,000.00	100,000.00	7,497,000.00
Invested unrestricted equity fund.....		1,023,860.96	76,758,856.17	400,000.00	29,988,000.00
Building fund .....		-	-	-	-
Profit(loss) from previous years .....		(928,231.07)	(69,589,483.32)	(324,180.12)	(24,303,783.60)
Profit(loss) for the financial year .....		(78,876.68)	(5,913,384.70)	(604,050.95)	(45,285,699.72)
<b>TOTAL EQUITY .....</b>		<b>116,753.21</b>	<b>8,752,988.15</b>	<b>(428,231.07)</b>	<b>(32,104,483.32)</b>
<b>Accumulated appropriations</b>					
Accumulated depreciation difference .....		-	-	-	-
<b>BORROWED CAPITAL</b>					
<b>Long-term borrowed capital .....</b>					
	10				
Subordinated loans .....		-	-	340,000.00	25,489,800.00
Liabilities for others .....		-	-	122,500.00	9,183,825.00
Liabilities for companies in the same Group...		-	-	127,500.00	9,558,675.00
		-	-	<b>590,000.00</b>	<b>44,232,300.00</b>
<b>Short-term borrowed capital .....</b>					
	11				
Trade payables .....		16,334.84	1,224,622.95	66,896.71	5,015,246.35
Liabilities for companies in the same Group....		78.39	5,876.90	73,635.37	5,520,443.69
Other liabilities .....		3,248.89	243,569.28	2,289.08	171,612.33
Accruals and deferred income .....	12	20,842.92	1,562,593.71	43,989.09	3,297,862.08
		<b>40,505.04</b>	<b>3,036,662.85</b>	<b>186,810.25</b>	<b>14,005,164.44</b>
<b>TOTAL BORROWED CAPITAL.....</b>		<b>40,505.04</b>	<b>3,036,662.85</b>	<b>776,810.25</b>	<b>58,237,464.44</b>
<b>TOTAL LIABILITIES.....</b>		<b>157,258.25</b>	<b>11,789,651.00</b>	<b>348,579.18</b>	<b>26,132,981.12</b>

## NOTES TO THE FINANCIAL STATEMENTS

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki.

### Comparability of the previous financial year data

The reference figures used are from the 1.1.2014 - 31.12.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### NOTES TO THE PROFIT AND LOSS STATEMENT

#### 1. PERSONNEL

Average number	Eur		Rs.	
	1.1.2015-31.3.2016	1.1.2015-31.3.2016	1.1.2014-31.12.2014	1.1.2014-31.12.2014
Officers.....	1		1	
Employees.....	1		6	
<b>TOTAL</b>	<b>2</b>		<b>7</b>	

#### 2. MATERIALS AND SERVICES

	Eur		Rs.	
	1.1.2015-31.3.2016	1.1.2015-31.3.2016	1.1.2014-31.12.2014	1.1.2014-31.12.2014
Outsourced services....	11,537.34	864,954.38	-	-
<b>TOTAL</b>	<b>11,537.34</b>	<b>864,954.38</b>	<b>-</b>	<b>-</b>

#### 3. DEPRECIATION AND OTHER IMPAIRMENTS

	Eur		Rs.	
	1.1.2015-31.3.2016	1.1.2015-31.3.2016	1.1.2014-31.12.2014	1.1.2014-31.12.2014
Other capitalised long-term expenditures .....	(6,463.87)	(484,596.33)	(94,716.61)	(7,100,904.25)
Machines and equipment...	(59,772.70)	(4,481,159.32)	(50,113.75)	(3,757,027.84)
Other tangible assets .....	(813.56)	(60,992.59)	(21,740.87)	(1,629,913.02)
<b>TOTAL</b>	<b>(67,050.13)</b>	<b>(5,026,748.25)</b>	<b>(166,571.23)</b>	<b>(12,487,845.11)</b>

#### 4. OTHER OPERATING EXPENSES

	Eur		Rs.	
	1.1.2015-31.3.2016	1.1.2015-31.3.2016	1.1.2014-31.12.2014	1.1.2014-31.12.2014
Marketing expenses .....	(12,797.25)	(959,409.83)	(13,000.47)	(974,645.24)
Operating and maintenance expenses .....	(7,266.79)	(544,791.25)	(16,925.67)	(1,268,917.48)
Rents.....	(51,077.22)	(3,829,259.18)	(222,762.55)	(16,700,508.37)
Transport and vehicle expenses .....	-	-	(27,535.00)	(2,064,298.95)
Other expenses.....	(48,674.77)	(3,649,147.51)	(104,721.66)	(7,850,982.85)
<b>TOTAL</b>	<b>(119,816.03)</b>	<b>(8,982,607.77)</b>	<b>(384,945.35)</b>	<b>(28,859,352.89)</b>

### Board of Directors proposal to process profit and loss for the previous financial year

The Board of Directors proposes to the Annual General Meeting that a loss of EUR 78,876.68 (Rs 5,913,384.70) be transferred to the profit and loss account and that no dividends be distributed.

### Company shares

There are 100 company shares. Each share confers the same right to dividends and company assets.

### 5. FINANCIAL INCOME AND EXPENSES

	Eur		Rs	
	1.1.2015-31.3.2016	1.1.2015-31.3.2016	1.1.2014-31.12.2014	1.1.2014-31.12.2014
Interest income from companies in the same Group .....	-	-	-	-
Other interest income.....	7.93	594,5121	6.51	488,0547
<b>TOTAL</b>	<b>7.93</b>	<b>594,5121</b>	<b>6.51</b>	<b>488,0547</b>
Interest expenses to companies in the same Group .....	(16,127.49)	(1,209,077.93)	(6,125.92)	(459,260.22)
Other interest expenses.....	(7,966.24)	(597,229.01)	(6,375.00)	(477,933.75)
<b>Total interest expenses</b> .....	<b>(24,093.73)</b>	<b>(1,806,306.94)</b>	<b>(12,500.92)</b>	<b>(937,193.97)</b>
<b>Total financial income and expenses</b> .....	<b>(24,085.80)</b>	<b>(1,805,712.43)</b>	<b>(12,494.41)</b>	<b>(936,705.92)</b>

### NOTES TO THE BALANCE SHEET

#### CAPITAL ASSETS AND OTHER LONG-TERM INVESTMENTS, I.E. NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

#### 6. INTANGIBLE ASSETS

	Other capitalised long-term expenditures	Total
<b>Eur</b>		
Acquisition cost at the start of the financial year .....	6,650.80	6,650.80
Additions .....	13,234.37	13,234.37
Adjustments.....	(190.74)	(190.74)
<b>Acquisition cost 31.3.2016</b> .....	<b>19,694.43</b>	<b>19,694.43</b>
Accumulated planned depreciation at the start of the financial year .....	-	-
Depreciation for the financial year.....	(6,463.87)	(6,463.87)
Impairments.....	-	-
Accumulated planned depreciation at the start of the financial year .....	(6,463.87)	(6,463.87)
<b>Book value 31.3.2016</b> .....	<b>13,230.56</b>	<b>13,230.56</b>

	Other capitalised long-term expenditures	Total
<b>Rs</b>		
Acquisition cost at the start of the financial year .....	498,610.48	498,610.48
Additions .....	992,180.72	992,180.72
Adjustments.....	(14,299.78)	(14,299.78)
<b>Acquisition cost 31.3.2016.....</b>	<b>1,476,491.42</b>	<b>1,476,491.42</b>
Accumulated planned depreciation at the start of the financial year.....	–	–
Depreciation for the financial year.....	(484,596.33)	(484,596.33)
Impairments.....	–	–
Accumulated planned depreciation at the start of the financial year.....	(484,596.33)	(484,596.33)
<b>Book value 31.3.2016.....</b>	<b>991,895.08</b>	<b>991,895.08</b>

## 7. TANGIBLE ASSETS

	Machines and equipment	Other tangible assets	Total
<b>Eur</b>			
Acquisition cost at the start of the financial year .....	242,424.22	24,845.00	267,269.22
Additions .....	4,372.53	1,618.56	5,991.09
Sales .....	(22,322.00)	–	(22,322.00)
<b>Acquisition cost 31.3.2016.....</b>	<b>224,474.75</b>	<b>26,463.56</b>	<b>250,938.31</b>
Accumulated planned depreciation at the start of the financial year.....	(76,435.70)	(24,276.44)	(100,712.14)
Depreciation for the financial year.....	(59,772.70)	(813.56)	(60,586.26)
Fixed asset adjustments.....	–	(568.56)	(568.56)
Accumulated planned depreciation at the start of the financial year.....	(136,208.40)	(25,658.56)	(161,866.96)
<b>Book value 31.3.2016.....</b>	<b>88,266.35</b>	<b>805.00</b>	<b>89,071.35</b>

	Machines and equipment	Other tangible assets	Total
<b>Rs.</b>			
Acquisition cost at the start of the financial year .....	18,174,543.77	1,862,629.65	20,037,173.42
Additions .....	327,808.57	121,343.44	449,152.02
Sales .....	(1,673,480.34)	–	(1,673,480.34)
<b>Acquisition cost 31.3.2016.....</b>	<b>16,828,872.01</b>	<b>1,983,973.09</b>	<b>18,812,845.10</b>
Accumulated planned depreciation at the start of the financial year 2016.....	(5,730,384.43)	(1,820,004.71)	(7,550,389.14)
Depreciation for the financial year.....	(4,481,159.32)	(60,992.59)	(4,542,151.91)
Impairments.....	–	(42,624.94)	(42,624.94)
Accumulated planned depreciation at the start of the financial year.....	(10,211,543.75)	(1,923,622.24)	(12,135,165.99)
<b>Book value 31.3.2016.....</b>	<b>6,617,328.26</b>	<b>60,350.85</b>	<b>6,677,679.11</b>

## 8. SHORT-TERM RECEIVABLES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>Short-term receivables</b>				
Receivables from companies in the same Group.....	–	–	13,382.91	1,003,316.76
Accounts receivable.....	2,997.68	224,736.07	11,087.65	831,241.12
Other receivables .....	1,643.47	123,210.95	10,132.57	759,638.77
Accrued income .....	17,153.21	1,285,976.15	6,927.49	519,353.93
<b>TOTAL</b>	<b>21,794.36</b>	<b>1,633,923.17</b>	<b>41,530.62</b>	<b>3,113,550.58</b>

## LIABILITIES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>9. EQUITY</b>				
Share capital 1.1. ....	100,000.00	7,497,000.00	100,000.00	7,497,000.00
<b>Share capital 31.3. ....</b>	<b>100,000.00</b>	<b>7,497,000.00</b>	<b>100,000.00</b>	<b>7,497,000.00</b>
Invested unrestricted equity fund 1.1.2015 .....	400,000.00	29,988,000.00	400,000.00	29,988,000.00
Additions .....	623,860.96	–	–	–
<b>Invested unrestricted equity fund 31.3.....</b>	<b>1,023,860.96</b>	<b>76,758,856.17</b>	<b>400,000.00</b>	<b>29,988,000.00</b>
Profit/loss from prev. financial period 1.10. ....	(928,231.07)	(69,589,483.32)	(324,180.12)	(24,303,783.60)
Profit/loss for the financial year .....	(78,876.68)	(5,913,384.70)	(604,050.95)	(45,285,699.72)
<b>Total equity .....</b>	<b>(1,007,107.75)</b>	<b>(75,502,868.02)</b>	<b>(428,231.07)</b>	<b>(32,104,483.32)</b>

The company has no distributable assets

### Transactions during the financial year

Heinon Tukku sold its shares in Heinon Tukku Saimaa Oy to Holiday Club Resorts Oy on 15 January 2015.

An agreement was made to transfer ownership on 31 January 2015. On 16<sup>th</sup> January 2015, an agreement was made to convert a EUR 127,500.00 (Rs. 9,558,675.00) loan and a EUR 173,400.00 (Rs. 12,999,798.00) subordinated loan into equity.

## 10 LONG-TERM BORROWED CAPITAL

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>Subordinated loans</b>				
<b>for companies in the same Group .....</b>	<b>–</b>	<b>–</b>	<b>173,400.00</b>	<b>12,999,798.00</b>
<b>for others .....</b>	<b>–</b>	<b>–</b>	<b>166,600.00</b>	<b>12,490,002.00</b>
<b>Liabilities for companies in the same Group .....</b>	<b>–</b>	<b>–</b>	<b>127,500.00</b>	<b>9,558,675.00</b>
<b>Liabilities for others .....</b>	<b>–</b>	<b>–</b>	<b>122,500.00</b>	<b>9,183,825.00</b>
<b>Total long-term borrowed capital .....</b>	<b>–</b>	<b>–</b>	<b>590,000.00</b>	<b>44,232,300.00</b>

11 SHORT-TERM BORROWED CAPITAL

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>Liabilities for companies in the same Group</b>				
Trade payables.....	78.39	5,876.90	64,037.45	4,800,887.63
Other liabilities .....	—	—	—	—
Accruals and deferred income ..	—	—	9,597.92	719,556.06
<b>Total short-term borrowed capital .....</b>				
<b>Liabilities for others .....</b>	<b>31.3.2016</b>	<b>31.3.2016</b>	<b>31.12.2014</b>	<b>31.12.2014</b>
Trade payables.....	16,334.84	1,224,622.95	66,896.71	5,015,246.35
Other liabilities .....	3,248.89	243,569.28	2,289.08	171,612.33
Accruals and deferred income ..	20,842.92	1,562,593.71	43,989.09	3,297,862.08
<b>Total short-term borrowed capital .....</b>	<b>40,426.65</b>	<b>3,030,785.95</b>	<b>113,174.88</b>	<b>8,484,720.75</b>

12 ITEMS INCLUDED IN ACCRUALS AND DEFERRED INCOME:

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>Items included in accruals and deferred income</b>				
Salaries and holiday pay ....	18,663.87	1,399,230.33	14,317.1	1,073,352.99
employer pension contribution.....	—	—	13,686.23	1,026,056.66
scrapping of capital assets...	—	—	89,000	6,672,330.00
Accrued interest expense...	—	—	—	—
Other.....	2,179.05	163,363.38	(73,014.24)	(5,473,877.57)
<b>Total.....</b>	<b>20,842.92</b>	<b>1,562,593.71</b>	<b>43,989.09</b>	<b>3,297,862.08</b>

GUARANTEES GIVEN

	Eur	Rs.	Eur	Rs
	31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>Other liabilities .....</b>				
Lease liabilities .....	—	—	678,897.00	50,896,908.09
	—	—	<b>678,897.00</b>	<b>50,896,908.09</b>

Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution.

Loss for the financial year EUR 78,876.68 (Rs. 5,913,384.70). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

FINANCIAL STATEMENTS

DATE AND SIGNATURES

Helsinki, April 26<sup>th</sup>, 2016

Iiro Rossi

Chair of the Board of Director

Marko Hiltunen

Board Member

Jussi Valtola

Board Member

AUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy

Authorised Public Accounting Firm

Pekka Hiltunen

Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Lappeenranta.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company made profit of Euro 994.03 (INR 74,522.43).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Iiro Rossi
- 2) Riku Rauhala
- 3) Anne Oravainen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at 31 March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Kylpyläntorni 1

**Iiro Rossi**  
Chair of the Board of Directors

Place: Tampere  
Dated: April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Kylpyläntorni 1

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Kylpyläntorni 1 for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place: Tampere  
Date: 26<sup>th</sup> April 2016

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
appendix	1.1.2015- 31.3.2016	1.1.2015- 31.3.2016	1.1.2014- 31.12.2014	1.1.2014- 31.12.2014
<b>Other operating income</b> .....	3,119.00	233,831.43	0.00	0.00
<b>Property management expenses</b>				
Administration .....	(1,887.50)	(141,505.88)	(639.19)	(47,920.07)
Property tax .....	(235.96)	(17,689.92)	(188.77)	(14,152.09)
<b>Total</b> .....	<u>(2,123.46)</u>	<u>(159,195.80)</u>	<u>(827.96)</u>	<u>(62,072.16)</u>
<b>Profit(loss)</b> .....	995.54	74,635.63	(827.96)	(62,072.16)
<b>Financial income and expenses</b>				
Interest charges .....	(1.51)	(113.20)	(1,884.36)	(141,270.47)
<b>Total financial income and expenses</b> .....	<u>(1.51)</u>	<u>(113.20)</u>	<u>(1,884.36)</u>	<u>(141,270.47)</u>
<b>Profit/loss before extraordinary items</b> .....	<u>994.03</u>	<u>74,522.43</u>	<u>(2,712.32)</u>	<u>(203,342.63)</u>
<b>Profit before appropriations and taxes</b> .....	<u>994.03</u>	<u>74,522.43</u>	<u>(2,712.32)</u>	<u>(203,342.63)</u>
<b>Profit/loss for the financial year</b> .....	<u>994.03</u>	<u>74,522.43</u>	<u>(2,712.32)</u>	<u>(203,342.63)</u>

**BALANCE SHEET**

		Eur	Rs.	Eur	Rs.
		31.3.2016	31.3.2016	31.12.2014	31.12.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>					
Land areas.....	1	250,566.00	18,784,933.02	250,566.00	18,784,933.02
<b>Total tangible assets.....</b>		<b>250,566.00</b>	<b>18,784,933.02</b>	<b>250,566.00</b>	<b>18,784,933.02</b>
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>250,566.00</b>	<b>18,784,933.02</b>	<b>250,566.00</b>	<b>18,784,933.02</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		1,014.05	76,023.33	107.83	8,084.02
<b>Total cash and cash equivalents.....</b>		<b>1,014.05</b>	<b>76,023.33</b>	<b>107.83</b>	<b>8,084.02</b>
<b>TOTAL CURRENT ASSETS.....</b>		<b>1,014.05</b>	<b>76,023.33</b>	<b>107.83</b>	<b>8,084.02</b>
<b>TOTAL ASSETS.....</b>		<b>251,580.05</b>	<b>18,860,956.35</b>	<b>250,673.83</b>	<b>18,793,017.04</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	2	2,500.00	187,425.00	2,500.00	187,425.00
Invested unrestricted equity fund.....		253,632.60	19,014,836.02	253,632.60	19,014,836.02
Profit(loss) from previous years.....		(5,593.77)	(419,364.94)	(2,881.45)	(216,022.31)
Profit(loss) for the financial year.....		994.03	74,522.43	(2,712.32)	(203,342.63)
<b>TOTAL EQUITY.....</b>		<b>251,532.86</b>	<b>18,857,418.51</b>	<b>250,538.83</b>	<b>18,782,896.09</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Other current liabilities.....	3	0.00	0.00	135.00	10,120.95
Accruals and deferred income.....		47.19	3,537.83	0.00	0.00
<b>Total short-term borrowed capital.....</b>		<b>47.19</b>	<b>3,537.83</b>	<b>135.00</b>	<b>10,120.95</b>
<b>TOTAL LIABILITIES.....</b>		<b>251,580.05</b>	<b>18,860,956.35</b>	<b>250,673.83</b>	<b>18,793,017.04</b>



## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value. Revenues and expenses are amortised on an accruals basis.

### Comparability of the previous financial year data

The reference figures used are from the 1.1.2014 - 31.12.2014 financial period, i.e. a twelve-month period. This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy. Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters. Hitsaajankatu 22, 00810 Helsinki.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 1. TANGIBLE ASSETS

	Eur	Rs.
	Land areas	Land areas
Acquisition cost 1.1.2015 .....	250,566.00	18,784,933.02
<b>Acquisition cost 31.3.2016</b> .....	<b>250,566.00</b>	<b>18,784,933.02</b>
<b>Book value 31.3.2016</b> .....	<b>250,566.00</b>	<b>18,784,933.02</b>

## 2. LIABILITIES

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Invested unrestricted equity fund in the beginning of the year .....	253,632.60	19,014,836.02	253,632.60	19,014,836.02
<b>Invested unrestricted equity fund in the end of the year</b> .....	<b>253,632.60</b>	<b>19,014,836.02</b>	<b>253,632.60</b>	<b>19,014,836.02</b>
Profit/loss from prev. financial period .....	(5,593.77)	(419,364.94)	(2,881.45)	(216,022.31)
Profit/loss for the financial year .....	994.03	74,522.43	(2,712.32)	(203,342.63)
<b>TOTAL EQUITY</b> .....	<b>251,532.86</b>	<b>18,857,418.51</b>	<b>250,538.83</b>	<b>18,782,896.09</b>

## 3. BORROWED CAPITAL

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Current liabilities for same Group companies .....	0.00	0.00	135.00	10,120.95
Accruals and deferred income .....	47.19	3,537.83	0.00	0.00
<b>Total borrowed capital</b> .....	<b>47.19</b>	<b>3,537.83</b>	<b>135.00</b>	<b>10,120.95</b>

## BREAKDOWN OF SHARE CAPITAL

	2016	Eur	2014	Eur
	No.		No.	
<b>Eur</b>				
1 vote/share .....	100.00	2,500.00	100.00	2,500.00
<b>TOTAL</b> .....	<b>100.00</b>	<b>2,500.00</b>	<b>100.00</b>	<b>2,500.00</b>

	2016	Rs.	2014	Rs.
	No.		No.	
<b>Rs</b>				
1 vote/share .....	100.00	187,425.00	100.00	187,425.00
<b>TOTAL</b> .....	<b>100.00</b>	<b>187,425.00</b>	<b>100.00</b>	<b>187,425.00</b>

**OTHER NOTES**

**PERPETUAL EASEMENTS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

In the deed dated 29 October 2013, Kiinteistö Oy Kylpyläntorni 1 is obligated to refrain from selling or otherwise transferring undeveloped lots to any party other than those given advance approval by the City based on a written application submitted to it.

**FINANCIAL STATEMENTS**

**DATE AND SIGNATURES**

Helsinki 21<sup>st</sup> April, 2016

**Iiro Rossi**

Chair of the Board of Director

**Riku Rauhala**

Board Member

**Anne Oravainen**

Board Member

**Notes to the financial statements compliant with the Limited Liability Companies Act.**

Board of Directors' proposal for profit distribution

Profit for the financial year EUR 994.03 (Rs 74,522.43). The Board of Directors proposes to the Annual General Meeting that the profit be transferred to equity and that no dividends be distributed.

**AUDITOR'S NOTE**

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**

Authorised Public Accounting Firm

**Pekka Hiitonen**

Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Lappeenranta.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 3,258.45 (INR 244,286.00).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila
- 4) Mikko Litmanen

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Spa Lofts 2

**Riku Rauhala**

Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Spa Lofts 2

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Spa Lofts 2 for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place: Tampere,  
Date: April 26, 2016

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value. Revenues and expenses are amortised on an accruals basis.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy. Copies of the consolidated financial statements are available at the

Holiday Club Resorts Group headquarters. Hitsajankatu 22,00810 Helsinki.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur	Rs
	1.1.2015 -31.3.2016	1.1.2015 -31.3.2016
<b>Property management expenses</b>		
Administration .....	(601.70)	(45,109.45)
Outdoor area management .....	(2,430.40)	(182,207.09)
Property tax .....	(170.25)	(12,763.64)
<b>Total</b> .....	<u><b>(3,202.35)</b></u>	<u><b>(240,080.18)</b></u>
<b>Profit(loss)</b> .....	<b>(3,202.35)</b>	<b>(240,080.18)</b>
<b>Financial income and expenses</b>		
Interest charges .....	(56.10)	(4,205.82)
<b>Total financial income and expenses</b> .....	<u><b>(56.10)</b></u>	<u><b>(4,205.82)</b></u>
<b>Profit/loss before extraordinary items</b> .....	<u><b>(3,258.45)</b></u>	<u><b>(244,286.00)</b></u>
<b>Profit before appropriations and taxes</b> .....	<u><b>(3,258.45)</b></u>	<u><b>(244,286.00)</b></u>
<b>Profit/loss for the financial year</b> .....	<u><b>(3,258.45)</b></u>	<u><b>(244,286.00)</b></u>

**BALANCE SHEET**

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 31.12.2014	Rs. 31.12.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	1				
Land areas.....		142,350.28	10,672,000.49	142,350.28	10,672,000.49
<b>Total tangible assets.....</b>		<u>142,350.28</u>	<u>10,672,000.49</u>	<u>142,350.28</u>	<u>10,672,000.49</u>
<b>TOTAL NON-CURRENT ASSETS .....</b>		<u><b>142,350.28</b></u>	<u><b>10,672,000.49</b></u>	<u><b>142,350.28</b></u>	<u><b>10,672,000.49</b></u>
<b>CURRENT ASSETS</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		3,562.09	267,049.89	0.00	0.00
<b>Total cash and cash equivalents .....</b>		<u>3,562.09</u>	<u>267,049.89</u>	<u>0.00</u>	<u>0.00</u>
<b>TOTAL CURRENT ASSETS.....</b>		<u><b>3,562.09</b></u>	<u><b>267,049.89</b></u>	<u><b>0.00</b></u>	<u><b>0.00</b></u>
<b>TOTAL ASSETS .....</b>		<u><b>145,912.37</b></u>	<u><b>10,939,050.38</b></u>	<u><b>142,350.28</b></u>	<u><b>10,672,000.49</b></u>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	2	2,500.00	187,425.00	2,500.00	187,425.00
Building fund.....		139,130.28	10,430,597.09	139,130.28	10,430,597.09
Invested unrestricted equity fund .....		6,291.29	471,658.01	0.00	0.00
Profit(loss) from previous years .....		0.00	0.00	0.00	0.00
Profit(loss) for the financial year .....		(3,258.45)	(244,286.00)	0.00	0.00
<b>TOTAL EQUITY .....</b>		<u><b>144,663.12</b></u>	<u><b>10,845,394.11</b></u>	<u><b>141,630.28</b></u>	<u><b>10,618,022.09</b></u>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>	3				
Other current liabilities .....		0.00	0.00	720.00	53,978.40
Accruals and deferred income .....		1,249.25	93,656.27	0.00	0.00
<b>Total short-term borrowed capital .....</b>		<u>1,249.25</u>	<u>93,656.27</u>	<u>720.00</u>	<u>53,978.40</u>
<b>TOTAL LIABILITIES.....</b>		<u><b>145,912.37</b></u>	<u><b>10,939,050.38</b></u>	<u><b>142,350.28</b></u>	<u><b>10,672,000.49</b></u>



## NOTES TO THE BALANCE SHEET

### ASSETS

#### NON-CURRENT ASSETS

#### INTANGIBLE AND TANGIBLE ASSETS

#### 1. TANGIBLE ASSETS

	Eur	Rs
	Land areas	Land areas
Acquisition cost 1.1.2016 .....	142,350.28	10,672,000.49
<b>Acquisition cost 31.3.2016</b> .....	<b>142,350.28</b>	<b>10,672,000.49</b>
<b>Book value 31.3.2016</b> .....	<b>142,350.28</b>	<b>10,672,000.49</b>

#### 2. LIABILITIES

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	<b>2,500.00</b>	<b>187,425.00</b>	<b>2,500.00</b>	<b>187,425.00</b>
Building fund in the beginning of the year .....	139,130.28	10,430,597.09	139,130.28	10,430,597.09
<b>Building fund in the end of the year</b> .....	<b>139,130.28</b>	<b>10,430,597.09</b>	<b>139,130.28</b>	<b>10,430,597.09</b>
Invested unrestricted equity fund in the beginning of the year .....	0.00	0.00	0.00	0.00
Additions .....	6,291.29	471,658.01	0.00	0.00
<b>Invested unrestricted equity fund in the end of the year</b> .....	<b>6,291.29</b>	<b>471,658.01</b>	<b>0.00</b>	<b>0.00</b>
Profit/loss from prev. financial period .....	0.00	0.00	0.00	0.00
Profit/loss for the financial year .....	(3,258.45)	(244,286.00)	0.00	0.00
<b>TOTAL EQUITY</b> .....	<b>144,663.12</b>	<b>10,845,394.11</b>	<b>141,630.28</b>	<b>10,618,022.09</b>

#### 3. SHORT-TERM BORROWED CAPITAL

	Eur	Rs	Eur	Rs
	2016	2016	2014	2014
Current liabilities for same Group companies .....	0.00	0.00	720.00	53,978.40
Accruals and deferred income .....	1,249.25	93,656.27	0.00	0.00
<b>Total short-term borrowed capital</b> .....	<b>1,249.25</b>	<b>93,656.27</b>	<b>720.00</b>	<b>53,978.40</b>

#### BREAKDOWN OF SHARE CAPITAL

	2016		2014	
Eur	No.	Eur	No.	Eur
1 vote/share .....	100.00	2,500.00	100.00	2,500.00
<b>TOTAL</b> .....	<b>100.00</b>	<b>2,500.00</b>	<b>100.00</b>	<b>2,500.00</b>

	2016		2014	
Rs	No.	Rs	No.	Rs
1 vote/share .....	100.00	187,425.00	100.00	187,425.00
<b>TOTAL</b> .....	<b>100.00</b>	<b>187,425.00</b>	<b>100.00</b>	<b>187,425.00</b>

**OTHER NOTES**

**Easements**

The company is hereby obligated under the following easement agreements:

Easement agreement signed on 31 May 2011. Concerns motor vehicle road and pedestrian access and rescue services access.

Easement agreement signed on 29 October 2014. Kiinteistö Oy Lappeenranta-owned Saimaan Kreivi is entitled to build three parking spaces and rescue services access.

Easement agreement signed on 31 December 2014. Spa Lofts 2 is entitled to build rescue services access to the Saimaan Action Park Oy lot.

**Notes to the financial statements compliant with the Limited Liability Companies Act.**

Board of Directors' proposal for profit distribution.

Loss for the financial year EUR 3,258.45 (Rs. 244,286.00). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

**FINANCIAL STATEMENTS**

**DATE AND SIGNATURES**

Helsinki April 21, 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

**Mikko Litmanen**  
CEO

**AUDITOR'S NOTE**

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State Of The Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Lappeenranta.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 3,536.75 (INR 265,150.15).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Tapio Anttila
- 4) Mikko Litmanen

### Statement Of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent To Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue Of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Spa Lofts 3

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Spa Lofts 3

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Spa Lofts 3 for the year ended 31 March, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value. Revenues and expenses are amortised on an accruals basis.

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy. Copies of the consolidated financial statements are available at the

Holiday Club Resorts Group headquarters. Hitsaajankatu 22,00810 Helsinki.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

	Eur	Rs.
	1.1.2015-31.3.2016	1.1.2015-31.3.2016
<b>Property management expenses</b>		
Administration.....	(602.82)	(45,193.42)
Outdoor area management .....	(2,430.40)	(182,207.09)
Property tax .....	(456.83)	(34,248.55)
<b>Total</b> .....	<b>(3,490.05)</b>	<b>(261,649.05)</b>
<b>Profit(loss)</b> .....	<b>(3,490.05)</b>	<b>(261,649.05)</b>
<b>Financial income and expenses</b>		
Interest income.....	0.00	0.00
Interest charges.....	(46.70)	(3,501.10)
<b>Total financial income and expenses</b> .....	<b>(46.70)</b>	<b>(3,501.10)</b>
<b>Profit/loss before extraordinary items</b> .....	<b>(3,536.75)</b>	<b>(265,150.15)</b>
<b>Profit before appropriations and taxes</b> .....	<b>(3,536.75)</b>	<b>(265,150.15)</b>
<b>Profit/loss for the financial year</b> .....	<b>(3,536.75)</b>	<b>(265,150.15)</b>

## BALANCE SHEET

	appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 31.12.2014	Rs. 31.12.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	1				
Land areas.....		140,090.60	10,502,592.28	140,090.60	10,502,592.28
<b>Total tangible assets.....</b>		140,090.60	10,502,592.28	140,090.60	10,502,592.28
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>140,090.60</b>	<b>10,502,592.28</b>	<b>140,090.60</b>	<b>10,502,592.28</b>
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
<b>Cash and cash equivalents</b>					
Cash at bank.....		3,531.69	264,770.80	0.00	0.00
<b>Total cash and cash equivalents.....</b>		3,531.69	264,770.80	0.00	0.00
<b>TOTAL CURRENT ASSETS.....</b>		<b>3,531.69</b>	<b>264,770.80</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS.....</b>		<b>143,622.29</b>	<b>10,767,363.08</b>	<b>140,090.60</b>	<b>10,502,592.28</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital.....</b>	2	2,500.00	187,425.00	2,500.00	187,425.00
Building fund.....		137,110.60	10,279,181.68	137,110.60	10,279,181.68
Invested unrestricted equity fund.....		6,241.89	467,954.49	0.00	0.00
Profit(loss) from previous years.....		0.00	0.00	0.00	0.00
Profit(loss) for the financial year.....		(3,536.75)	(265,150.15)	0.00	0.00
<b>TOTAL EQUITY.....</b>		<b>142,315.74</b>	<b>10,669,411.03</b>	<b>139,610.60</b>	<b>10,466,606.68</b>
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>					
Other current liabilities.....	3	0.00	0.00	480.00	35,985.60
Accruals and deferred income.....		1,306.55	97,952.05	0.00	0.00
<b>Total short-term borrowed capital.....</b>		1,306.55	97,952.05	480.00	35,985.60
<b>TOTAL LIABILITIES.....</b>		<b>143,622.29</b>	<b>10,767,363.08</b>	<b>140,090.60</b>	<b>10,502,592.28</b>

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 1. TANGIBLE ASSETS

	Eur	Rs.
	Land areas	Land areas
Acquisition cost 1.1.2015 .....	140,090.60	10,502,592.28
Acquisition cost 31.3.2016 .....	140,090.60	10,502,592.28
Book value 31.3.2016 .....	<u>140,090.60</u>	<u>10,502,592.28</u>

## 2. LIABILITIES

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
<b>EQUITY</b>				
Share capital in the beginning of the year .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital in the end of the year</b> .....	2,500.00	187,425.00	2,500.00	187,425.00
Building fund in the beginning of the year .....	137,110.60	10,279,181.68	137,110.60	10,279,181.68
<b>Building fund in the end of the year</b> .....	137,110.60	10,279,181.68	137,110.60	10,279,181.68
Invested unrestricted equity fund in the beginning of the year .....	0.00	0.00	0.00	0.00
Additions .....	6,241.89	467,954.49	0.00	0.00
<b>Invested unrestricted equity fund in the end of the year</b> .....	6,241.89	467,954.49	0.00	0.00
Profit/loss from prev. financial period .....	0.00	0.00	0.00	0.00
Profit/loss for the financial year .....	(3,536.75)	(265,150.15)	0.00	0.00
<b>TOTAL EQUITY</b> .....	<u>142,315.74</u>	<u>10,669,411.03</u>	<u>139,610.60</u>	<u>10,466,606.68</u>

## 3. SHORT-TERM BORROWED CAPITAL

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Current liabilities for same Group companies .....	0.00	0.00	480.00	35,985.60
Accruals and deferred income .....	1,306.55	97,952.05	0.00	0.00
<b>Total borrowed capital</b> .....	<u>1,306.55</u>	<u>97,952.05</u>	<u>480.00</u>	<u>35,985.60</u>

## BREAKDOWN OF SHARE CAPITAL

	2016	Eur	2014	Eur
	No.		No.	
1 vote/share .....	100.00	2,500.00	100.00	2,500.00
<b>TOTAL</b> .....	<u>100.00</u>	<u>2,500.00</u>	<u>100.00</u>	<u>2,500.00</u>

	2016	Rs.	2014	Rs.
	No.		No.	
1 vote/share .....	100.00	187,425.00	100.00	187,425.00
<b>TOTAL</b> .....	<u>100.00</u>	<u>187,425.00</u>	<u>100.00</u>	<u>187,425.00</u>



**OTHER NOTES****Easements**

The company is hereby obligated under the following easement agreements:

Easement agreement signed on 31 May 2011. Concerns motor vehicle road and pedestrian access and rescue services access.

Easement agreement signed on 29 October 2014. Spa Lofts 2 is entitled to build five parking spaces and rescue services access.

**FINANCIAL STATEMENTS  
DATE AND SIGNATURES**

Helsinki April 21, 2016

**Riku Rauhala**  
Chair of the Board of Director

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

**Mikko Litmanen**  
CEO

**Notes to the financial statements compliant with the Limited Liability Companies Act.**

Board of Directors' proposal for profit distribution.

Loss for the financial year Euro 3,536.75 (Rs. 265,150.15). The Board of Directors proposes to the Annual General Meeting that that the loss be transferred to equity and that no dividends be distributed.

**AUDITOR'S NOTE**

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Kuusamo.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 22,842.00 (INR 1,712,464.74) and made profit of Euro 6,702.72 (INR 502,502.92).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Henri Nuora

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion

of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Kuusamon Pulkajärvi 1

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Kuusamon Pulkkejärvi 1.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Kuusamon Pulkkejärvi 1 for the year ended 31<sup>st</sup> March, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : 26<sup>th</sup> April, 2016

## PROFIT AND LOSS STATEMENT

	Eur	Rs.	Eur	Rs.
	1.10.2014	1.10.2014	1.10.2013	1.10.2013
Appendix	-31.3.2016	-31.3.2016	-30.9.2014	-30.9.2014
<b>TURNOVER</b>				
Rent income .....	22,842.00	1,712,464.74	15,228.00	1,141,643.16
<b>Total</b> .....	<b>22,842.00</b>	<b>1,712,464.74</b>	<b>15,228.00</b>	<b>1,141,643.16</b>
<b>Depreciation</b>				
	1			
Buildings and structures .....	(6,472.26)	(485,225.33)	(4,494.60)	(336,960.16)
<b>Total</b> .....	<b>(6,472.26)</b>	<b>(485,225.33)</b>	<b>(4,494.60)</b>	<b>(336,960.16)</b>
<b>Property management expenses</b>				
Administration .....	(1,128.48)	(84,602.15)	(705.56)	(52,895.83)
Water and sewage .....	(71.33)	(5,347.61)	51.71	3,876.70
Electricity .....	(2,324.26)	(174,249.77)	(2,051.87)	(153,828.69)
Property tax .....	(516.50)	(38,722.01)	(267.17)	(20,029.73)
Repairs .....	-	-	(140.16)	(10,507.80)
Other expenses .....	-	-	(38.67)	(2,899.09)
<b>Total</b> .....	<b>(4,040.57)</b>	<b>(302,921.53)</b>	<b>(3,151.72)</b>	<b>(236,284.45)</b>
<b>Profit(loss)</b> .....	<b>12,329.17</b>	<b>924,317.87</b>	<b>7,581.68</b>	<b>568,398.55</b>
<b>Financial income and expenses</b>				
Interest charges .....	(3,946.24)	(295,849.61)	(3,286.76)	(246,408.40)
<b>Total financial income and expenses</b> .....	<b>(3,946.24)</b>	<b>(295,849.61)</b>	<b>(3,286.76)</b>	<b>(246,408.40)</b>
<b>Profit/loss before extraordinary items</b> .....	<b>8,382.93</b>	<b>628,468.26</b>	<b>4,294.92</b>	<b>321,990.15</b>
<b>Profit before appropriations and taxes</b> .....	<b>8,382.93</b>	<b>628,468.26</b>	<b>4,294.92</b>	<b>321,990.15</b>
<b>Other direct taxes</b>				
Direct taxes .....	(1,680.21)	(125,965.34)	(858.98)	(64,397.73)
<b>Total</b> .....	<b>(1,680.21)</b>	<b>(125,965.34)</b>	<b>(858.98)</b>	<b>(64,397.73)</b>
<b>Profit/loss for the financial year</b> .....	<b>6,702.72</b>	<b>502,502.92</b>	<b>3,435.94</b>	<b>257,592.42</b>

**BALANCE SHEET**

	Appendix	Eur 31.3.2016	Rs. 31.3.2016	Eur 30.9.2014	Rs. 30.9.2014
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Tangible assets</b>	<b>2</b>				
Land areas.....		248,581.74	18,636,173.05	248,581.74	18,636,173.05
Buildings and structures.....		101,399.81	7,601,943.76	107,872.07	8,087,169.09
<b>Total tangible assets.....</b>		<b>349,981.55</b>	<b>26,238,116.80</b>	356,453.81	26,723,342.14
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>349,981.55</b>	<b>26,238,116.80</b>	356,453.81	26,723,342.14
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>	<b>3</b>				
Accrued income.....		44.36	3,325.67	85.00	6,372.45
<b>Total short-term receivables.....</b>		<b>44.36</b>	<b>3,325.67</b>	85.00	6,372.45
<b>Cash and cash equivalents</b>					
Cash at bank.....		13,681.31	1,025,687.81	23,183.96	1,738,101.48
<b>Total cash and cash equivalents.....</b>		<b>13,681.31</b>	<b>1,025,687.81</b>	23,183.96	1,738,101.48
<b>TOTAL CURRENT ASSETS.....</b>		<b>13,725.67</b>	<b>1,029,013.48</b>	23,268.96	1,744,473.93
<b>TOTAL ASSETS.....</b>		<b>363,707.22</b>	<b>27,267,130.28</b>	379,722.77	28,467,816.07
<b>LIABILITIES</b>					
<b>EQUITY</b>					
<b>Share capital.....</b>	<b>4</b>	2,522.81	189,135.07	2,522.81	189,135.07
<b>Building fund.....</b>		82,860.58	6,212,057.68	82,860.58	6,212,057.68
<b>Other equity.....</b>		170,766.78	12,802,385.50	170,766.78	12,802,385.50
<b>Profit(loss) from previous years.....</b>		10,571.70	792,560.35	7,135.76	534,967.93
<b>Profit(loss) for the financial year.....</b>		6,702.72	502,502.92	3,435.94	257,592.42
<b>TOTAL EQUITY.....</b>		<b>273,424.59</b>	<b>20,498,641.51</b>	266,721.87	19,996,138.59
<b>BORROWED CAPITAL</b>					
<b>Short-term borrowed capital</b>	<b>5</b>				
Other loans group companies.....		89,711.08	6,725,639.67	112,168.06	8,409,239.46
Accruals and deferred income.....		571.55	42,849.10	832.84	62,438.01
<b>Total short-term borrowed capital.....</b>		<b>90,282.63</b>	<b>6,768,488.77</b>	113,000.90	8,471,677.47
<b>TOTAL LIABILITIES.....</b>		<b>363,707.22</b>	<b>27,267,130.28</b>	379,722.77	28,467,816.07

## ACCOUNTING PRINCIPLES

### Valuation principles

Tangible and intangible assets have been entered under acquisition costs and financial assets under nominal value. Revenues and expenses are amortised on an accruals basis.

4% of the buildings were written off during the financial year.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013-30.9.2014 financial period, i.e. a twelve-month period. This shall be taken into account when comparing financial years.

The company belongs to the Holiday Club Resorts Oy group.

The parent company is Holiday Club Resorts Oy. Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters, Hitsaajankatu 22, 00810 Helsinki.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE PROFIT AND LOSS STATEMENT

## 1. Depreciation and impairments

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Buildings and structures .....	6,472.26	485,225.33	4,494.60	336,960.16
<b>Total .....</b>	<b>6,472.26</b>	<b>485,225.33</b>	<b>4,494.60</b>	<b>336,960.16</b>

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## INTANGIBLE AND TANGIBLE ASSETS

## 2. Tangible assets

Eur	Buildings and structures			Total
	Land areas	structures		
Acquisition cost 1.10.2014 .....	248,581.74	116,985.23		365,566.97
Additions .....	-	-		-
<b>Acquisition cost 31.3.2016.....</b>	<b>248,581.74</b>	<b>116,985.23</b>		<b>365,566.97</b>
Accumulated depreciation 1.10.2014.....	-	9,113.16		9,113.16
Depreciation for the financial year .....	-	6,472.26		6,472.26
<b>Book value 31.3.2016 .....</b>	<b>248,581.74</b>	<b>101,399.81</b>		<b>349,981.55</b>

Rs	Buildings and structures			Total
	Land areas	structures		
Acquisition cost 1.10.2014 .....	18,636,173.05	8,770,382.69		27,406,555.74
Additions .....	-	-		-
<b>Acquisition cost 31.3.2016.....</b>	<b>18,636,173.05</b>	<b>8,770,382.69</b>		<b>27,406,555.74</b>
Accumulated depreciation 1.10.2014 .....	-	683,213.61		683,213.61
Depreciation for the financial year .....	-	485,225.33		485,225.33
<b>Book value 31.3.2016 .....</b>	<b>18,636,173.05</b>	<b>7,601,943.76</b>		<b>26,238,116.80</b>

## CURRENT ASSETS

## RECEIVABLES

## 3. Short-term receivables

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Other accrued income	44.36	3,325.67	85.00	6,372.45
<b>Total</b>	<b>44.36</b>	<b>3,325.67</b>	<b>85.00</b>	<b>6,372.45</b>

## LIABILITIES

## 4. Equity

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Share capital in the beginning of the year.....	2,522.81	189,135.07	2,522.81	189,135.07
<b>Share capital in the end of the year.....</b>	<b>2,522.81</b>	<b>189,135.07</b>	<b>2,522.81</b>	<b>189,135.07</b>
Building fund in the beginning of the year.....	82,860.58	6,212,057.68	82,860.58	6,212,057.68
<b>Building fund in the end of the year.....</b>	<b>82,860.58</b>	<b>6,212,057.68</b>	<b>82,860.58</b>	<b>6,212,057.68</b>
Other restricted equity in the beginning of the year....	170,766.78	12,802,385.50	170,766.78	12,802,385.50
<b>Other restricted equity in the end of the year.....</b>	<b>170,766.78</b>	<b>12,802,385.50</b>	<b>170,766.78</b>	<b>12,802,385.50</b>
Profit/loss from prev. financial period .....	10,571.70	792,560.35	7,135.76	534,967.93

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Profit/loss for the financial year.....	6,702.72	502,502.92	3,435.94	257,592.42
<b>Total equity.....</b>	<b>273,424.59</b>	<b>20,498,641.51</b>	<b>266,721.87</b>	<b>19,996,138.59</b>

## 5. Short-term borrowed capital

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Other loans group companies	89,711.08	6,725,639.67	112,168.06	8,409,239.46
Accruals and deferred income	571.55	42,849.10	576.00	43,182.72
Tax liabilities .....	-	-	256.84	19,255.29
<b>Total borrowed capital .....</b>	<b>90,282.63</b>	<b>6,768,488.77</b>	<b>113,000.90</b>	<b>8,471,677.47</b>

## BREAKDOWN OF SHARE CAPITAL

Eur	2016		2014	
	No.	Eur	No.	Eur
1 vote/share .....	30.00	2,522.81	30.00	2,522.81
<b>Total .....</b>	<b>30.00</b>	<b>2,522.81</b>	<b>30.00</b>	<b>2,522.81</b>

Rs	2016		2014	
	No.	Rs	No.	Rs
1 vote/share .....	30.00	189,135.07	30.00	189,135.07
<b>Total .....</b>	<b>30.00</b>	<b>189,135.07</b>	<b>30.00</b>	<b>189,135.07</b>

## Notes to the financial statements compliant with the Limited Liability Companies Act.

## Board of Directors' proposal for profit distribution

Profit for the financial year EUR 6,702.72 (Rs 502,502.92). The Board of Directors proposes to the Annual General Meeting that the profit be transferred to equity and that no dividends be distributed.

Helsinki April 21<sup>st</sup> 2016

**Riku Rauhala**  
Chair of the Board of Directors

**Henri Nuora**  
CEO/board member

**Anne Oravainen**  
board member

## AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2016 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of arena and holding events.

The Company's Resort property located at Tampere, was fully operational.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 178,120 (INR 13,353,656.40) and made profit of Euro 4.60 (INR 344.86).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Marko Hiltunen, Chair of the Board of Directors
- 2) Jussi Valtola, Board member

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company was associate company of Holiday Club Resorts Oy (HCR) till 18<sup>th</sup> January, 2016. Consequent to increase its stake from 24% to 100% by HCR, the Company became wholly owned subsidiary of HCR and in turn subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Saimaa Gardens Arena Oy

**Marko Hiltunen**  
**Chair of the Board of Directors**

Place : Tampere  
Dated : April 21, 2016



## AUDITOR'S REPORT

To the Annual General Meeting of Saimaa Gardens Arena Oy.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Saimaa Gardens Arena Oy for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and the notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : May 10, 2016

## ACCOUNTING PRINCIPLES

### Current assets

Receivables and liabilities have been valued at the nominal value.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## PROFIT AND LOSS STATEMENT

		Eur	Rs.	Eur	Rs.
	appendix	1.1.2016- 31.3.2016	1.1.2016- 31.3.2016	1.1.2015- 31.12.2015	1.1.2015- 31.12.2015
<b>TURNOVER</b> .....		178,120.00	13,353,656.40	389,333.32	29,188,319.00
<b>Other operating expenses</b> .....	1	(178,120.51)	(13,353,694.63)	(388,763.93)	(29,145,631.83)
<b>Total</b> .....		<b>(178,120.51)</b>	<b>(13,353,694.63)</b>	<b>569.39</b>	<b>42,687.17</b>
<b>Profit(loss)</b> .....		<b>(0.51)</b>	<b>(38.23)</b>	<b>569.39</b>	<b>42,687.17</b>
<b>Financial income and expenses</b>	2				
Interest income.....		6.26	469.31	45.72	3,427.63
Interest charges.....		-	-	(153.58)	(11,513.89)
<b>Total financial income and expenses</b> .....		<b>6.26</b>	<b>469.31</b>	<b>(107.86)</b>	<b>(8,086.26)</b>
<b>Profit/loss before extraordinary items</b> .....		<b>5.75</b>	<b>431.08</b>	<b>461.53</b>	<b>34,600.90</b>
<b>Profit before appropriations and taxes</b> .....		<b>5.75</b>	<b>431.08</b>	<b>461.53</b>	<b>34,600.90</b>
Income taxes .....		1.15	86.22	92.31	6,920.48
<b>Profit/loss for the financial year</b> .....		<b>4.60</b>	<b>344.86</b>	<b>369.22</b>	<b>27,680.42</b>

**BALANCE SHEET**

		Eur	Rs.	Eur	Rs.
	appendix	1.1.2016- 31.3.2016	1.1.2016- 31.3.2016	1.1.2015- 31.12.2015	1.1.2015- 31.12.2015
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
<b>Short-term receivables</b>					
Accrued income .....	3	120,677.39	9,047,183.93	101,680.00	7,622,949.60
<b>Total short-term receivables</b> .....		120,677.39	9,047,183.93	101,680.00	7,622,949.60
<b>Cash and cash equivalents</b>					
Cash at bank .....		62,876.80	4,713,873.70	10,867.13	814,708.74
<b>Total cash and cash equivalents</b> .....		62,876.80	4,713,873.70	10,867.13	814,708.74
<b>TOTAL CURRENT ASSETS</b> .....		<b>183,554.19</b>	<b>13,761,057.62</b>	<b>112,547.13</b>	<b>8,437,658.34</b>
<b>TOTAL ASSETS</b> .....		<b>183,554.19</b>	<b>13,761,057.62</b>	<b>112,547.13</b>	<b>8,437,658.34</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital.....	4	2,500.00	187,425.00	2,500.00	187,425.00
<b>Profit(loss) from previous years</b> .....		220.57	16,536.13	(148.65)	(11,144.29)
<b>Profit(loss) for the financial year</b> .....		4.60	344.86	369.22	27,680.42
<b>TOTAL EQUITY</b> .....		<b>2,725.17</b>	<b>204,305.99</b>	<b>2,720.57</b>	<b>203,961.13</b>
<b>BORROWED CAPITAL</b>					
Short-term borrowed capital .....	5	180,829.02	13,556,751.63	109,826.56	8,233,697.20
<b>Total short-term borrowed capital</b> .....		180,829.02	13,556,751.63	109,826.56	8,233,697.20
<b>TOTAL LIABILITIES</b> .....		<b>183,554.19</b>	<b>13,761,057.62</b>	<b>112,547.13</b>	<b>8,437,658.34</b>

## NOTES TO THE FINANCIAL STATEMENTS

The company belongs to the Holiday Club Resorts Oy group. The parent company is Holiday Club Resorts Oy.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

### Comparability of the previous financial year data

The reference figures used are from the 1.1.2015 – 31.12.2015 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### Board of Directors proposal to process profit and loss for the previous financial year

The Board of Directors proposes to the Annual General Meeting that a profit of EUR 4.60 (Rs. 344.86) be transferred to the profit and loss account and that no dividends be distributed.

### Company shares

There are 100 company shares. Each share confers the same right to dividends and company assets.

## NOTES TO THE PROFIT AND LOSS STATEMENT

### TURNOVER

#### 1. OTHER OPERATING EXPENSES

	Eur	Rs.	Eur	Rs.
	1.1.2016- 31.3.2016	1.1.2016- 31.3.2016	1.1.2015- 31.12.2015	1.1.2015- 31.12.2015
Rents and payments .....	41,000.00	3,073,770.00	123,000.00	9,221,310.00
Property management expenses .....	135,504.48	10,158,770.87	261,601.83	19,612,289.20
Other business expenses.....	1,616.03	121,153.77	4,162.10	312,032.64
<b>Total</b> .....	<b>178,120.51</b>	<b>13,353,694.63</b>	<b>388,763.93</b>	<b>29,145,631.83</b>

#### 2. FINANCIAL INCOME AND EXPENSES

Other interest income .....	6.26	469.31	45.72	3,427.63
<b>Total interest income</b> .....	<b>6.26</b>	<b>469.31</b>	<b>45.72</b>	<b>3,427.63</b>

#### Interest income from long-term

investments and other interest income .....	6.26	469.31	45.72	3,427.63
<b>Total</b> .....				

#### Interest expenses and other financial expenses

Other interest expenses .....	-	-	153.58	11,513.89
<b>Total interest expenses</b> .....	<b>-</b>	<b>-</b>	<b>153.58</b>	<b>11,513.89</b>

<b>Total financial income and expenses</b> .....	<b>6.26</b>	<b>469.31</b>	<b>(107.86)</b>	<b>(8,086.26)</b>
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## NOTES TO THE BALANCE SHEET

### ASSETS

#### CURRENT ASSETS

#### RECEIVABLES

#### 3. SHORT-TERM RECEIVABLES

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2015	31.12.2015
Accounts receivable .....	116,708.80	8,749,658.74	101,680.00	7,622,949.60
<b>Total</b> .....	<b>116,708.80</b>	<b>8,749,658.74</b>	<b>101,680.00</b>	<b>7,622,949.60</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 4. EQUITY

LIABILITIES	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2015	31.12.2015
Share capital 1.1.....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital 31.12.</b> .....	2,500.00	187,425.00	2,500.00	187,425.00
<b>Share capital 31.3.</b> .....	2,500.00	187,425.00	2,500.00	187,425.00
Profit/loss from prev. financial period 1.1.....	220.57	16,536.13	(148.65)	(11,144.29)
Profit/loss for the financial year.....	4.60	344.86	369.22	27,680.42
<b>Total equity</b> .....	<b>2,725.17</b>	<b>204,305.99</b>	<b>2,720.57</b>	<b>203,961.13</b>
<b>CALCULATION OF DISTRIBUTABLE FUNDS</b>				
	<b>Eur</b>	<b>Rs.</b>	<b>Eur</b>	<b>Rs.</b>
	<b>31.3.2016</b>	<b>31.3.2016</b>	<b>31.12.2015</b>	<b>31.12.2015</b>
<b>Profit/loss from the previous financial year</b> .....	220.57	16,536.13	(148.65)	(11,144.29)
Profit/loss for the financial year.....	4.6	344.86	369.22	27,680.42
<b>Total</b> .....	<b>225.17</b>	<b>16,880.99</b>	<b>220.57</b>	<b>16,536.13</b>

**Notes to the financial statements compliant with the Limited Liability Companies Act.**

Board of Directors' proposal for profit distribution.

Profit for the financial year EUR 4.60 (Rs. 344.86). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

## 5. SHORT-TERM BORROWED CAPITAL

	Eur	Rs.	Eur	Rs.
	31.3.2016	31.3.2016	31.12.2015	31.12.2015
Trade payables .....	12,710.00	952,868.70	99,548.90	7,463,181.03
Other liabilities .....	–	–	10,185.35	763,595.69
Accruals and deferred income.....	168,119.02	12,603,882.93	92.31	6,920.48
<b>Total short-term borrowed capital</b> .....	<b>180,829.02</b>	<b>13,556,751.63</b>	<b>109,826.56</b>	<b>8,233,697.20</b>

**OTHER NOTES**

The company has leased the Rauhan Monitoimihalli from the City of Lappeenranta. The lease entered into effect on 1.1.2012. The lease term is fifteen (15) years and will remain in effect indefinitely upon its expiration, if either party fails to confirm expiration of the agreement.

**AUDITOR'S NOTE**

A report of the audit has been submitted today.

**FINANCIAL STATEMENTS****DATE AND SIGNATURES**

Helsinki, April 21, 2016

**Marko Hiltunen**  
Chair of the Board of Directors

**Jussi Valtola**  
board member

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm  
Pekka Hiltunen  
Authorised Public Accountant

## DIRECTORS' REPORT

### DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in renting business administration and management of tenant-owner associations.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of SEK 45,303 (INR 370,126).

### Dividend

The Board of Directors proposes dividend of SEK 1,966,191 (INR 16,063,780) for the financial period ended March 31, 2016.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Tapio Anttila
- 2) Calvin Lucock
- 3) Madelene Lillsund Queckfeldt

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Ownership Service Sweden AB

<b>Madelene Lillsund Queckfeldt</b> Director	<b>Tapio Antilla</b> Director	<b>Calvin Lucock</b> Director
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Place: Åre  
Dated: April 21, 2016

## AUDITOR'S REPORT

**To the annual meeting of the shareholders of Ownership Service Sweden AB, corporate identity number 556676-0327.**

Report on the annual accounts

We have audited the annual accounts of Ownership Services Sweden AB for the financial year 2014.10.01-2016.03.31.

### **Responsibilities of the Board of Directors and the Managing Director for the annual accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

### **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Ownership Service Sweden AB as of March 31, 2016 and of its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Ownership Service Sweden AB for the year the financial year 2014.10.01-2016.03.31.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### **Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**  
Authorized Accountant

Place: Östersund  
Date: April 21, 2016



## ADMINISTRATION REPORT

### Operations

#### Information regarding the operations

The company's operations consist of administrative and technical management of tenant-owner associations.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on March 31, 2016.

#### Significant events during and after the end of the financial year

The company has changed its accounting year-end to March 31, and thus extended its accounting year from January 1, 2015 to March 31, 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

## MULTI-YEAR REVIEW kSEK

	2015/16	2014	2013	2012
	SEK	SEK	SEK	SEK
Balance sheet total, kSEK.....	9,692	8,096	6,699	10,032
Equity/assets ratio...	21.3%	26.1%	32.1%	44.8%

## MULTI-YEAR REVIEW kINR

	2015/16	2014	2013	2012
	INR	INR	INR	INR
Balance sheet total, kINR.....	79,181	66,144	54,731	81,961
Equity/assets ratio ...	21.3%	26.1%	32.1%	44.8%

## PROPOSED APPROPRIATION OF PROFITS

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Profit bought forward.....	2,011,494	16,433,906
Profit/Loss for the year .....	(45,303)	(370,126)
<b>Total</b>	<b>1,966,191</b>	<b>16,063,780</b>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	1,966,191	16,063,780
<b>Total</b>	<b>1,966,191</b>	<b>16,063,780</b>

**INCOME STATEMENT**

	Note	1 Jan 2015 – 31 Mar 2016 SEK	1 Jan 2014 – 31 Dec 2014 SEK	1 Jan 2015 – 31 Mar 2016 INR	1 Jan 2014 – 31 Dec 2014 INR
<b>Operating expenses</b>					
Other external expenses .....		<u>(47,372)</u>	<u>(38,137)</u>	<u>(387,029)</u>	<u>(311,579)</u>
<b>Total operating expenses</b> .....		<b>(47,372)</b>	<b>(38,137)</b>	<b>(387,029)</b>	<b>(311,579)</b>
<b>Operating profit/loss</b> .....		<b>(47,372)</b>	<b>(38,137)</b>	<b>(387,029)</b>	<b>(311,579)</b>
<b>Financial items</b>					
Other interest income and similar profit/loss items .....		<u>2,069</u>	<u>2,335</u>	<u>16,904</u>	<u>19,077</u>
<b>Total financial items</b> .....		<b>2,069</b>	<b>2,335</b>	<b>16,904</b>	<b>19,077</b>
<b>Profit/loss after financial items</b> .....		<b>(45,303)</b>	<b>(35,802)</b>	<b>(370,126)</b>	<b>(292,502)</b>
<b>Profit/Loss before tax</b> .....		<b>(45,303)</b>	<b>(35,802)</b>	<b>(370,126)</b>	<b>(292,502)</b>
<b>Profit/Loss for the year</b> .....		<u><b>(45,303)</b></u>	<u><b>(35,802)</b></u>	<u><b>(370,126)</b></u>	<u><b>(292,502)</b></u>

**BALANCE SHEET**

	Note	31 Mar 2016 SEK	31 Dec 2014 SEK	31 Mar 2016 INR	31 Dec 2014 INR
<b>Assets</b>					
<b>Current assets</b> .....					
<i>Current receivables</i> .....					
Trade receivables.....		2,984,175	1,895,412	24,380,710	15,485,516
Receivables from Group companies .....		2,372,954	2,581,264	19,387,034	21,088,927
<b>Total current receivables</b> .....		<b>5,357,129</b>	4,476,676	<b>43,767,744</b>	36,574,443
<i>Cash and bank balances</i> .....					
Cash and bank balances .....		4,334,560	3,619,323	35,413,355	29,569,869
<b>Total cash and bank balances</b> .....		<b>4,334,560</b>	3,619,323	<b>35,413,355</b>	29,569,869
<b>Total current assets</b> .....		<b>9,691,689</b>	8,095,999	<b>79,181,099</b>	66,144,312
<b>Total assets</b> .....		<b>9,691,689</b>	8,095,999	<b>79,181,099</b>	66,144,312
<b>Equity and liabilities</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital, 1000 shares.....		100,000	100,000	817,000	817,000
<b>Total restricted equity</b> .....		<b>100,000</b>	100,000	<b>817,000</b>	817,000
<i>Non-restricted equity</i>					
Profit brought forward .....		2,011,494	2,047,296	16,433,906	16,726,408
Profit/Loss for the year .....		(45,303)	(35,802)	(370,126)	(292,502)
<b>Total Non-restricted equity</b> .....		<b>1,966,191</b>	2,011,494	<b>16,063,780</b>	16,433,906
<b>Total equity</b> .....		<b>2,066,191</b>	2,111,494	<b>16,880,780</b>	17,250,906
<b>Current liabilities</b>					
Other liabilities		7,610,312	5,962,912	62,176,249	48,716,991
Accrued expenses and deferred income		15,186	21,593	124,070	176,415
<b>Total current liabilities</b> .....		<b>7,625,498</b>	5,984,505	<b>62,300,319</b>	48,893,406
<b>Total equity and liabilities</b> .....		<b>9,691,689</b>	8,095,999	<b>79,181,099</b>	66,144,312

**SUPPLEMENTARY DISCLOSURES****Note 1: Accounting and Valuation Principles**

The annual accounts have been prepared for the first time in accordance with BFAR 2008:1 Annual Accounts of Small Limited Companies, which may mean that figures are not fully comparable with those for the preceding financial year.

Comparative figures have not been restated.

*Definitions of key performance indicators*Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

**Balance Sheet disclosures****Note 2: Changes in equity**

	Share capital	Profit/ loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	100,000SEK 817,000INR	2,047,296SEK 1,6726,408INR	(35,802SEK) (292,502INR)	2,111,494SEK 17,250,906INR
Appropriation of profits as resolved by the AGM		(35,802SEK) (292,502INR)	35,802SEK 292,502INR	
To be carried forward			(45,303SEK) (370,126INR)	(45,303SEK) (370,126INR)
Profit/loss for the year			(45,303SEK) (370,126INR)	(45,303SEK) (370,126INR)
Balance at year-end	100,000SEK 817,000INR	2,011,494SEK 16,433,906INR	(45,303SEK) (370,126INR)	2,066,191SEK 16,880,780INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-04-21.

Åre, April 21, 2016

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**Madelene Lillsund Queckfeldt**

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**Calvin Lucock**

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**Tapio Anttila**

Our auditor's report has been submitted 2016-04-21.  
Öhrlings PricewaterhouseCoopers AB

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**Helen Salmonsson**

Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the abridged Financial Statements of the Company for the financial period commencing from October 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is currently acting as a Holding Company for Holiday Club Canarias Sales & Marketing S.L.U. and Holiday Club Canarias Resort Management S.L.U.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 1,263 (INR 94,687).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Calvin Stuart Lucock
- 2) Holiday Club Resorts Oy

### Statement of Directors

In the opinion of the Board of Directors, the accompanying abridged Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no Auditor's report attached to Balance Sheet as at March 31, 2016, as there is no obligation to audit according to the Spanish Law.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors of  
Holiday Club Canarias Investment S.L.U.

**Calvin Stuart Lucock**  
Director

**Holiday Club Resorts Oy**  
Director represented by  
**Calvin Stuart Lucock**

Place : Gran Canaria, Mogán  
Dated : April 18, 2016

## PRACTITIONER'S REVIEW REPORT

### To the Board of Directors of Holiday Club Resorts Oy

I have reviewed the financial statements of Holiday Club Canarias Investment S.L.U. for the financial period 1.4.2015-31.3.2016. The financial statements comprise balance sheet, the income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the local laws and regulations governing the preparation of the financial statements. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances.

### Practitioner's responsibility

My responsibility is to express a conclusion on the financial statements. I conducted my review in accordance with International Standard on Review Engagements (ISRE) 2400 revised. ISRE 2400 (revised) requires me to conclude whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the local laws and regulations governing the preparation of the financial statements. The Auditing Act requires that I comply with the requirements of professional ethics.

A review of financial statements in accordance with ISRE 2400 (revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity as appropriate, and applies analytical procedures, and evaluates the evidence obtained.

The procedures performed are substantially less than those performed in an audit conducted in accordance with auditing standards. Accordingly, I do not express an audit opinion on the financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not give true and fair view of the financial performance and financial position in accordance with local laws and regulations governing the preparation of the financial statements.

The above review has been conducted at the request of Holiday Club Resort Oy's management for the purpose of consolidation of the company's financial statements with that of Holiday Club Resort Oy.

**Eero Suomela**

Authorized Public Accountant  
Nokkalankulma 7 B  
02230 Espoo.

Place: Helsinki  
Date: May 8. 2016

**BALANCE SHEET AT MARCH 31, 2016**

ASSET	EUROS		RUPEES	
	2015/16	2014/15	2015/16	2014/15
<b>A) NON CURRENT ASSET</b>				
IV. Long-Term investments in group companies and associates.....	6,200	6,200	464,814	464,814
<b>TOTAL A</b> .....	<b>6,200</b>	<b>6,200</b>	<b>464,814</b>	<b>464,814</b>
<b>B) CURRENT ASSETS</b>				
III. Trade and other receivables.....	131,499	131,472	9,858,480	9,856,456
3. Other Debtors .....	131,499	131,472	9,858,480	9,856,456
IV. Short-term investments in Group, Multigroup and Associate companies.....	–	477,531	–	35,800,499
V. Short Term financial investments .....	–	36	–	2,699
VII. Cash and equivalent liquid assets .....	1,151	1,483	86,290	111,181
<b>TOTAL B</b> .....	<b>132,650</b>	<b>610,522</b>	<b>9,944,771</b>	<b>45,770,834</b>
<b>TOTAL ASSET(A + B)</b> .....	<b>138,850</b>	<b>616,722</b>	<b>10,409,585</b>	<b>46,235,648</b>

	EUROS		RUPEES	
	2015/16	2014/15	2015/16	2014/15
<b>TOTAL EQUITY AND LIABILITIES</b>				
<b>A) TOTAL EQUITY</b>				
<b>A-1) EQUITY</b>	<b>649</b>	<b>1,912</b>	<b>48,656</b>	<b>143,343</b>
<b>I. Capital</b> .....	<b>3,100</b>	<b>3,100</b>	<b>232,407</b>	<b>232,407</b>
1. Share Capital .....	3,100	3,100	232,407	232,407
<b>III. Reserves</b> .....	<b>1,901</b>	<b>1,901</b>	<b>142,518</b>	<b>142,518</b>
<b>V. Profit &amp; Loss from previous periods</b> .....	<b>(3,089)</b>	<b>(1,732)</b>	<b>(231,582)</b>	<b>(129,848)</b>
2. (Losses of previous years) .....	(3,089)	(1,732)	(231,582)	(129,848)
<b>VII. Result for the period (losses)</b> .....	<b>(1,263)</b>	<b>(1,357)</b>	<b>(94,687)</b>	<b>(101,734)</b>
<b>TOTAL A</b>	<b>649</b>	<b>1,912</b>	<b>48,656</b>	<b>143,343</b>
<b>B) NON CURRENT LIABILITIES</b>				
<b>III. Long term debts with Group and associated Companies</b> .....	<b>6,252</b>	<b>6,252</b>	<b>468,712</b>	<b>468,712</b>
<b>TOTAL B</b> .....	<b>6,252</b>	<b>6,252</b>	<b>468,712</b>	<b>468,712</b>
<b>C) CURRENT LIABILITIES</b>				
<b>IV. Short term debts with Group and associated Companies</b> .....	<b>131,949</b>	<b>608,558</b>	<b>9,892,217</b>	<b>45,623,593</b>
<b>TOTAL C</b> .....	<b>131,949</b>	<b>608,558</b>	<b>9,892,217</b>	<b>45,623,593</b>
<b>TOTAL EQUITY AND LIABILITIES (A + B + C)</b> .....	<b>138,850</b>	<b>616,722</b>	<b>10,409,585</b>	<b>46,235,648</b>



**PROFIT AND LOSS ACCOUNT AT MARCH 31, 2016**

CONCEPTS	EUROS		RUPEES	
	2015/16	2014/15	2015/16	2014/15
<b>A) CONTINUING OPERATIONS</b>				
7. Other operating expenses .....	(1,181)	(1,181)	(88,540)	(88,540)
13. Other results.....	–	–	–	–
<b>A.1.) OPERATING INCOME (LOSS)</b>	<b>(1,181)</b>	<b>(1,181)</b>	<b>(88,540)</b>	<b>(88,540)</b>
14. Financial income .....				
15. Financial Expenses .....	(82)	(176)	(6,148)	(13,195)
<b>A.2) FINANCIAL PROFIT &amp; LOSS (LOSS) .....</b>	<b>(82)</b>	<b>(176)</b>	<b>(6,148)</b>	<b>(13,195)</b>
<b>A.3) PROFIT BEFORE TAXES (LOSS) .....</b>	<b>(1,263)</b>	<b>(1,357)</b>	<b>(94,687)</b>	<b>(101,734)</b>
<b>A.5) PROFIT &amp; LOSS IN THE PERIOD (LOSS) .....</b>	<b>(1,263)</b>	<b>(1,357)</b>	<b>(94,687)</b>	<b>(101,734)</b>

## 2015/2016 ABRIDGED FINANCIAL REPORT

### 1. THE COMPANY'S BUSINESS

HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U. was set up as a limited corporation on December 9, 2010, before the Notary Public Valentín Concejo Arranz, Member of the Guild of Notaries of the Canary Islands, whose offices are located in Maspalomas, under his Protocol Number 1522.

On March 3, 2011, it acquired its current status as a Sole Proprietor Limited Liability Company and on July 22nd, 2011, a corporate decision was notarised in which the accounting year initially established in the Corporate By-Laws was changed to the current system.

The main corporate mission comprises the acquisition, promotion, construction, urbanisation, management, operation, holding, use, enjoyment of, yielding of, business management of any type, or property, buildings, tourist complexes, hotels, and /or agricultural land in the country or urban areas and personal rights or rights in rem of real-estate property including its conveyance, whether in its entirety or partially, per apartment or by means of the sale of or assignment of rotational enjoyment rights, timeshare or any other kind of rights to use.

The Corporate offices are located at Avenida Ministra Anna Lindh 1, Urb. Amadores, in the municipality of Mogán (Gran Canaria).

### 2. BASIS USED FOR THE PRESENTATION OF THE ANNUAL ACCOUNTS

The figures contained in the balance sheet, in the Profit & Loss Account and in this Report are expressed in Euros, which, upon being rounded out, cause small differences in their presentation.

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

#### True and Fair View

The attached Annual Accounts, obtained from the Company's corporate accounts, are presented according to Spanish Royal Decree 1514/2007 in which the General Accounting Plan of Spain was approved, reflecting, therefore, a faithful view of the equity, the financial situation and the Company's Profit & Loss, according to the generally accepted accounting practices and regulations.

#### Non-Mandatory Accounting Principles Applied:

During this Financial Year, only those Accounting Principles mandatory according to the Spanish Business Code and the Small & Medium Companies General Accounting Plan have been applied.

The Administrative Body has formulated these Annual Accounts, taking into account all mandatory accounting regulations and principals which carry a significant effect.

There is no principle which, if mandatory, has not been applied.

#### Critical Aspects in the Valuation and Judgement of Uncertainty

In the drafting of Annual Accounts for the financial year ending on March 31, 2016, it was not necessary for the Corporate Administrative Body to use any estimates to appraise assets, liabilities and expenses.

On the other hand, the Administrative Body is not aware of any uncertainties relative to conditions from which any doubts could arise, regarding the fact that the company is still operating normally. Therefore, the Annual Accounts have been prepared by the Administrative Body following the principals of a functioning company.

#### Comparison of the Information

For the purposes of the obligation established in Article 35.6 of the Spanish Business Code and to those effects derived from the application of the principles of uniformity and the requirement of comparability in Abridged Annual Accounts, not only do the data reflect the Financial Period ending on March 31, 2016, but the figures corresponding to the previous Financial Period ending on September 30, 2015.

However, it is important to point out that the figures corresponding to the Financial Year ending on September 30, 2015 will not be comparable, since the Financial Period ending on March 31, 2016 only covered 6 months and the previous period covered twelve months. This is due to the fact that the shareholders passed a resolution in which they decided to modify the Financial Period, in order for it to start every April 1 of each year. This is why the Financial Period 2015/2016 only covered 6 months.

Said accounting balances were drafted according to the regulations established in Royal Decree 1514/2007, in which the Spanish General Accounting Plan was approved, therefore they need not be standardised to compare them.

#### Elements gathered in several headings

There are no assets or liabilities included under two or more headings on the Corporate Balance.

#### Changes to Accounting Criteria

During the financial period, no changes in accounting criteria significant to those applied in the previous financial period have occurred, and there is no impact at all to the net assets and liabilities of the company.

#### Correction of inaccuracies

During the financial period, no adjustments have been made to correct any errors.

#### Currency exchange rate

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31<sup>st</sup> March 2016.

### 3. APPLICATION OF EARNINGS

The company's Administrators will propose at the Annual General Meeting, not to distribute results, due to the losses incurred in the financial year ending on March 31, 2016 of the amount of 1,263 Euros (94,687 Rupees). Said losses shall be compensated by the company's future profits.

<b>Results</b>	<b>2015/2016</b>
Profit and Loss	(1,263)
<b>EUR Total</b>	<b>(1,263)</b>

<b>Application</b>	<b>2015/2016</b>
To Profit/loss in prior Financial Periods	(1,263)
<b>EUR Total</b>	<b>(1,263)</b>

<b>Results</b>	<b>2015/2016</b>
Profit and Loss	(94,687)
<b>RUPEES Total</b>	<b>(94,687)</b>

<b>Application</b>	<b>2015/2016</b>
To Profit/loss in prior Financial Periods	(94,687)
<b>RUPEES Total</b>	<b>(94,687)</b>

#### Dividends on Account

The Company has not agreed to distribute dividends on account in the current financial period.

#### Limitations to the distribution of Dividends.

The distribution of earnings complies with requirements and limitations established in the company's By-laws and current legal regulations in effect.

### 4. RECOGNITION AND MEASUREMENT

The main rules used by the company for the drafting of their financial period Annual Accounts, according to those established in the Spanish General Accounting Plan were the following:

#### Intangible Assets

In general, intangible assets are valued initially at their acquisition price or production cost. Thereafter, they are valued at their cost adjusted by the corresponding accrued amortization and, if the case, by depreciation due to any wear and tear they could have suffered.

#### Fixed Assets

Fixed assets are valued at the purchase price, net of its corresponding accrued amortisation and if the case, by depreciation due to any wear and tear they could have suffered.

In addition to the price paid for the acquisition of each element, the acquisition cost includes the finance charges accrued during construction periods directly attributable to the acquisition or construction of the asset, as long as more than one year was needed to put it into usable condition.

Conservation and maintenance costs incurred during the financial year shall be charged to the Profit & Loss account.

Enlargement or improvements that extend the useful life of the assets are capitalised as an increased value of it.

The company depreciates its fixed assets following the straight-line method, distributing the cost of assets amongst the years of its estimated useful life.

#### Real-estate Investments

The heading "Real-estate Investments" of the Balance sheet, includes the value of land and buildings which are being maintained for their management and lease or to obtain profit from their sale as a consequence of increases produced in future in their respective market prices.

The company depreciates its Real-estate investments following the straight-line method, distributing the cost of assets amongst the years of useful life.

#### Financial Assets

Those assets consisting of cash, equity instruments in other companies or contracted rights to receive cash or other financial assets have been considered financial assets. Contractual rights to exchange financial assets or liabilities with third parties in potentially favourable conditions have also been included.

Financial assets, for their valuation, have been classified in the following categories:

- Financial assets at amortised cost: the category of financial assets includes on one hand, loans for trade receivables from the sale of goods and services provided for the company's trade operations and on the other hand, other financial assets which, while they are not equity instruments or derivatives, did not arise from trade and their collection is for specific or specifiable amounts. The financial assets included in this category have been valued initially by their cost which equals the reasonable value of the compensation delivered plus transaction costs.
- Financial assets held for negotiation: The Company has included in this section, those financial assets which arose from or were acquired for the purpose of reselling them short-term, or financial assets that are part of a portfolio of financial instruments for the purpose of achieving profits in the short-term. Derivative financial assets without contractual financial guarantee and without having been designated as a hedging instrument, have also been included
- Financial assets at amortised cost: In this category, investment in the equity of companies in the group, multi-group and affiliated companies have been included, as well as other equity instruments not included in the category "Financial Assets held for trading". These financial assets were initially valued at cost, that is, the reasonable value of the compensation delivered plus transaction costs directly attributable to them.

The criteria applied to determine the existence of impairment were different according to the category of each financial asset:

- Financial assets at amortised cost: At least at the closing of the financial period, the existence of objective evidence that the value of a financial asset or a group of financial assets with similar risk characteristics, were impaired as a result of one or more events that occurred after their initial recognition and that have caused a reduction in estimated future cash-flow. The loss by impairment of the value of these financial assets have been the difference between the book-value and the current value of the future estimated cash-flow generated. The current values of the cash-flows have been substituted, where the case may be, for the market value of the asset, where it is sufficiently reliable. Value corrections due to impairment, as well as its reversal, have been recognised as an expense or income in the profit and loss account.
- Financial assets held for trade: Following their initial assessment, this type of assets have been valued at their reasonable value without deducting transaction costs which may have been incurred during their conveyance. Any changes to the reasonable value have been attributed to the financial period's Profit & Loss Account.
- Financial Assets at cost: at least at the closing of the financial period, the existence of objective evidence was verified, that the book-value of some investments has not been recoverable. The amount of the value correction was the difference between the book-value and the recoverable amount. Assessment corrections for impairment and their reversal have been recorded as an expense or income in the period's profit and loss account.

The company has derecognised financial assets when they or a part of them reached their termination or the contractual rights were assigned as long as the grantor had relinquished the risks and profits inherent in the ownership of said asset. In the assignment operations in which the financial asset has not been derecognised, an additional financial liability derived from the amounts received, has been recorded.

Investments which have complied with the requirements established in Regulation 11 of the drafting of the Annual Accounts have been recorded in the category "Group Company Investments". This type of investments have been initially recorded at their cost value and later also at the cost, less where applicable, the amount accrued in value corrections due to impairment.

At least at the end of the financial period, the necessary value adjustments were made, as long as objective evidence existed that the book-value of an investment was not recoverable. The amount of the value adjustment shall be the difference between book-value and the recoverable amount. Value adjustments for impairment and any reversal have been recorded as an expense or income respectively, in the Profit & Loss Account. The reversal of the impairment is limited by the book-value of the investment which shall be recognised at the date of reversal if the impairment of the value had not been recorded.

Financial asset interest and dividends after the moment of their acquisition have been recognised as income in the Profit & Loss Account. Interest has been recognized using the effective interest method and dividends where the shareholder's right to collect them was declared.

#### Financial Liabilities

Those liabilities that have meant a direct or indirect contractual obligation for the company, for the delivery of cash or any other financial assets or the exchange of financial assets or liabilities with third parties in potentially unfavourable conditions or which grant the holder the right to demand the issuer to redeem them at a certain date and for a certain amount, have been classified as Financial liabilities.

Financial liabilities, for the purpose of their appraisal, have been classified in the following categories:

- Financial liabilities at amortised cost: debits for trade operations which originated in the purchase of goods and services for the company's business transaction and debits for non-commercial operations which are not derivative instruments and do not originate in trade, have been included as financial liabilities, and were initially assessed at their cost, which equals the reasonable value for the compensation received, adjusted by the transaction expenses directly attributable to them.
- Financial liabilities held for trade: the company has included in this section, derivative financial instruments as long as they are not financial warrantee contracts nor have been designated as hedging instruments. These finance liabilities have been assessed originally at their cost, which is equivalent to the reasonable value of the compensation received, adjusted by the transaction costs directly attributable to them.

The Company has derecognised financial liabilities or a part of them, when the obligation has been terminated. Those financial liabilities acquired by the Company, even with the intention of relocating them in future have also been derecognised. The difference between the book-value of liabilities and the compensation paid, including attributable transaction expenses, have been recognised in the profit and loss account of the period in which they took place.

#### Inventories

The assets comprising Inventory have been valued according to their acquisition price, understanding such to be the one established on the invoice plus all additional costs produced until the moment said goods reach the storage room, comprising transportation, customs fees etc. Any value corrections made at the end of the financial year should the corresponding market or any other value is lower than that of the purchase price, have also been taken into consideration.

Where a value has been assigned to specific items that are part of an inventory of goods exchangeable amongst themselves, the Company has opted to, as a general rule, apply the average

price method or the weighted average price. The FIFO method has also been accepted by the Company.

When the net realizable value of the inventories is lower than its purchase price, the Company has carried out the appropriate value corrections, recognising them as an expense on the Profit & Loss account. Once the circumstances that caused the value correction to said stock have ceased to exist, the amount of the correction shall be reversed, recognising it as income into the Profit & Loss account.

#### Tax on Profits

In general, a liability has been recognised as a deferred tax on all taxable temporary differences. Deferred tax assets, according to the precautionary principle, have been recognised as such insofar as it seems probable that the Company has used future tax earnings which allow the application of these assets. If the preceding condition were fulfilled, in general terms it would be considered a deferred tax asset when: there have been deductible temporary differences, rights to off-set in subsequent years, tax losses and deductions and other tax advantages not used, which are pending application for tax purposes.

Deferred Tax Assets and Liabilities have been valued according to the expected taxation types at the moment of their reversal, according to the regulations current or approved and pending publication at the time the financial year comes to a close and according to the manner in which the recovery or payment of the asset or liability has rationally been foreseen.

#### Income and Expenses

Income has been recognised as a consequence of an increase in the Company's resources, as long as its amount has been determined reliably. Expenses have been recognized as a consequence of a decrease in the Company's resources, as long as their amount has also been reliably appraised or estimated.

Income for services rendered have been recognised when the result of the transaction has been reliably estimated, considering the percentage of the service carried out at the closing of the financial period. Only income for services rendered under the following conditions have been accounted for: when the amount of the income has been reliably appraised, as long as the Company has obtained profits or performance from the transaction and it has been reliably assessed at the closing of the period and lastly, when the expenses incurred in the rendering of the service, including those to be incurred, have been reliably assessed.

#### Provisions and Contingencies

The Company has recognised as provisions those liabilities which, complying with the definition and accounting records and the criteria of accounting records within the conceptual framework of accounting, that have resulted undetermined with regard to their amount or the date on which they shall be cancelled. Said provisions have been determined by a legal, contractual precept or an implicit or tacit obligation.

Provisions have been valued on the date of closing the financial period, at the current value or the highest possible

estimate of the amount required to cancel or transfer the obligation to a third party, recording the provision as a finance charge as it has been accrued. In cases of provisions with an expiry of a year or less, no type of discount has been made.

#### Transactions between related parties

The Company has valued trade and financial operations carried out with related parties or companies at market rates. In addition, transfer prices have been adequately borne, therefore the Administrative body does not consider there to be any significant risks derived from this matter, from which liabilities or any consideration may arise in the future.

### **5. INTANGIBLE AND TANGIBLE FIXED ASSETS AND REAL ESTATE INVESTMENTS**

#### Tangible Fixed Assets

There is no amount accounted for under this heading.

#### Intangible Fixed Assets

There is no amount accounted for under this heading.

#### Real-estate Investments

At the beginning of the period closing on March, 31st 2016, the Company had not recorded any real-estate investments.

#### Financial Lease

At the closing of the period, there is no provision for this heading.

### **6. FINANCIAL ASSETS**

#### Values and types of Assets

Financial instruments have been classified according to the nature and function they fulfil in Company. The Company's financial assets have shown the following book values:

#### **Short-term Financial Assets - Financial year 2015/2016**

	Equity Instruments	Debt Securities	Loans, Guarantees and others	TOTAL
Financial Assets at cost	6,200	—	6,200	6,200
Financial Asset at cost Amortized	—	—	—	—
<b>EUR TOTAL</b>	<b>6,200</b>		<b>6,200</b>	<b>6,200</b>

	Equity Instruments	Debt Securities	Loans, Guarantees and others	TOTAL
Financial Assets at cost	464,814	—	464,814	464,814
Financial Asset at cost Amortized	—	—	—	—
<b>RUPEES TOTAL</b>	<b>464,814</b>		<b>464,814</b>	<b>464,814</b>

#### Losses due to Impairment

There are no value adjustments due to impairment recorded in this financial period.

**7. FINANCIAL LIABILITIES**Values and types of liabilities

Financial instruments have been classified according to the nature and function they fulfil in Company. The Company's financial liabilities have shown the following book values:

**Long-term Financial Liabilities - Financial year 2015/2016**

	<b>Other debts</b>	<b>TOTAL</b>
Financial liabilities at amortised cost	6,252	6,252
<b>EUR TOTAL</b>	<b>6,252</b>	<b>6,252</b>

	<b>Other debts</b>	<b>TOTAL</b>
Financial liabilities at amortised cost	468,712	468,712
<b>RUPEES TOTAL</b>	<b>468,712</b>	<b>468,712</b>

**Short-term Financial Liabilities - Financial year 2015/2016**

	<b>Other debts</b>	<b>TOTAL</b>
Financial liabilities at amortised cost	131,949	131,949
<b>EUR TOTAL</b>	<b>131,949</b>	<b>131,949</b>

	<b>Other debts</b>	<b>TOTAL</b>
Financial liabilities at amortised cost	9,892,217	9,892,217
<b>RUPEES TOTAL</b>	<b>9,892,217</b>	<b>9,892,217</b>

**8. EQUITY**Share Capital

The Share Capital comes to 3,100 Euros (232,407 Rupees), divided into thirty-one shares at face value of 100 Euros (7,497 Rupees) each.

Legal Reserve Fund

In compliance with the Consolidated Text of the Spanish Law of Corporations, an amount equal to 10% of the profits of the financial year must be devoted to a legal Reserve Fund, until it reaches at least 20% of Share Capital.

The legal Reserves at the close of the financial year, stood at 190 Euros (14,244 Rupees).

Voluntary Reserves

The allocations to the Voluntary Reserves at the end of the financial year came to 1,711 Euros (128,274 Rupees).

The Canarian Investment Reserve Fund

No funds have been allocated to the Canarian Reserve Funds at the closing of this financial year.

**9. FISCAL POSITION**Tax on Profits

The reconciliation between the accounting profit and loss and the taxable corporate income tax is as follows:

	<b>EUROS</b>
Accounting profit	(1,263)
Total increase on Accounting Profit	
Total decrease on Accounting Profit	
Prior taxable income	(1,263)
Compensation neg. T.I. previous periods	
Tax base	(1,263)
Tax rate	28%
Total tax due	
Deductions for double taxation	
Total tax adjusted	
Other deductions	
Tax payable	
Tax withholding and payments on account	
Tax to be paid or collected	-

	<b>INDIAN RUPEES</b>
Accounting profit	(94,687)
Total increase on Accounting Profit	
Total decrease on Accounting Profit	
Prior taxable income	(94,687)
Compensation neg. T.I. previous periods	
Tax base	(94,687)
Tax rate	28%
Total tax due	
Deductions for double taxation	
Total tax adjusted	
Other deductions	
Tax payable	
Tax withholding and payments on account	
Tax to be paid or collected	-

Notwithstanding the aforesaid, the Company is taxed within a group in which it is the parent company, subject to the special tax system of consolidated taxation. The generated taxable income that would be offset in future periods is compensated with positive taxable bases generated in the Group.

Loans between companies in the Group to cover negative taxable bases, have been recorded in the Company's accounting.

As per current legislation, taxes cannot be considered to have been settled until the returns presented have been inspected by the Revenue Service or the four-year statute of limitations has passed.

Therefore, at the date of closing, the Company has all taxes applicable corresponding to the last four years, including its Corporate Tax for the period 2015/2016, available for inspection.

The Administrative body of the Company considers that the abovementioned taxes have all been adequately settled, for which, even in the event of discrepancies in the interpretation of current regulations in the fiscal treatment practised on the operations, possible resulting liabilities, in the event they should materialise, would not significantly affect the attached abridged yearly accounts.

#### Profits or Tax Incentives

In the settlement of Corporate Taxes corresponding to the period 2015/2016, the Company has not applied any tax incentives.

### 10. INCOME AND EXPENSES

The Company has carried out the following operations in this period, which are reflected in the corresponding heading in the Profit and Loss Account:

	<b>EUROS</b>
<u>Other operating expenses</u>	
623 Professional services	107
631 Local Tax	1,074
<u>Financial Expenses</u>	
669 Other financial expenses	82
<b>RUPEES</b>	
<u>Other operating expenses</u>	
623 Professional services	8,022
631 Local Tax	80,518
<u>Financial Expenses</u>	
669 Other financial expenses	6,148

### 11. GRANTS, DONATIONS AND BEQUESTS

The company has not been given any grants, donations or legacies during this period.

### 12. TRANSACTIONS WITH RELATED PARTIES

The Company goes on to detail transactions with related parties, broken down according to type of relationship. In order to facilitate sufficient information to comprehend the transactions carried out with related parties, the following list identifies those persons, whether natural or legal entities,

with whom this type of transactions have been carried out, expressing the nature of the relationship with each party involved:

<b>Name</b>	<b>Related Transaction</b>
HOLIDAY CLUB SWEDEN AB	CREDIT

In accordance with what has been established in Spanish Royal Decree 1515/2007 of November 16th, in this section, those transactions which, as part of the ordinary business of this Company, have been carried out under normal market conditions, but are for small amounts and therefore irrelevant to the truthful picture of the Company, have not been included.

### 13. OTHER INFORMATION

Average number of Employees

The Company has not employed anyone during this period.

#### Off-balance sheet business agreements

The Company is not party to any agreements that are not on the Balance Sheet, nor to any for which information has not been given in other sections of this Report.

#### Information about the Environment and Greenhouse Gas Emission Rights.

Due to the activities the Company carries out, it has no assets devoted to minimising environmental impact and the protection and improvement of the environment, nor has it incurred in expenses for those purposes, during this period. No funds have been provisioned to cover risks and expenses for environmental protection, since no contingencies related to the protection and improvement of the environment are esteemed to exist, nor have grants for environmental purposes been received.

There is no information to be revealed regarding Greenhouse Gas Emission Rights.

**Calvin Stuart Lucock**  
Joint and Several Administrator and  
Holiday Club Resorts Oy Representative

Place: Mogán

Date: April 18, 2016.

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 29, 2015 and ended on March 31, 2016.

### Operations/State of The Company's Affairs

The Company is primarily engaged in hotel operating business with associated spa, indoor pools and restaurants.

The Company's Resort property located at Åre, was fully operational.

The Company was taking over Hotel operation on December 1, 2015.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of SEK 55,566,169 (INR 453,975,601) and made profit of SEK 1,753,318 (INR 14,324,608).

### Dividends

The Board of Directors proposes a Dividend of SEK 13,753,318 (INR 112,364,608) for the period ended March 31, 2016.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Vesa Tengman
- 2) Marko Hiltunen
- 3) Mats Svensson

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Holiday Club Sport and Spahotels AB

**Vesa Tengman**

Director

**Marko Hiltunen**

Director

**Mats Svensson**

Director

Place : Åre

Dated : April 21, 2016



## AUDITOR'S REPORT

**To the annual meeting of the shareholders of Holiday Club Sport and Spa Hotels AB, corporate identity number 559032-5733.**

Report on the annual accounts

We have audited the annual accounts of Holiday Club Sport and Spa Hotels AB for the financial year 2015.10.29-2016.03.31.

### **Responsibilities of the Board of Directors and the Managing Director for the annual accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

### **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Holiday Club Sport and Spa Hotels AB as of March 31, 2016 and of its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and administration of the Board of Directors and the Managing Director of Holiday Club Sport and Spa Hotels AB for the year the financial year 2015.10.29-2016.03.31.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### **Auditors Responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Director's proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We have also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### **Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Östersund, April 21, 2016  
**Öhrlings PricewaterhouseCoopers AB**

**Helen Salmonsson**  
 Authorized Accountant

## ADMINISTRATION REPORT

### Operations

#### Information regarding the operations

The Company conducts hotel operations with associated spa, indoor pools and restaurants.

Operations in the company started on December 1, 2015 through the takeover of its hotel operations from IN - Invest i Norrland AB, 556843-0754.

The company has its registered office in the municipality of Åre.

Share of voting rights	Participating interest	
Holiday Club Sweden AB, 556683-0385	51%	51%
Aktive Travel Management i Åre AB, 556634-1789	41.5%	41.5%
Pernilla Margaretha Gravenfors, 740612-6388	7.5%	7.5%

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on March 31, 2016.

#### Significant events during and after the end of the financial year

During the spring and summer of 2016, the company intends to invest SEK 15-20 million (INR 123-164 million) in renovations of its facilities and some new construction works.

The company also intends to invest in a new concept covering food, health and training.

The company has appointed a new president and chief executive officer, Pernilla Gravenfors, from 18 April 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

Multi-year review	2015/16	2015/16
	kSEK	kINR
Net sales .....	54,774	447,501
Profit/loss after financial items .....	5,408	44,184
Equity/assets ratio .....	35.2%	35.2%

### Proposed appropriation of profits

SEK                      INR

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve.....	12,000,000	98,040,000
Profit/Loss for the year .....	1,753,318	14,324,608
<b>Total .....</b>	<b>13,753,318</b>	<b>112,364,608</b>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	13,753,318	112,364,608
<b>Total .....</b>	<b>13,753,318</b>	<b>112,364,608</b>

**INCOME STATEMENT**

	Note	29 Oct 2015 – 31 Mar 2016 SEK	29 Oct 2015 – 31 Mar 2016 INR
<b>Operating income, changes in inventory, etc.</b>	2		
Net sales .....		54,773,674	447,500,917
Other operating income .....		792,495	6,474,684
<b>Total operating income, changes in inventory, etc.</b>		<u>55,566,169</u>	<u>453,975,601</u>
<b>Operating expenses</b>			
Raw materials and consumables .....		(6,464,239)	(52,812,833)
Other external expenses .....	3	(30,087,756)	(245,816,967)
Personnel costs .....	4	(12,329,292)	(100,730,316)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets .....		(1,159,869)	(9,476,130)
<b>Total operating expenses</b> .....		<u>(50,041,156)</u>	<u>(408,836,245)</u>
<b>Operating profit/loss</b> .....		5,525,013	45,139,356
<b>Financial items</b>			
Other interest income and similar profit/loss items .....		335	2,737
Interest and similar expenses .....		(117,295)	(958,300)
<b>Total financial items</b> .....		<u>(116,960)</u>	<u>(955,563)</u>
<b>Profit/Loss after financial items</b> .....		5,408,053	44,183,793
<b>Appropriations</b>			
Changes in tax allocation reserves .....		(3,155,564)	(25,780,958)
<b>Total appropriations</b> .....		<u>(3,155,564)</u>	<u>(25,780,958)</u>
<b>Profit/Loss before tax</b> .....		2,252,489	18,402,835
<b>Taxes</b>			
Tax on profit for the year .....		(499,171)	(4,078,227)
<b>Profit/Loss for the year</b> .....		<u><u>1,753,318</u></u>	<u><u>14,324,608</u></u>

**BALANCE SHEET**

	Note	31 Mar 2016 SEK	31 Mar 2016 INR
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible fixed assets</i>			
Goodwill .....	5	5,860,627	47,881,323
<i>Total intangible assets</i> .....		<u>5,860,627</u>	<u>47,881,323</u>
<i>Property, plant and equipment</i>			
Leasehold improvement cost .....	6	2,458,333	20,084,581
Equipment, tools, fixtures and fittings .....	7	16,470,825	134,566,640
<i>Total property, plant and equipment</i> .....		<u>18,929,158</u>	<u>154,651,221</u>
<b>Total non-current assets</b> .....		<u><u>24,789,785</u></u>	<u><u>202,532,543</u></u>
<b>Current assets</b>			
<i>Inventories etc.</i>			
Raw materials and consumables .....		883,182	7,215,597
Finished goods and goods for resale .....		228,372	1,865,799
<i>Total inventories</i> .....		<u>1,111,554</u>	<u>9,081,396</u>
<i>Current receivables</i>			
Trade receivables .....		4,325,037	35,335,552
Receivables from Group companies .....		239,406	1,955,947
Other receivables .....		414,265	3,384,545
Prepaid expenses and accrued income .....		3,619,047	29,567,614
<i>Total current receivables</i> .....		<u>8,597,755</u>	<u>70,243,658</u>
<i>Cash and bank balances</i>			
Cash and bank balances .....		14,376,653	117,457,255
<i>Total cash and bank balances</i> .....		<u>14,376,653</u>	<u>117,457,255</u>
<b>Total current assets</b> .....		<u><u>24,085,962</u></u>	<u><u>196,782,310</u></u>
<b>Total assets</b> .....		<u><u>48,875,747</u></u>	<u><u>399,314,853</u></u>

**BALANCE SHEET**

	Note	31 Mar 2016 SEK	31 Mar 2016 INR
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital, 1000,000 shares.....	8	1,000,000	8,170,000
<i>Total restricted equity</i> .....		<u>1,000,000</u>	<u>8,170,000</u>
<i>Non-restricted equity</i>			
Share premium reserve.....		12,000,000	98,040,000
Profit/Loss for the year .....		1,753,318	14,324,608
<i>Total non-restricted equity</i> .....		<u>13,753,318</u>	<u>112,364,608</u>
<b>Total equity</b> .....		<u>14,753,318</u>	<u>120,534,608</u>
<b>Untaxed reserves</b>			
Tax allocation reserve .....		3,155,564	25,780,958
<b>Total untaxed reserves</b> .....		<u>3,155,564</u>	<u>25,780,958</u>
<b>Non-current liabilities</b>			
Other liabilities to credit institutions.....	9	9,000,000	73,530,000
<b>Total non-current liabilities</b> .....		<u>9,000,000</u>	<u>73,530,000</u>
<b>Current liabilities</b>			
Other liabilities to credit institutions.....		2,400,000	19,608,000
Trade creditors.....		8,017,610	65,503,874
Liabilities to Group companies .....		1,232,928	10,073,022
Tax liabilities .....		407,470	3,329,030
Other liabilities .....		1,537,944	12,565,002
Accrued expenses and deferred income .....		8,370,913	68,390,359
<b>Total current liabilities</b> .....		<u>21,966,865</u>	<u>179,469,287</u>
<b>Total equity and liabilities</b> .....		<u>48,875,747</u>	<u>399,314,853</u>
<b>Pledged assets and contingent liabilities</b>			
<b>Pledged assets</b>			
<i>Pledges and comparable collateral posted for own liabilities and provisions</i>			
Floating charges.....		15,000,000	122,550,000
<b>Total pledged assets</b> .....		<u>15,000,000</u>	<u>122,550,000</u>

## SUPPLEMENTARY DISCLOSURES

**Note 1: Accounting and Valuation Principles**

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

*Service assignments and contract work*

The Company's income from assignments undertaken on a fixed price basis is recognised according to the alternative rule.

*Amortisation*

Applied depreciable lives:

Goodwill	5 years
Equipment, tools, fixtures and fittings	5 years
Buildings	5-10 years
Leasehold improvement costs	20 years

*Definitions of key performance indicators*Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

**Disclosures to the Income Statement****Note 2: Sales to Group companies**

	29 Oct 2015	-31 Mar 2016
Percentage of sales to companies in Groups of which the Company is a subsidiary.....	1%	

**Note 3: Purchases from Group companies**

	29 Oct 2015	-31 Mar 2016
Percentage of purchases from companies in Groups of which the Company is a subsidiary .....	1%	

**Income statement disclosures****Note 4: Personnel**

	29 Oct 2015	-31 Mar 2016
<b>Average number of employees, etc.</b>		
Women .....	34	
Men .....	37	
<b>Total .....</b>	<b>71</b>	

	SEK	INR
<b>Salaries, other remuneration and social security contributions, including pension costs</b>		
Salaries and other remuneration .....	8,690,565	71,001,916
Social security contributions .....	2,174,476	17,765,469
Pension costs.....	293,680	2,399,366
<b>Total salaries, other remuneration, social security contributions and pension expenses .....</b>	<b>11,158,721</b>	<b>91,166,751</b>

**Board of Directors and Management by gender**

Number of Board members on the balance sheet date	
Men .....	3
<b>Total .....</b>	<b>3</b>

Number of CEOs and other senior executives

Men .....	1
<b>Total .....</b>	<b>1</b>

**Balance sheet disclosures****Note 5: Goodwill**

	SEK	INR
Opening cost of acquisition .....	6,279,243	51,301,415
Closing cost of acquisition.....	6,279,243	51,301,415
– Depreciation for the year.....	(418,616)	(3,420,093)
Closing depreciation.....	(418,616)	(3,420,093)
Carrying amount.....	5,860,627	47,881,323

**Note 6: Leasehold improvement costs**

	SEK	INR
Opening cost of acquisition .....	2,500,000	20,425,000
Closing cost of acquisition.....	2,500,000	20,425,000
– Depreciation for the year.....	(41,667)	(340,419)
Closing depreciation.....	(41,667)	(340,419)
Carrying amount.....	2,458,333	20,084,581

**Note 7: Equipment, tools, fixtures and fittings**

	SEK	INR
Opening cost of acquisition .....	17,170,413	140,282,274
Closing cost of acquisition.....	17,170,413	140,282,274
– Depreciation for the year.....	(699,588)	(5,715,634)
Closing depreciation.....	(699,588)	(5,715,634)
Carrying amount.....	16,470,825	134,566,640

**Note 8: Changes in equity**

	kSEK	Share premium reserve	Net profit/loss for the year	kINR	Total
Amount at beginning of year according to adopted balance sheet.....	50 kSEK	408 kINR		50 kSEK	408 kINR
New share issue .....	950 kSEK	12,000 kSEK		12,950 kSEK	105,801 kINR
	7,761 kINR	98,040 kINR			
Net profit/loss for the year.....			1,753 kSEK	14,325 kINR	1,753 kSEK
<b>Balance at year-end ...</b>	<b>1,000 kSEK</b>	<b>12,000 kSEK</b>	<b>1,753 kSEK</b>	<b>14,753 kSEK</b>	<b>14,753 kSEK</b>
	<b>8,170 kINR</b>	<b>98,040 kINR</b>	<b>14,325 kINR</b>	<b>120,535 kINR</b>	<b>120,535 kINR</b>

**Note 9: Non-current liabilities**

	SEK	INR
Non-current liabilities maturing more than five years after the balance sheet date:		
Other liabilities to credit institutions.....	0	0
<b>Total</b> .....	<b>0</b>	<b>0</b>

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-04-21.

Åre 2016-04-21

**Mats Svensson**  
Managing Director

**Marko Hiltunen**  
Chariman of the Board

**Vasa Tengman**  
Board Member

Our auditor's report has been submitted 2016-04-21.  
Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**  
Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in the sale of rotational enjoyment rights of holiday units.

The Company's Resort property located at Mogán, Gran Canaria, Spain, was fully operational.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 5,204,832 (INR 390,206,255) and made loss of Euro 182,035 (INR 13,647,164).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Calvin Stuart Lucock
- 2) Holiday Club Resorts Oy

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Canarias Investment S.L.U. and in turn subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Holiday Club Canarias Sales & Marketing, S.L.U.

**Calvin Stuart Lucock**  
Director

**Holiday Club Resorts Oy**  
Director represented by  
**Calvin Stuart Lucock**

Place : Gran Canaria, Mogán  
Dated : April 18, 2016



## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Translation of a report originally in Spanish based on our work performed in accordance with the audit regulations in force in Spain and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Note 2). In the event of a discrepancy, the Spanish language version prevails.

**To the shareholder of HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U.:**

### Report on the Financial Statements

We have audited the accompanying financial statements of HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U. ("the Company"), which comprise the balance sheet as at 31<sup>st</sup> March 2016, and the income statement, statement of cash flows and notes to the financial statements for the year then ended.

### Director's Responsibility for the Financial Statements

The Director is responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U. in accordance with Financial Reporting Standards applicable to the Company in Spain, identified in Note 2.1 to the accompanying financial statements, and for such internal control as the director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations 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 judgement, 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 preparation by the Company's director 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 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, the accompanying financial statements presents fairly, in all material respects, the equity and financial position of HOLIDAY CLUB CANARIA SALES & MARKETING, S.L.U. as at 31<sup>st</sup> March 2016, and its results and its cash flows for the year then ended in accordance with Financial Reporting Standards as applicable to the Company in Spain.

### Report on Other Legal and Regulatory Requirements

The accompanying director's report for 2015-2016 contains the explanations which the Company's directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2015-2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U.

JAVIER ALVAREZ CABRERA  
(nº ROAC: 16.092)

RSM SPAIN AUDITORES, SLP  
(nº ROAC: S2158)

In Las Palmas de Gran Canaria,  
on April 19, 2016

**BALANCE AT MARCH 31, 2016**

<b>ASSETS</b>	<b>Notes</b>	(Euros) <b>2015/16</b>	(Rupees) <b>2015/16</b>	(Euros) <b>2014/15</b>	(Rupees) <b>2014/15</b>
<b>A) NON-CURRENT ASSETS</b>					
<b>I. Intangible Assets</b>	<b>5</b>	<b>1,811,706</b>	<b>135,823,599</b>	<b>1,807,995</b>	<b>135,545,385</b>
4. Goodwill		1,807,995	135,545,385	1,807,995	135,545,385
5. IT applications		3,711	278,214	–	–
<b>II. Fixed Assets</b>	<b>6</b>	<b>3,141,697</b>	<b>235,533,024</b>	<b>3,400,262</b>	<b>254,917,642</b>
1. Property and Buildings		820,236	61,493,093	885,463	66,383,161
2. Technical Facilities and other Fixed Assets		2,321,461	174,039,931	2,514,799	188,534,481
<b>V. Long-term financial investments</b>	<b>8</b>	<b>16,658</b>	<b>1,248,850</b>	<b>16,658</b>	<b>1,248,850</b>
5. Other financial assets		16,658	1,248,850	16,658	1,248,850
<b>VI. Deferred Tax Assets</b>	<b>13</b>	<b>86,878</b>	<b>6,513,244</b>	<b>91,440</b>	<b>6,855,257</b>
<b>TOTAL A</b>		<b>5,056,938</b>	<b>379,118,642</b>	<b>5,316,354</b>	<b>398,567,059</b>
<b>B) LIQUID ASSETS</b>					
<b>II. Inventories</b>	<b>11</b>	<b>7,707,366</b>	<b>577,821,229</b>	<b>7,427,501</b>	<b>556,839,750</b>
1. Commercial inventories		7,694,024	576,820,979	7,420,524	556,316,684
6. Advance payments to suppliers	<b>8</b>	13,343	1,000,325	6,977	523,066
<b>III. Commercial debtors and other accounts receivables</b>		<b>3,575,797</b>	<b>268,077,501</b>	<b>4,674,532</b>	<b>350,449,664</b>
1. Trade receivables	<b>8</b>	3,541,661	265,518,325	3,796,809	284,646,771
a) Trade receivables/long term		629,690	47,207,859	1,316,043	98,663,744
b) Trade receivables/short term		2,911,971	218,310,466	2,480,766	185,983,027
4. Personnel	<b>8</b>	17,117	1,283,261	10,899	817,098
6. Other receivables from Public Administrations		17,020	1,275,989	866,824	64,985,795
<b>IV. Short-term Investments in affiliated group and associated companies</b>	<b>8-19</b>	<b>835,040</b>	<b>62,602,949</b>	<b>2,039,318</b>	<b>152,887,670</b>
2. Loans to companies		835,040	62,602,949	2,039,318	152,887,670
<b>V. Short-term financial investments</b>	<b>8</b>	–	–	<b>379</b>	<b>28,414</b>
5. Other financial assets		–	–	379	28,414
<b>VI. Short-term accruals</b>		<b>1,358,594</b>	<b>101,853,792</b>	<b>561,567</b>	<b>42,100,678</b>
<b>VII. Cash and other equivalent liquid assets</b>	<b>8</b>	<b>522,771</b>	<b>39,192,142</b>	<b>228,394</b>	<b>17,122,698</b>
1. Liquid assets		522,771	39,192,142	228,394	17,122,698
<b>TOTAL B</b>		<b>13,999,568</b>	<b>1,049,547,613</b>	<b>14,931,691</b>	<b>1,119,428,874</b>
<b>TOTAL ASSETS (A + B)</b>		<b>19,056,506</b>	<b>1,428,666,255</b>	<b>20,248,045</b>	<b>1,517,995,934</b>

**BALANCE AT MARCH 31, 2016**

<b>NET WORTH AND LIABILITIES</b>		<b>Notes</b>	(Euros)	(Rupees)	(Euros)	(Rupees)
			<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2014/15</b>
<b>A) TOTAL EQUITY</b>						
<b>A-1) EQUITY</b>						
<b>I. Capital</b>	10	3,100	232,407	3,100	232,407	
1. Shared Capital		3,100	232,407	3,100	232,407	
<b>III. Reserves</b>	10	5,396,060	404,542,618	5,396,060	404,542,618	
1. Legal and statutory		3,100	232,407	3,100	232,407	
2. Other reserves		5,392,960	404,310,211	5,392,960	404,310,211	
<b>V. Profit &amp; Loss from previous Periods</b>		(1,850,138)	(138,704,846)	(173,211)	(12,985,629)	
2. (Losses from previous Periods)		(1,850,138)	(138,704,846)	(173,211)	(12,985,629)	
<b>VII. Losses for the period</b>	3	(182,035)	(13,647,164)	(1,676,927)	(125,719,217)	
<b>A-3) GRANTS, DONATIONS AND LEGACIES RECEIVED</b>						
<b>TOTAL A</b>	17	486,574	36,478,453	486,208	36,451,014	
<b>B) NON CURRENT LIABILITIES</b>						
<b>II. Long-term Debts</b>	9	48,951	3,669,856	167,012	12,520,890	
2. Debts to Loan Institutions		43,954	3,295,231	153,392	11,499,798	
3. Finance lease creditors	7	4,997	374,625	13,620	1,021,091	
<b>III. Long-term debts with Group and associated Companies</b>	9-19	12,167,834	912,222,515	13,117,834	983,444,015	
<b>IV. Deferred Tax liabilities</b>	13-17	162,191	12,159,459	208,375	15,621,874	
<b>TOTAL B</b>		12,378,976	928,051,831	13,493,220	1,011,586,703	
<b>C) CURRENT LIABILITIES</b>						
<b>II. Short-term provisions</b>	15	645,660	48,405,130	556,871	41,748,619	
<b>III. Short-term debts</b>	9	285,745	21,422,303	307,736	23,070,968	
2. Debts to loan institutions		260,747	19,548,203	279,789	20,975,781	
3. Finance lease creditors	7	21,553	1,615,828	25,417	1,905,512	
5. Other financial liabilities		3,446	258,347	2,530	189,674	
<b>IV. Short-term debts with Group and associated Companies</b>	9-19	1,580,482	118,488,736	1,268,964	95,134,231	
<b>V. Trade Creditors and other Accounts payable</b>		312,082	23,396,788	586,023	43,934,144	
1. Suppliers	9-22	207	15,519	207	15,519	
3. Sundry Creditors	9-22	194,660	14,593,660	332,309	24,913,206	
4. Staff (salaries pending payment)	9	9,010	675,480	119,488	8,958,015	
6. Other debts with Public Administrations		108,205	8,112,129	134,019	10,047,404	
<b>TOTAL C</b>		2,823,969	211,712,956	2,719,595	203,888,037	
<b>TOTAL NET WORTH AND LIABILITIES (A + B + C)</b>						
		19,056,506	1,428,666,255	20,248,045	1,517,995,934	

**PROFIT AND LOSS ACCOUNTS AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) CONTINUING OPERATIONS</b>					
<b>1. Turnover</b>	<b>21</b>	<b>5,204,832</b>	<b>390,206,255</b>	<b>9,171,924</b>	<b>687,619,142</b>
a) Sales		3,943,204	295,622,004	7,517,812	563,610,366
b) Services rendered		1,261,628	94,584,251	1,654,112	124,008,777
<b>2. Variation in inventories of products finished and being manufactured</b>		<b>300,299</b>	<b>22,513,416</b>	<b>126,338</b>	<b>9,471,560</b>
<b>3. Self-constructed assets</b>		<b>19</b>	<b>1,424</b>	<b>5,737</b>	<b>430,103</b>
<b>4. Supplies</b>	<b>14</b>	<b>(111,980)</b>	<b>(8,395,141)</b>	<b>(180,632)</b>	<b>(13,541,981)</b>
a) Consumption of merchandise		(111,980)	(8,395,141)	(180,632)	(13,541,981)
<b>5. Other operations income</b>		<b>798</b>	<b>59,826</b>	<b>1,181</b>	<b>88,540</b>
a) Accessory income and other current operations		798	59,826	1,181	88,540
<b>6. Personnel expenses</b>		<b>(1,586,695)</b>	<b>(118,954,524)</b>	<b>(3,483,596)</b>	<b>(261,165,192)</b>
a) Wages, salaries and similar		(1,235,277)	(92,608,717)	(2,735,768)	(205,100,527)
b) Social Security contributions	14	(351,418)	(26,345,807)	(747,827)	(56,064,590)
<b>7. Other operating expenses</b>		<b>(3,778,641)</b>	<b>(283,284,716)</b>	<b>(6,819,396)</b>	<b>(511,250,118)</b>
a) Outsourced services	14	(3,345,499)	(250,812,060)	(5,446,534)	(408,326,654)
b) Taxes		(21,335)	(1,599,485)	(42,779)	(3,207,142)
c) Losses, impairment and variation of supplies from trade operations	14	(411,313)	(30,836,136)	(1,330,011)	(99,710,925)
d) Other current operating expenses		(494)	(37,035)	(72)	(5,398)
<b>8. Depreciation of fixed assets</b>	<b>5-6</b>	<b>(268,711)</b>	<b>(20,145,264)</b>	<b>(524,146)</b>	<b>(39,295,226)</b>
<b>10. Allocation of subsidies for non-financial fixed assets and others</b>	<b>17</b>	<b>45,817</b>	<b>3,434,900</b>	<b>91,633</b>	<b>6,869,726</b>
<b>13. Other incomes and expenses</b>	<b>14</b>	<b>(17,124)</b>	<b>(1,283,786)</b>	<b>(42,097)</b>	<b>(3,156,012)</b>
<b>A.1.) Operating Income (LOSS)</b>		<b>(211,387)</b>	<b>(15,847,683)</b>	<b>(1,653,053)</b>	<b>(123,929,383)</b>
<b>14. Financial Income</b>	<b>8</b>	<b>78,896</b>	<b>5,914,833</b>	<b>152,460</b>	<b>11,429,926</b>
<b>b) Trade securities and other equity instruments</b>		<b>78,896</b>	<b>5,914,833</b>	<b>152,460</b>	<b>11,429,926</b>
b 2) Third Parties		78,896	5,914,833	152,460	11,429,926
<b>15. Financial expenses</b>	<b>9</b>	<b>(177,259)</b>	<b>(13,289,107)</b>	<b>(389,230)</b>	<b>(29,180,573)</b>
a) For debts with group and associated Companies	19	(172,304)	(12,917,631)	(354,174)	(26,552,425)
b) Debts with Third Parties		(4,954)	(371,401)	(35,056)	(2,628,148)
<b>17. Exchange differences</b>		<b>19,194</b>	<b>1,438,974</b>	<b>(51,961)</b>	<b>(3,895,516)</b>
<b>A.2) FINANCIAL PROFIT &amp; LOSS (LOSS)</b>		<b>(79,169)</b>	<b>(5,935,300)</b>	<b>(288,732)</b>	<b>(21,646,238)</b>
<b>A.3) PROFIT BEFORE TAXES (LOSS)</b>		<b>(290,556)</b>	<b>(21,782,983)</b>	<b>(1,941,785)</b>	<b>(145,575,621)</b>
<b>19. Corporate Income Tax</b>	<b>13</b>	<b>108,522</b>	<b>8,135,894</b>	<b>264,858</b>	<b>19,856,404</b>
<b>A.5) PROFIT &amp; LOSS IN THE PERIOD (LOSS)</b>		<b>(182,035)</b>	<b>(13,647,164)</b>	<b>(1,676,927)</b>	<b>(125,719,217)</b>

**STATEMENT OF CHANGES IN NET EQUITY AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) STATEMENT OF RECOGNISED PROFIT AND LOSS</b>					
<b>A) PROFIT AND LOSS ACCOUNT</b>	<b>3</b>	<b>(182,035)</b>	<b>(13,647,164)</b>	<b>(1,676,927)</b>	<b>(125,719,217)</b>
<b>B) TOTAL P&amp;L DIRECTLY ATTRIBUTABLE TO EQUITY</b>	<b>17</b>	<b>32,820</b>	<b>2,460,515</b>	<b>-</b>	<b>-</b>
III. Grants, donations and legacies received		-	-	-	-
V. Tax effect		32,820	2,460,515	-	-
<b>C) TRANSFERS TO PROFIT &amp; LOSS ACCOUNT</b>	<b>17</b>	<b>(32,454)</b>	<b>(2,433,076)</b>	<b>(64,143)</b>	<b>(4,808,801)</b>
VIII. Grants, donations and legacies received		(45,817)	(3,434,900)	(91,633)	(6,869,726)
IX. Tax effect....		13,363	1,001,824	27,490	2,060,925
<b>TOTAL RECOGNISED PROFIT &amp; LOSS (A+ B + C)</b>		<b>(181,668)</b>	<b>(13,619,650)</b>	<b>(1,741,070)</b>	<b>(130,528,018)</b>

**STATEMENT OF CHANGES IN NET EQUITY AT MARCH 31, 2016 (euros)**

ITEM	Shared Capital	Reserves	Accumulated Losses	Current year's Profit & Loss	Grants, donations and legacies received	TOTAL
<b>B) TOTAL STATEMENT OF CHANGES TO EQUITY</b>						
<b>A. BALANCE AT YEAR'S END 2013/14</b>	<b>3,100</b>	<b>5,396,060</b>	<b>-</b>	<b>(173,211)</b>	<b>550,351</b>	<b>5,776,300</b>
<b>B. ADJUSTED BALANCE Year's beginning 2014/15</b>	<b>3,100</b>	<b>5,396,060</b>	<b>-</b>	<b>(173,211)</b>	<b>550,351</b>	<b>5,776,300</b>
I. Total recognised incomes and expenses	-	-	-	(1,676,927)	(64,143)	(1,741,070)
III. Other changes to Equity	-	-	(173,211)	173,211	-	-
<b>C. BALANCE AT YEAR'S END 2014/15</b>	<b>3,100</b>	<b>5,396,060</b>	<b>(173,211)</b>	<b>(1,676,927)</b>	<b>486,208</b>	<b>4,035,230</b>
<b>D. ADJUSTED BALANCE, BEGINNING OF YEAR 2015/16</b>	<b>3,100</b>	<b>5,396,060</b>	<b>(173,211)</b>	<b>(1,676,927)</b>	<b>486,208</b>	<b>4,035,230</b>
I. Total recognised incomes and expenses	-	-	-	(182,035)	366	(181,668)
III. Other changes to Equity	-	-	(1,676,927)	1,676,927	-	-
<b>E. BALANCE AT YEAR'S END 2015/16</b>	<b>3,100</b>	<b>5,396,060</b>	<b>(1,850,138)</b>	<b>(182,035)</b>	<b>486,574</b>	<b>3,853,562</b>

**STATEMENT OF CHANGES IN NET EQUITY AT MARCH 31, 2016 (Rupees)**

ITEM	Shared Capital	Reserves	Accumulated Losses	Current year's Profit & Loss	Grants, donations and legacies received	TOTAL
<b>B) TOTAL STATEMENT OF CHANGES TO EQUITY</b>						
<b>A. BALANCE AT YEAR'S END 2013/14</b>	<b>232,407</b>	<b>404,542,618</b>	<b>-</b>	<b>(12,985,629)</b>	<b>41,259,814</b>	<b>433,049,211</b>
<b>B. ADJUSTED BALANCE Year's beginning 2014/15</b>	<b>232,407</b>	<b>404,542,618</b>	<b>-</b>	<b>(12,985,629)</b>	<b>41,259,814</b>	<b>433,049,211</b>
I. Total recognised incomes and expenses	-	-	-	(125,719,217)	(4,808,801)	(130,528,018)
III. Other changes to Equity	-	-	(12,985,629)	12,985,629	-	-
<b>C. BALANCE AT YEAR'S END 2014/15</b>	<b>232,407</b>	<b>404,542,618</b>	<b>(12,985,629)</b>	<b>(125,719,217)</b>	<b>36,451,014</b>	<b>302,521,193</b>
<b>D. ADJUSTED BALANCE, BEGINNING OF YEAR 2015/16</b>	<b>232,407</b>	<b>404,542,618</b>	<b>(12,985,629)</b>	<b>(125,719,217)</b>	<b>36,451,014</b>	<b>302,521,193</b>
I. Total recognised incomes and expenses	-	-	-	(13,647,164)	27,439	(13,619,650)
III. Other changes to Equity	-	-	(125,719,217)	125,719,217	-	-
<b>E. BALANCE AT YEAR'S END 2015/16</b>	<b>232,407</b>	<b>404,542,618</b>	<b>(138,704,846)</b>	<b>(13,647,164)</b>	<b>36,478,453</b>	<b>288,901,543</b>

**CASH FLOW STATEMENT AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) CASH-FLOW FROM OPERATING ACTIVITIES</b>					
<b>1. PROFIT &amp; LOSS BEFORE TAX</b>		<b>(290,556)</b>	<b>(21,782,983)</b>	<b>(1,941,785)</b>	<b>(145,575,621)</b>
<b>2. ADJUSTMENTS TO PROFIT &amp; LOSS</b>		<b>732,570</b>	<b>54,920,773</b>	<b>1,999,294</b>	<b>149,887,071</b>
a) Depreciation of Fixed Assets	5-6	268,711	20,145,264	524,146	39,295,226
b) Value corrections of impairment losses		411,313	30,836,136	1,224,356	91,789,969
c) Change to provisions	15	–	–	105,655	7,920,955
d) Allocation of grants		(45,817)	(3,434,900)	(91,633)	(6,869,726)
g) Financial Income	8	(78,896)	(5,914,833)	(152,460)	(11,429,926)
h) Financial Expenses	9	177,259	13,289,107	389,230	29,180,573
<b>3. CHANGES IN WORKING CAPITAL</b>		<b>(574,621)</b>	<b>(43,079,336)</b>	<b>(181,692)</b>	<b>(13,621,449)</b>
a) Inventories		(279,865)	(20,981,479)	10,394	779,238
b) Trade and other accounts receivable		776,211	58,192,539	71,475	5,358,481
c) Other current assets		(797,026)	(59,753,039)	(119,470)	(8,956,666)
d) Creditors and other accounts payable		(273,942)	(20,537,432)	(144,091)	(10,802,502)
<b>4. OTHER CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(98,363)</b>	<b>(7,374,274)</b>	<b>(236,774)</b>	<b>(17,750,947)</b>
a) Interest payments	9	(177,259)	(13,289,107)	(389,230)	(29,180,573)
c) Interest receivable	8	78,896	5,914,833	152,460	11,429,926
d) Income taxes paid		–	–	(4)	(300)
<b>5. CASH FLOW ON OPERATING ACTIVITIES</b>		<b>(230,970)</b>	<b>(17,315,821)</b>	<b>(360,957)</b>	<b>(27,060,946)</b>
<b>B) CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
<b>6. PAYMENTS FOR INVESTMENTS</b>		<b>(13,857)</b>	<b>(1,038,859)</b>	<b>(762,607)</b>	<b>(57,172,647)</b>
a) Group and Associated Companies		–	–	(747,453)	(56,036,551)
b) Intangible Assets	5	(3,816)	(286,086)	–	–
c) Fixed Assets	6	(10,041)	(752,774)	(14,774)	(1,107,607)
e) Other financial assets	8	–	–	(379)	(28,414)
<b>7. DIVESTMENT RECEIPTS</b>		<b>1,317,740</b>	<b>98,790,968</b>	<b>–</b>	<b>–</b>
a) Group and Associated Companies		1,317,361	98,762,554	–	–
e) Other financial assets		379	28,414	–	–
<b>8. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		<b>1,303,883</b>	<b>97,752,109</b>	<b>(762,607)</b>	<b>(57,172,647)</b>
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>10. RECEIVABLES AND PAYABLES FOR FINANCIAL INSTRUMENTS</b>		<b>(778,535)</b>	<b>(58,366,769)</b>	<b>1,086,799</b>	<b>81,477,321</b>
a) Issue		312,433	23,423,102	1,387,085	103,989,762
3. Debts to Group and associated Companies		311,517	23,354,429	1,384,585	103,802,337
4. Other debts		916	68,673	2,500	187,425
b) Repayment and amortization		(1,090,968)	(81,789,871)	(300,286)	(22,512,441)
2. Debts with credit institutions		(140,968)	(10,568,371)	(300,286)	(22,512,441)
3. Debts with Group and Associated Companies		(950,000)	(71,221,500)	–	–
<b>12. CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(778,535)</b>	<b>(58,366,769)</b>	<b>1,086,799</b>	<b>81,477,321</b>
<b>E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS</b>		<b>294,378</b>	<b>22,069,519</b>	<b>(36,765)</b>	<b>(2,756,272)</b>
Cash or cash equivalents at the beginning of the year	8	228,394	17,122,698	265,158	19,878,895
Cash or equivalents at the end of the year	8	522,771	39,192,142	228,394	17,122,698

# ANNUAL REPORT CORRESPONDING TO THE FINANCIAL PERIOD ENDING MARCH 31, 2016

## 1. THE COMPANY'S BUSINESS ACTIVITY

- 1.1. HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U. was founded as a limited corporation on December 9th, 2010, before the Notary Public of the Guild of the Canary Islands, whose office is located in Maspalomas, Mr. Valentín Concejo Arranz, under his Protocol number 1524. On March, 3, 2011, the Company acquired its current condition as a Sole Proprietor Limited Liability Company.
- 1.2. Its main corporate mission comprises the acquisition, promotion, construction, urbanisation, management, operation, holding, use, enjoyment of, yielding of, business management of any type, or property, buildings, tourist complexes, hotels, and /or agricultural land in the country or urban areas and personal rights or rights in rem of real-estate property including its conveyance, whether in its entirety or partially, per apartment or by means of the sale of or assignment of rotational enjoyment rights, timeshare or any other kind of rights to use. The main activity is the sale of rotational enjoyment rights of holiday units in the five resorts called Playa Amadores, Sol Amadores, Vista Amadores, Jardín Amadores and Puerto Calma, as well as the management of a theme park in the municipality of Mogán, in Gran Canaria.
- 1.3. The Corporate offices are located at Avenida Anna Lindh, número 1, Urbanización Amadores, in the municipality of Mogán (Gran Canaria).
- 1.4. The financial year, between April 1st until March 31st of the following year, has been fixed according to the Group that belongs to, explained in the following note. However, during this financial year has been a change of financial year as indicated in the note 2.3 of this document.
- 1.5. The Company is a part of a Group whose parent Company is HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U., headquartered at Avenida Ministra. Anna Lindh, number 1, Urbanización Amadores, in the municipality of Mogán (Gran Canaria). Said company does not present yearly consolidated accounts, because it is not mandatory for it to do so. This Spanish Group is integrated in a higher one, which the parent company is Holiday Club Resorts Oy, located in Finland, which presents yearly consolidated accounts.
- 1.6. On April 6<sup>th</sup>, 2011 the Public Deed was signed, by means of which the Company, together with its related company HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, S.L.U., acquired the business of the five tourist complexes which they are currently operating. In said acquisition, the Company was assigned the unsold weeks, which were recorded in the inventory for the amount of 3,730,000 Euros (279,638,100 Rupees); the rights to client's' loans recorded as financial assets for the amount of 2,251,656 Euros (168,806,650 Rupees), and the Goodwill corresponding to the main business of "Timeshare" for the amount of 1,967,742 Euros (147,521,617 Rupees). The remaining assets (real-estate property and goodwill from the administration and maintenance business) was assigned to the abovementioned related Company. On June 1<sup>st</sup>, 2012 a public Deed was also signed comprising a series of agreements related to the purchase of the business described above, which caused amongst other things, goodwill to be adjusted to 1,807,995 Euros (135,545,385 Rupees).

## 2. BASIS USED FOR THE PRESENTATION OF THE ANNUAL ACCOUNTS

The figures contained in the balance sheet, in the Profit & Loss Account, in the Statement of Changes to Equity, in the Cash-flow Statement and in this Report are expressed in Euros, which, upon being rounded out, cause small differences in their presentation.

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

These annual accounts are presented for approval to the Ordinary General Meeting of Members.

## 2.1. True and Fair View

The annual accounts are obtained from the Company's accounting records and have been presented according to the regulations set out in Law 16/2007 of July 4, on the revised and adapted mercantile accounting legislation to harmonise it internationally on the basis of the European Union and by Royal Decree 1514/2007 of November 16, in which the General Accounting Plan was approved, in order to reflect a true and fair view of the Equity, the financial situation and the Company's Profit & Loss as well as the veracity of the streams incorporated into the Cash-flow, according to generally accepted accounting practices and regulations.

## 2.2. Critical Aspects in the Valuation and Judgement of Uncertainty

At the closing of the financial period, estimations were used in the drafting of the annual accounts such as: calculation of the impairment of assets, estimations of the useful life of the assets, amongst others. Due to future events, it is possible that additional information to that existing at the time the annual accounts were drafted require modifying these estimations in future periods.

There are no significant uncertainties relating to events or conditions which would raise significant doubts about the possibility of the Company continuing to operate normally.

## 2.3. Comparing Information

On February 1st, 2016 General Meeting of the Company in which it was agreed to modify the start and end dates of the financial year in the by-laws, establishing April 1 to March 31 of each year. Exceptionally, with respect to this financial period beginning on October 1, 2015, it was agreed to finalize on March 31, 2016.

However, it is important to point out that the figures corresponding to the Financial Year ending on September 30, 2015 will not be comparable, since the Financial Period ending on March 31, 2016 only covered 6 months (October 2015 to March 2016) and the previous period covered twelve months (October 2014 to September 2015). This is due to the fact that the shareholders passed a resolution in which they decided to modify the Financial Period, in order for it to start every April 1 of each year. This is why the Financial Period 2015/2016 only covered 6 months.

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

## 3. APPLICATION OF RESULTS

The proposal for the application of the results of the financial period ending March 31st, 2016 which the Administrators shall draw up for approval by the Members, together with the distribution approved for the period ending on September 30<sup>th</sup>, 2015, is as follows:

Euros	2015/16	2014/15
<b>Distribution Balance</b>		
Financial Period Losses	<b>(182,035)</b>	<b>(1,676,927)</b>
<b>Distribution</b>		
Losses accumulated from previous Financial Periods	(182,035)	(1,676,927)
<b>Totals</b>	<b>(182,035)</b>	<b>(1,676,927)</b>

Rupees	2015/16	2014/15
<b>Distribution Balance</b>		
Financial Period Losses	<b>(13,647,164)</b>	<b>(125,719,217)</b>
<b>Distribution</b>		
Losses accumulated from previous Financial Periods	(13,647,164)	(125,719,217)
<b>Totals</b>	<b>(13,647,164)</b>	<b>(125,719,217)</b>



#### 4. RECOGNITION AND MEASUREMENT REGULATIONS

The main accounting principles and practices applied in the drafting of the Annual Accounts follow current legislation, highlighting as most important the principles of company operation, accrual, consistency, prudence, non-compensation and relative importance.

The most significant accounting criteria applied in the drafting of the Annual Accounts is the following ones:

##### 4.1. Intangible Fixed Assets

The intangible fixed assets are comprised of Goodwill and Computer applications which are valued at their acquisition price, including necessary additional expenses to get them up and running. The computer applications are amortised at 33 per cent according to their useful lives.

At the closing of the financial period, goodwill has been measured and no impairment has been identified, as it has been estimated that the recoverable value is higher than the accounting value.

##### 4.2. Tangible Fixed Assets

These have been appraised at their acquisition cost, including those additional costs necessary to put the assets into operation.

Maintenance and repair costs which do not improve the use of or extend the useful life of the assets are charged to the Profit and Loss account when they occur.

It is depreciated linearly depending on the useful life of assets and their residual value, according to the normal depreciation experienced during its operation, use and enjoyment, using as a reference point, the regulations contained in Law 27/2014 of November 27th, in which the Regulation of Corporate Taxes was approved, without prejudice to taking into consideration the technical or commercial obsolescence which could affect it. The percentages applied are the following:

Buildings	11.76%
Machinery	10.53 – 25%
Other installations	10.53 – 12%
Furniture	10 – 20 – 25%
IT Equipment	12.5 – 25%
Vehicles	11.76 – 16%
Other intangible assets	10 – 15%

The Company's administrators consider that the accounting value of these assets does not exceed their recoverable value.

##### 4.3. Financial Instruments

The Company's financial instruments are classified as:

- a) Loans and accounts receivable, including those loans for commercial or non-commercial operations. Those who's maturity is no longer than one year are valued at their face-value, because they do not have any contractual interest rate and the effect of not up-dating the cash-flow is not significant. Those whose maturity is over one year are measured at their reasonable value, equal to the value of the compensation delivered plus directly attributable transaction costs. Interests accrued are accounted for in the Profit & Loss Account, applying the Effective Interest Rate method.

Loss due to impairment of the value of these financial assets is the difference between their book value and the real value of future cash-flow estimated to be generated by them, less the effective interest rate calculated at the time of their initial recognition. The reversal of the impairment shall be limited by the loan's book value.

- b) Investments held until their maturity: The financial assets that the Company means to hold until their maturity has been included in this category. Their initial valuation is their reasonable value, which saving evidence to the contrary, shall be the price of the transaction plus those transaction costs directly attributable to them. Their subsequent valuation shall be measured at amortised cost. Interest shall be applied to the Profit and Loss Account at an effective interest rate. No corrections have been applied to their values.
- c) Debits and accounts payable, including debits from commercial operations and the amounts owed by non-commercial operations: They will initially be measured by their reasonable value, except

those debits which are for trade operations with a maturity of no more than one year and which do not bear any contractual interest, the amount of which is expected to be paid off short term, which are valued at their face value. Interest accrued is accounted for in the Profit and Loss Account, applying the effective interest rate method.

Financial instruments are classified as short and long-term, according to whether their maturity is less than or more than twelve months, respectively.

The Company has complied with requirements set out in the regulations relating to governing, recording and measurement of financial instruments.

##### 4.4. Inventories

The Company's commercial stocks correspond to rotational enjoyment rights of rooms in the possession of the Company and are valued at acquisition price.

The Company's Administrators consider that the book value of the inventories does not exceed their recoverable value.

##### 4.5. Transactions in Foreign Currency

The accounts mentioned in foreign currency are measured at the exchange rate in effect at the time of the transaction. Positive or negative differences occurring at the time of payment or collection as a consequence of monetary fluctuations are carried over to the Profit and Loss Account. At closing of the period, differences both positive and negative that did not occur are carried over to the Profit and Loss Account.

##### 4.6. Profit Tax

The Company pays tax under the Tax Consolidation System, according to what is set out in Chapter 7 of Royal Legislative Decree 4/2004 of March 5, in which the Revised Text of the Corporate Tax Law was approved. Holiday Club Canarias Investment is the parent Company which presents the correspondent settlement.

Following the Accrual Principle, profit tax has been charged as an income during the period. Current tax has been calculated per the financial results before taxes, adjusted by permanent differences and consolidation and decreased by applying deductions, as set out in the tax regulations in effect.

Income has also been accrued from deferred tax by activating tax credits at different times, originated in part by a fiscally non-deductible amortisation.

##### 4.7. Income and Expenses

Income and expenses are charged according to the actual stream of goods and services which they represent and regardless of when the monetary or financial flow deriving there from arises.

Revenue from sales and services performed will be measured at the fair value of the consideration received or receivable; the amount of any discount deducted, reduction in the price or other similar items that the company might grant. They are recognized when all the risks and significant benefits inherent in the ownership of the property have been transferred to the buyer.

Purchases and services incorporate taxes levied on the operation, with the exception of the VAT when deductible status is had.

##### 4.8. Provisions and Contingencies

Provisions are present obligations on the date of the balance sheet that have arisen as a result of past events; the amount and timing of cancellation are undetermined. Provisions are recorded at the current value of the estimated amount that the company will have to pay to settle the obligation in the future.

Contingent liabilities are potential liabilities arising as a result of past events, whose realization is contingent upon that happening or not, one or more future events independent of the will of the Company. Contingent liabilities, as well as the Provisions whose amount cannot be estimated reliably or it is not very likely that the Company must dispose of resources embodying profits, for their cancellation are not recognized for accounting purposes but are broken down in the Report.

##### 4.9. Personnel Expenses

Personnel expenses are recognised on the basis of their accrual, considering that bonus payments are accrued on a yearly basis. There are no commitments for pensions nor retirement bonuses in the Company.

4.10. Grants, Donations and Legacies

Capital grants, which are non-refundable, are recorded directly in Equity as revenue, excluding the tax effect and are attributed to the Financial Period's results in proportion to the allocation of depreciation in the period for the assets pertaining to the grant.

4.11. Criteria used in transactions between related parties

Transactions between related parties are accounted for, in general, by their reasonable value.

5. **INTANGIBLE FIXED ASSETS**

5.1. The transactions that occurred during the 2014/15 and 2015/16 periods were the following:

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Goodwill	1,807,995	-	-	1,807,995
IT Applications	10,701	-	-	10,701
<b>Totals</b>	<b>1,818,696</b>	<b>-</b>	<b>-</b>	<b>1,818,696</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	1,807,995	-	-	1,807,995
IT Applications	10,701	3,816	-	14,517
<b>Totals</b>	<b>1,818,696</b>	<b>-</b>	<b>-</b>	<b>1,822,511</b>

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Goodwill	1,807,995	-	-	1,807,995
IT Applications	10,701	-	-	10,701
<b>Totals</b>	<b>1,818,696</b>	<b>-</b>	<b>-</b>	<b>1,818,696</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	1,807,995	-	-	1,807,995
IT Applications	10,701	3,816	-	14,517
<b>Totals</b>	<b>1,818,696</b>	<b>-</b>	<b>-</b>	<b>1,822,511</b>

<b>Rupees</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	-	-	802,254
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,347,639</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	286,086	-	1,088,339
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,633,650</b>

<b>Rupees</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	-	-	802,254
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,347,639</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	286,086	-	1,088,339
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,633,650</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	286,086	-	1,088,339
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,633,650</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Goodwill	135,545,385	-	-	135,545,385
IT Applications	802,254	286,086	-	1,088,339
<b>Totals</b>	<b>136,347,639</b>	<b>-</b>	<b>-</b>	<b>136,633,650</b>

5.2. As indicated in Note 1.6, The Company acquired the Goodwill corresponding to the main "Timeshare" business in 2011 for the amount of 1,967,742 Euros (147,521,618 Rupees). Said price was adjusted in the Purchase Deed granted in June 2012, for the amount of 159,747 Euros (11,976,233 Rupees).

5.3. There is no evidence of impairment through March 31, on any of the elements in the Intangible Fixed Assets.

5.4. There are fully depreciated software applications in use at September 30, 2015 and March 31, 2016 for the amount of 10,701 Euros (802,254 Rupees).

6. **TANGIBLE FIXED ASSETS**

6.1. The transactions occurring during the 2014/15 and 2015/16 periods were the following:

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Buildings	1,069,788	-	55,708	1,125,496
Machinery	59,351	-	-	59,351
Other facilities	2,922,858	5,737	(55,708)	2,872,887
Furniture	232,318	5,297	-	237,615
IT Equipment	71,773	3,740	-	75,513
Vehicles	100,561	-	-	100,561
Other tangible fixed assets	22,267	-	-	22,267
<b>Totals</b>	<b>4,478,916</b>	<b>14,774</b>	<b>-</b>	<b>4,493,690</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	1,125,496	-	-	1,125,496
Machinery	59,351	-	-	59,351
Other facilities	2,872,887	1,615	-	2,874,502
Furniture	237,615	7,218	-	244,833
IT Equipment	75,513	1,209	-	76,722
Vehicles	100,561	-	-	100,561
Other tangible fixed assets	22,267	-	-	22,267
<b>Totals</b>	<b>4,493,690</b>	<b>10,041</b>	<b>-</b>	<b>4,503,732</b>

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Buildings	1,069,788	121,047	-	1,190,835
Machinery	59,351	6,756	-	66,107
Other installations	287,255	302,965	-	590,220
Furniture	232,318	54,452	-	286,770
IT Equipment	71,773	18,407	-	90,180
Vehicles	100,561	15,742	-	116,303
Other tangible fixed assets	22,267	4,578	-	26,845
<b>Totals</b>	<b>569,480</b>	<b>523,948</b>	<b>-</b>	<b>1,093,429</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	1,125,496	-	-	1,125,496
Machinery	59,351	-	-	59,351
Other facilities	2,872,887	1,615	-	2,874,502
Furniture	237,615	7,218	-	244,833
IT Equipment	75,513	1,209	-	76,722
Vehicles	100,561	-	-	100,561
Other tangible fixed assets	22,267	-	-	22,267
<b>Totals</b>	<b>4,493,690</b>	<b>10,041</b>	<b>-</b>	<b>4,503,732</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	1,125,496	-	-	1,125,496
Machinery	59,351	-	-	59,351
Other facilities	2,872,887	1,615	-	2,874,502
Furniture	237,615	7,218	-	244,833
IT Equipment	75,513	1,209	-	76,722
Vehicles	100,561	-	-	100,561
Other tangible fixed assets	22,267	-	-	22,267
<b>Totals</b>	<b>4,493,690</b>	<b>10,041</b>	<b>-</b>	<b>4,503,732</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	1,125,496	-	-	1,125,496
Machinery	59,351	-	-	59,351
Other facilities	2,872,887	1,615	-	2,874,502
Furniture	237,615	7,218	-	244,833
IT Equipment	75,513	1,209	-	76,722
Vehicles	100,561	-	-	100,561
Other tangible fixed assets	22,267	-	-	22,267
<b>Totals</b>	<b>4,493,690</b>	<b>10,041</b>	<b>-</b>	<b>4,503,732</b>

<b>Euros</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
Other facilities	590,220	151,515	-	741,735
Furniture	132,009	32,324	-	164,334
IT Equipment	51,310	6,656	-	57,966
Vehicles	48,040	7,871	-	55,911
Other tangible fixed assets	15,558	1,635	-	17,193
<b>Totals</b>	<b>1,093,429</b>	<b>268,606</b>	<b>-</b>	<b>1,362,035</b>
<b>Net Totals</b>	<b>3,400,262</b>			<b>3,141,697</b>

<b>Rupees</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Buildings	80,202,006	-	4,176,429	84,378,435
Machinery	4,449,544	-	-	4,449,544
Other facilities	219,126,664	430,103	(4,176,429)	215,380,338
Furniture	17,416,880	397,116	-	17,813,997
IT Equipment	5,380,822	280,388	-	5,661,210
Vehicles	7,539,058	-	-	7,539,058
Other tangible fixed assets	1,669,357	-	-	1,669,357
<b>Totals</b>	<b>335,784,333</b>	<b>1,107,607</b>	<b>-</b>	<b>336,891,939</b>

<b>Accumulated amortization</b>				
Buildings	8,920,380	9,074,894	-	17,995,274
Machinery	712,365	506,497	-	1,218,862
Other installations	21,535,507	22,713,286	-	44,248,793
Furniture	5,814,448	4,082,266	-	9,896,715
IT Equipment	2,466,738	1,379,973	-	3,846,711
Vehicles	2,421,381	1,180,178	-	3,601,559
Other tangible fixed assets	823,171	343,213	-	1,166,383
<b>Totals</b>	<b>42,693,916</b>	<b>39,280,382</b>	<b>-</b>	<b>81,974,372</b>
<b>Net Totals</b>	<b>293,090,417</b>			<b>254,917,642</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	84,378,435	-	-	84,378,435
Machinery	4,449,544	-	-	4,449,619
Other facilities	215,380,338	121,077	-	215,501,415
Furniture	17,813,997	541,133	-	18,355,130
IT Equipment	5,661,210	90,639	-	5,751,848
Vehicles	7,539,058	-	-	7,539,058
Other tangible fixed assets	1,669,357	-	-	1,669,357
<b>Totals</b>	<b>336,891,939</b>	<b>752,774</b>	<b>-</b>	<b>337,644,788</b>

<b>Rupees</b>	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Balance 31.03.16</b>
<b>Accumulated amortization</b>				
Buildings	17,995,274	4,890,068	-	22,885,342
Machinery	1,218,862	253,249	-	1,472,111
Other facilities	44,248,793	11,359,080	-	55,607,873
Furniture	9,896,715	2,423,330	-	12,320,120
IT Equipment	3,846,711	499,000	-	4,345,711
Vehicles	3,601,559	590,089	-	4,191,648
Other tangible fixed assets	1,166,383	122,576	-	1,288,959
<b>Totals</b>	<b>81,974,372</b>	<b>20,137,392</b>	<b>-</b>	<b>102,111,764</b>
<b>Net Totals</b>	<b>254,917,642</b>			<b>235,533,024</b>

6.2. Fixed assets acquired through finance lease contracts is as follows (see Note 7.1):

	<b>(Euros)</b>
Information Processing Equipment	13,378
Transport Elements (Vehicles)	92,361
	<b>(Rupees)</b>
Information Processing Equipment	1,002,949
Transport Elements (Vehicles)	6,924,304

6.3. There are no signs of impairment through March 31<sup>st</sup>, for the elements in the Tangible Fixed Assets.

6.4. The fixed assets are covered against risk of fire, theft, etc., by means of several insurance policies with the corresponding premiums paid up-to-date.

6.5. There are fully depreciated information processing equipment in use at March 31, 2016 for the amount of 34,416 Euros (2,580,167 Rupees). At September 30, 2015 amounted 10,701 Euros (802,254 Rupees).

## 7. LEASES AND OTHER SIMILAR OPERATIONS

### Financial Leases.

7.1. The amount initially recognised for the fixed assets subject to financial leasing comes to 105,739 Euros (7,927,253 Rupees) and corresponds to IT equipment and vehicles for 13,378 Euros (1,002,949 Rupees) and 92,361 Euros (6,924,304 Rupees) respectively (see Note 6.3). These assets have been recorded at their reasonable value.

7.2. The reconciliation between minimum future payments and the current value at the close of the 2015/16 and 2014/2015 period, is the following: (see Note 9.6):

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Total amount of minimum future payments at the end of the period</b>	<b>27,226</b>	<b>40,996</b>
Financial expenses not accrued	(676)	(1,959)
<b>Current value to the end of the period (note 9.6)</b>	<b>26,550</b>	<b>39,037</b>
	<b>2015/16</b>	<b>2014/15</b>
<b>Rupees</b>		
<b>Total amount of minimum future payments at the end of the period</b>	<b>2,041,133</b>	<b>3,073,470</b>
Financial expenses not accrued	(50,680)	(146,866)
<b>Current value to the end of the period (note 9.6)</b>	<b>1,990,453</b>	<b>2,926,604</b>

7.3. Minimum lease payments and their current value, at the end of the 2015/2016 and 2014/2015 years, according to their maturity are the following:

Euros	2015/16	2014/15
<b>Minimum payment</b>		
Up to 1 year	22,207	27,136
From 1 to 5 years	5,019	13,860
<b>Current value</b>		
Up to 1 year	21,553	25,417
From 1 to 5 years	4,997	13,620

Rupees	2015/16	2014/15
<b>Minimum payment</b>		
Up to 1 year	1,664,859	2,034,386
From 1 to 5 years	376,274	1,039,084
<b>Current value</b>		
Up to 1 year	1,615,828	1,905,512
From 1 to 5 years	374,625	1,021,091

7.4. The value of the Purchase Option of the fixed assets subject to financial leases comes to 2,272 Euros (170,332 Rupees).

7.5. The contingent quotas recognised as expenses in the 2014/15 financial period, come to 1,080 Euros (80,968 Rupees).

## 8. FINANCIAL ASSETS

### Information related to the Balance Sheet

8.1. Categories of financial assets (except for investments in the equity of Group, Multigroup and associated companies):

The breakdown of financial assets (except for investments in the equity of Group, Jointly-controlled group and associated companies) by categories and classes is as follows:

Euros	Equity Instruments		Debt Securities		Credits/Derivatives/Others	
	31.03.16	30.09.15	31.03.16	30.09.15	31.03.16	30.09.15
<b>Long-term Financial Assets</b>						
Investments held to maturity	-	-	-	-	16,658	16,658
Loans and Receivables	-	-	-	-	629,690	1,316,043
<b>Totals</b>	-	-	-	-	<b>646,348</b>	<b>1,332,701</b>

### Short-term Financial Assets

Loans and Receivables	-	-	-	-	3,777,470	4,538,339
Liquid Assets	-	-	-	-	522,771	228,394
<b>Totals</b>	-	-	-	-	<b>4,300,241</b>	<b>4,766,733</b>

Rupees	Equity Instruments		Debt Securities		Credits/Derivatives/Others	
	31.03.16	30.09.15	31.03.16	30.09.15	31.03.16	30.09.15
<b>Long-term Financial Assets</b>						
Investments held to maturity	-	-	-	-	1,248,850	1,248,850
Loans and Receivables	-	-	-	-	47,207,859	98,663,744
<b>Totals</b>	-	-	-	-	<b>48,456,710</b>	<b>99,912,594</b>

### Short-term Financial Assets

Loans and Receivables	-	-	-	-	283,196,926	340,239,275
Liquid Assets	-	-	-	-	39,192,142	17,122,698
<b>Totals</b>	-	-	-	-	<b>322,389,068</b>	<b>357,361,973</b>

8.2. Classification by Maturity:

The ratings depending on the maturity of different financial assets are as follows:

Euros	2016/17	2017/18	2018/19	2019/20	2020/21	Next	Total I/t
<b>Financial Assets</b>							
<b>Financial Investments</b>	-	-	-	-	-	<b>16,658</b>	<b>16,658</b>
Other financial assets	-	-	-	-	-	16,658	16,658
<b>Advances to Suppliers</b>	<b>13,343</b>	-	-	-	-	-	-
<b>Investments in Group and Associated Companies</b>	<b>835,040</b>	-	-	-	-	-	-

Euros

	2016/17	2017/18	2018/19	2019/20	2020/21	Next	Total I/t
<b>Financial Assets</b>							
Loans to companies		-	-	-	-	-	-
<b>Commercial Debts and other Receivables</b>	<b>2,929,088</b>	<b>316,300</b>	<b>181,760</b>	<b>100,637</b>	<b>26,424</b>	<b>4,569</b>	<b>629,690</b>
Customer receivables for sales and services	3,955,038	316,300	181,760	100,637	26,424	4,569	629,690
Clients' Impairment	(1,043,067)	-	-	-	-	-	-
Personnel	17,117	-	-	-	-	-	-
<b>Cash and other Liquid Assets</b>	<b>522,771</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liquid Assets	522,771	-	-	-	-	-	-
<b>Totals</b>	<b>4,300,241</b>	<b>316,300</b>	<b>181,760</b>	<b>100,637</b>	<b>26,424</b>	<b>21,227</b>	<b>646,348</b>

Rupees

	2016/17	2017/18	2018/19	2019/20	2020/21	Next	Total I/t
<b>Financial Assets</b>							
<b>Financial Investments</b>	-	-	-	-	-	<b>1,248,850</b>	<b>1,248,850</b>
Other financial assets	-	-	-	-	-	1,248,850	1,248,850
<b>Advances to Suppliers</b>	<b>1,000,325</b>	-	-	-	-	-	-
<b>Investments in Group and Associated Companies</b>	<b>62,602,949</b>	-	-	-	-	-	-
Loans to companies		-	-	-	-	-	-
<b>Commercial Debts and other Receivables</b>	<b>219,593,727</b>	<b>23,713,011</b>	<b>13,626,547</b>	<b>7,544,756</b>	<b>1,981,007</b>	<b>342,538</b>	<b>47,207,859</b>
Customer receivables for sales and services	296,509,199	23,713,011	13,626,547	7,544,756	1,981,007	342,538	47,207,859
Clients' Impairment	(78,198,733)	-	-	-	-	-	-
Personnel	1,283,261	-	-	-	-	-	-
<b>Cash and other Liquid Assets</b>	<b>39,192,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liquid Assets	39,192,142	-	-	-	-	-	-
<b>Totals</b>	<b>322,389,068</b>	<b>23,713,011</b>	<b>13,626,547</b>	<b>7,544,756</b>	<b>1,981,007</b>	<b>1,591,388</b>	<b>48,456,710</b>

8.3. Corrections due to Impairment caused by Credit Risk

Transactions in the corrective accounts representative of impairment losses due to credit risk to customers are as follows:

<b>Euros</b>	<b>Amount</b>
<b>Balance at 30.09.14</b>	<b>660,000</b>
Impairment Maturity (Note 14.1)	1,207,262
Impairment reversal (Note 14.1)	(660,000)
<b>Balance at 30.09.15</b>	<b>1,207,262</b>
Impairment Maturity (Note 14.1)	322,523
Impairment reversal (Note 14.1)	(486,718)
<b>Balance at 31.03.16</b>	<b>1,043,067</b>
<b>Rupees</b>	<b>Amount</b>
<b>Balance at 30.09.14</b>	<b>49,480,200</b>
Impairment Maturity (Note 14.1)	90,508,432
Impairment reversal (Note 14.1)	(49,480,200)
<b>Balance at 30.09.15</b>	<b>90,508,432</b>
Impairment Maturity (Note 14.1)	24,179,549
Impairment reversal (Note 14.1)	(36,489,248)
<b>Balance at 31.03.16</b>	<b>78,198,733</b>

**Information relating to the Profit and Loss Account**

8.4. Financial Income

Under the heading Financial Income from Marketable Securities and Other Financial Instruments in the Profit and Loss Account for the amounts of 78,896 Euros (5,914,833 Rupees) and 152,460 Euros (11,429,926 Rupees) for the 2015/16 and 2014/2015 Financial Periods respectively, correspond mainly to the accrual of default interest on late payments from clients.

**Other Information**

8.5. Reasonable Value

The book value of the financial assets is an acceptable approximation to the reasonable value.

Equity Instruments not being traded on an active market according to what is provided for in the 9th Rule of Recognition and Measurement of the Spanish New General Accounting Plan, are valued at their cost.

Equity Instruments traded on an active market according to what is provided for in the 9th Rule of Recognition and Measurement of the Spanish New General Accounting Plan, are measured at their reasonable value.

**9. FINANCIAL LIABILITIES**

**Information related to the Balance Sheet.**

9.1. Categories of Financial Liabilities:

The breakdown of the financial liabilities by categories and classes is as follows:

Euros

	<b>Debits with Credit Institutions</b>		<b>Bonds and Other Market Securities</b>		<b>Derivatives/Others</b>	
	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>
<b><u>Long-Term financial Liabilities</u></b>						
Debits and Payables	48,951	167,012	-	-	12,167,834	13,117,834
<b>Totals</b>	<b>48,951</b>	<b>167,012</b>	<b>-</b>	<b>-</b>	<b>12,167,834</b>	<b>13,117,834</b>
<b><u>Short-Term financial Liabilities</u></b>						
Debits and Payables	282,300	305,207	-	-	1,787,805	1,723,498
<b>Totals</b>	<b>282,300</b>	<b>305,207</b>	<b>-</b>	<b>-</b>	<b>1,787,805</b>	<b>1,723,498</b>

Rupees

	<b>Debits with Credit Institutions</b>		<b>Bonds and Other Market Securities</b>		<b>Derivatives/Others</b>	
	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>
<b><u>Long-Term financial Liabilities</u></b>						
Debits and Payables	3,669,856	12,520,890	-	-	912,222,515	983,444,015
<b>Totals</b>	<b>3,669,856</b>	<b>12,520,890</b>	<b>-</b>	<b>-</b>	<b>912,222,515</b>	<b>983,444,015</b>
<b><u>Short-Term financial Liabilities</u></b>						
Debits and Payables	21,164,031	22,881,369	-	-	134,031,741	129,210,645
<b>Totals</b>	<b>21,164,031</b>	<b>22,881,369</b>	<b>-</b>	<b>-</b>	<b>134,031,741</b>	<b>129,210,645</b>

8.6. Information Regarding the Nature and Level of Risk from Financial Assets:

Due to its normal activity, the Company is exposed to different financial risks, essentially, credit risk, liquidity risk and market risk, the latter referring to the rate of exchange; of interest rates and other price risks.

Credit Risks:

This basically refers to sales on credit to clients and debtors. To prevent possible effects, credit granted to clients and debtors are granted based on a preliminary solvency study and strict follow-up of loans and receivables. The client base is quite diversified.

Liquidity Risk:

The Company tries to keep an adequate liquidity ratio at all times to be able to honour its commitments, ensuring that current assets not including inventories, shall reasonably cover the current payables.

Market Rate Risk:

Due to the Company's activity and scope, it is subject to exchange rate risks of the sales made in foreign currency, depending on the volatility of the exchange rates.

Interest rate risks are minimum, because the Company grants loans at a fixed interest rate.

9.2. Classification by Maturity:

Classification according to the maturity of the different financial liabilities is as follows:

Euros

<b>Financial Liabilities</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Next</b>	<b>Total I/t</b>
<b>Debts</b>	<b>285,745</b>	<b>48,951</b>	-	-	-	-	<b>48,951</b>
Debts with Credit Institutions	260,747	43,954	-	-	-	-	<b>43,954</b>
Financial Lease Creditors	21,553	4,997	-	-	-	-	<b>4,997</b>
Other financial liabilities	3,446	-	-	-	-	-	-
<b>Debts with Group and Associated Companies</b>	<b>1,580,482</b>	-	-	-	-	<b>12,167,834</b>	<b>12,167,834</b>
<b>Trade Creditors and other Accounts Payable</b>	<b>203,877</b>	-	-	-	-	-	-
Suppliers	207	-	-	-	-	-	-
Sundry Creditors	194,660	-	-	-	-	-	-
Personnel (wages pending payment)	9,010	-	-	-	-	-	-
<b>Totals</b>	<b>2,070,104</b>	<b>48,951</b>	-	-	-	<b>12,167,834</b>	<b>12,216,785</b>

Rupees

<b>Financial Liabilities</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Next</b>	<b>Total I/t</b>
<b>Debts</b>	<b>21,422,303</b>	<b>3,669,856</b>	-	-	-	-	<b>3,669,856</b>
Debts with Credit Institutions	19,548,203	3,295,231	-	-	-	-	<b>3,295,231</b>
Financial Lease Creditors	1,615,828	374,625	-	-	-	-	<b>374,625</b>
Other financial liabilities	258,347	-	-	-	-	-	-
<b>Debts with Group and Associated Companies</b>	<b>118,488,736</b>	-	-	-	-	<b>912,222,515</b>	<b>912,222,515</b>
<b>Trade Creditors and other Accounts Payable</b>	<b>15,284,659</b>	-	-	-	-	-	-
Suppliers	15,518,79	-	-	-	-	-	-
Sundry Creditors	14,593,660	-	-	-	-	-	-
Personnel (wages pending payment)	675,480	-	-	-	-	-	-
<b>Totals</b>	<b>155,195,697</b>	<b>3,669,856</b>	-	-	-	<b>912,222,515</b>	<b>915,892,371</b>

Information relating to the Profit and Loss Account and Equity9.3. Financial Expenses

The heading for financial expenses for debts with group and associated companies for the 2015/16 and 2014/15 financial years for the amounts of 172,304 Euros (12,917,631 Rupees) and 354,174 Euros (26,552,425 Rupees), respectively, correspond to the accrual of interest on loans granted by group companies. The heading of debts to third parties includes interest accrued with credit institutions, the amounts of which come to 4,954 Euros (371,401 Rupees) and 35,056 Euros (2,628,148 Rupees) for the 2015/16 and 2014/15 financial periods, respectively.

Other Information9.4. Reasonable Value

The book value of the financial liabilities is an acceptable approximation to the reasonable value.

9.5. Information on the Nature and Level of Risk from Financial Liabilities

Due to its regular activity, the Company is exposed to diverse financial risks, basically credit risks, liquidity risks and market risks, the latter of which refers to exchange rate risks, interest rate risks and other price risks.

9.6. Other Information about Financial Instruments

a) Debts with credit institutions show the following breakdown:

<u>Euros</u>	<u>2015/2016</u>	<u>2014/2015</u>
Personal secured loans	304,700	433,181
Leasing (Note 7.2)	26,550	39,037
<b>Totals</b>	<b>331,250</b>	<b>472,218</b>
<u>Rupees</u>	<u>2015/2016</u>	<u>2014/2015</u>
Personal secured loans	22,843,359	32,475,580
Leasing (Note 7.2)	1,990,454	2,926,604
<b>Totals</b>	<b>24,833,813</b>	<b>35,402,183</b>

b) The average interest rate of non-commercial debts fluctuates between 1 and 5 per cent per annum.

10. SHAREHOLDERS' EQUITY

10.1. The share capital, for an amount of 3,100 Euros (232,407 Rupees), comprises 31 shares of 100 Euros (7,497 Rupees) face value each.

10.2. As per the Revised Text of the Law of Share Capital Companies, a figure equal to 10% of the period's profit must be kept in a reserve fund until this reaches at least 20% of the share capital. During the 2011/12 financial period, 3,100 Euros (232,407 Rupees) were allocated to said reserves.

10.3. The Canary Islands Investments Reserve Fund for the amount of 4,322,921 Euros (324,089,387 Rupees), is subject to the availability limitations established in the tax regulations.

10.4. The corporation HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U., owns 100 per cent of the share capital of the Company.

10.5. The breakdown of the heading "other reserves" from the Balance Sheet, is as follows:

Euros	2015/16	2014/15
Voluntary Reserves	708,441	798,840
Canary Islands Investment Reserves	4,322,921	4,322,921
Goodwill Reserves	361,599	271,199
<b>Totals</b>	<b>5,392,960</b>	<b>5,392,960</b>

Rupees	2015/16	2014/15
Voluntary Reserves	53,111,822	59,889,035
Canary Islands Investment Reserves	324,089,387	324,089,387
Goodwill Reserves	27,109,077	20,331,789
<b>Totals</b>	<b>404,310,211</b>	<b>404,310,211</b>

## 11. INVENTORIES

11.1. Inventories show the following break-down:

Euros	2015/2016	2014/2015
Merchandise in Stock, Angry Birds Theme Park	31,118	57,918
Unsold Weeks in Stock	7,662,905	7,362,607
<b>Totals</b>	<b>7,694,024</b>	<b>7,420,524</b>

Rupees	2015/2016	2014/2015
Merchandise in Stock, Angry Birds Theme Park	2,332,916	4,342,112
Unsold Weeks in Stock	574,487,988	551,974,647
<b>Totals</b>	<b>576,820,979</b>	<b>556,316,684</b>

11.2. The transactions of unsold weeks in stock during the 2014/15 year 2015/16 financial periods, have been as follows:

Euros	Balance 30.09.14	Acquisitions	Disposals	Balance 30.09.15
Unsold weeks in stock	7,236,900	632,416	(506,709)	7,362,607

Euros	Balance 30.09.15	Acquisitions	Disposals	Balance 31.03.16
Unsold weeks in stock	7,362,607	676,833	(376,535)	7,662,905

Rupees	Balance 30.09.14	Acquisitions	Disposals	Balance 30.09.15
Unsold weeks in stock	542,550,393	47,412,228	(37,987,974)	551,974,647

Rupees	Balance 30.09.15	Acquisitions	Disposals	Balance 31.03.16
Unsold weeks in stock	551,974,647	50,742,170	(28,228,829)	574,487,988

Acquisitions of inventory during the 2015/16 financial period owes to refurbishment carried out in one of the hotel complexes, to the weeks sold in previous financial periods and recovered in 2015/2016, due to defaulting on payment of clients of their debts to the Company or the related Company HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, S.L.U. for amounts reaching 190,000 Euros (14,244,300 Rupees) and 486,833 Euros (36,497,870 Rupees), respectively. Acquisitions of inventory during 2014/15 due to the same reasons mentioned before, for the amounts of 416,830 Euros (31,249,745 Rupees) and 207,264 Euros (15,538,582 Rupees), respectively and to a lesser extent for weeks purchased during the 2014/15 period later resold for the amount of 8,322 Euros (623,900 Rupees).

11.3. There are advance payments totalling 13,343 Euros (1,000,325 Rupees) and 6,977 Euros (523,066 Rupees) at the end of the 2015/16 and 2014/15 financial periods, respectively.

Except for what has been mentioned in the previous paragraph, there are neither firm commitments to buy or sell nor future contracts for the inventories or limitations to availability.

11.4. There are no signs of impairment to the inventories at the end of the financial periods 2014/15 and 2015/2016.

## 12. FOREIGN CURRENCY

12.1. Assets in foreign currency mostly correspond to commercial loans for the sale of weeks in stock. The most significant balances in the diverse foreign currencies are detailed below:

Foreign currency	Balance at 30.09.15	Exchange Rate at 30.09.15	Euros at 30.09.15	Rupees at 30.09.15
Pounds Sterling	450,815	0.74 pound/euro	609,209	45,672,399

Foreign currency	Balance at 31.03.16	Exchange Rate at 31.03.16	Euros at 31.03.16	Rupees at 31.03.16
Pounds Sterling	403,111	0.79 pound/euro	510,267	38,254,717

12.2. Transactions carried out in foreign currency during the 2015/16 and 2014/15 financial periods, correspond entirely to sales, reaching 425,364 Euros (31,889,539 Rupees) and 564,910 Euros (42,351,303 Rupees) respectively.

## 13. TAX POSITION

### Profit Tax

#### 13.1. Tax Consolidation Regime

The Company is taxed in the consolidated tax system in accordance with Chapter VII of Royal Legislative Decree 4/2004, of 5 March, which approved the revised text from the Law of Corporate Tax.

The Tax Group comprises the following corporations:

Parent: Holiday Club Canarias Investment, S.L.U.

Subsidiaries: Holiday Club Canarias Sales & Marketing, S.L.U. and Holiday Club Canarias Resort Management, S.L.U.

#### 13.2. Individual Tax Base

The reconciliation of the net amounts of income and expenditures for the financial period against the tax base of Corporate Tax, is the following:

Euros	Inc. & expend. directly attributable to Equity
Balance of income and expenditure for the financial year	(182,035)
Profit Tax	(108,522)



Euros	Profit & Loss Account	Inc. & expend. directly attributable to Equity
Current Tax	(113,084)	-
Deferred Tax	4,562	-
<b>Permanent Differences</b>		
Goodwill Deduction	(9,040)	-
Non-deductible Expenses	17,383	-
<b>Temporary Differences</b>		
70% Limit Amortization	(15,207)	-
Non-deductible Expenses	11,060	-
<b>Tax Base (Tax Profit &amp; Loss)</b>	<b>(286,360)</b>	<b>-</b>

Rupees	Profit & Loss Account	Inc. & expend. directly attributable to Equity
<b>Balance of income and expenditure for the financial year</b>	<b>(13,647,164)</b>	<b>-</b>
<b>Profit Tax</b>	<b>(8,135,894)</b>	<b>-</b>
Current Tax	(8,477,907)	-
Deferred Tax	342,013	-
<b>Permanent Differences</b>		
Goodwill Deduction	(677,729)	-
Non-deductible Expenses	1,303,204	-
<b>Temporary Differences</b>		
70% Limit Amortization	(1,140,069)	-
Non-deductible Expenses	829,168	-
<b>Tax Base (Tax Profit &amp; Loss)</b>	<b>(21,468,409)</b>	<b>-</b>

### 13.3. Corporate Tax Settlement

Under the rules applicable to the Tax Consolidation Regime, the taxable income of the tax group is determined by adding individual taxable bases corresponding to the companies comprising the Fiscal group, deletions, additions or deletions carried out in previous years and, in the event that the above sum proves to be positive, compensating the carry-forwards of the Fiscal group, as well as the outstanding tax bases to be applied by the companies taxable at the time of joining the Tax Group.

In consequence, the Individual Tax Base of Holiday Club Canarias Sales & Marketing, S.L.U., for a negative amount of 286,360 Euros (21,468,409 Rupees), are subject to addition together with the rest of the tax bases of the remaining companies comprising the Tax Group.

By applying the tax rate over the tax base, you obtain the total tax due for the tax group which is reduced by the items and amounts expressed below:

Euros	2015/16	2014/15
<b>Previous Group Tax Base</b>	<b>116,247</b>	<b>(1,029,232)</b>
<b>Negative Group Tax base from previous financial years</b>	<b>(116,247)</b>	<b>-</b>
<b>Group Tax Base</b>	<b>-</b>	<b>(1,029,232)</b>
<b>Corporate income tax payable (28-30% x taxable base)</b>	<b>-</b>	<b>(308,797)</b>
<b>Group Gross Tax payable</b>	<b>-</b>	<b>(308,797)</b>

Rupees	2015/16	2014/15
<b>Previous Group Tax Base</b>	<b>8,715,038</b>	<b>(77,161,523)</b>
<b>Negative Group Tax base from previous financial years</b>	<b>(8,715,038)</b>	<b>-</b>
<b>Group Tax Base</b>	<b>-</b>	<b>(77,161,523)</b>
<b>Corporate income tax payable (28-30% x taxable base)</b>	<b>-</b>	<b>(23,150,511)</b>
<b>Group Gross Tax payable</b>	<b>-</b>	<b>(23,150,511)</b>

### 13.4. Breakdown of expenditure on Income Tax

The expenditure on Income Tax accrued in the financial periods is broken down as follows:

Euros	2015/16	2014/15
<b>1. Current Tax</b>	<b>(113,084)</b>	<b>(217,685)</b>
<b>2. Deferred tax</b>	<b>4,562</b>	<b>(47,173)</b>
- deductible temporary differences that are applied in the period	4,562	(47,173)
<b>3. Total expenditure on income tax</b>	<b>(108,522)</b>	<b>(264,858)</b>

Rupees	2015/16	2014/15
<b>1. Current Tax</b>	<b>(8,477,907)</b>	<b>(16,319,844)</b>
<b>2. Deferred tax</b>	<b>342,013</b>	<b>(3,536,560)</b>
- deductible temporary differences that are applied in the period	342,013	(3,536,560)
<b>3. Total expenditure on income tax</b>	<b>(8,135,894)</b>	<b>(19,856,404)</b>

### 13.5. Deferred Tax Asset

Transactions during the 2014/15 and 2015/16 financial periods found in this heading have been the following:

Euros	Balance 30.09.14	Acquisitions	Applications	Balance 30.09.15
- Temporary differences, 70% limit fiscal amortisation	44,267	47,173	-	91,440
<b>Totals</b>	<b>44,267</b>	<b>47,173</b>	<b>-</b>	<b>91,440</b>

Euros	Balance 30.09.15	Acquisitions	Applications	Balance 31.03.16
- Temporary differences, 70% limit fiscal amortisation	91,440	-	(4,562)	86,878
<b>Totals</b>	<b>91,440</b>	<b>-</b>	<b>(4,562)</b>	<b>86,878</b>

Rupees	Balance 30.09.14	Acquisitions	Applications	Balance 30.09.15
- Temporary differences, 70% limit fiscal amortisation	3,318,697	3,536,560	-	6,855,257
<b>Totals</b>	<b>3,318,697</b>	<b>3,536,560</b>	<b>-</b>	<b>6,855,257</b>

HOLIDAY CLUB CANARIAS SALES & MARKETING S.L.U.

	Balance 30.09.15	Acquisitions	Applications	Balance 33.03.16
- Temporary differences, 70% limit fiscal amortisation	6,855,257	-	(342,013)	6,513,244
<b>Totals</b>	<b>6,855,257</b>	<b>-</b>	<b>(342,013)</b>	<b>6,513,244</b>

The tax base applied is 30%.

13.6. Deferred Tax Liabilities

The amount of 162,191 Euros (12,159,459 Rupees), corresponds to the tax effect of capital grants appearing in the Company's equity at March 31, 2016. The tax base applied is 30%.

13.7. The Canary Islands Investment Reserve

The Canary Islands Investment Reserve was provided for from January 1, 2007 and what has been set out in Royal Decree Act 12/2016 of December 29, in which Law 19/1994 of July 6, Modification of the Canary Islands Financial and Tax Regime (REF) was modified, is applicable.

At the end of the financial year 2015/2016, the situation of the Canary Islands Investment Reserve is as follows:

<u>Euros</u>			
Item	2011	2011/12	2012/13
Provisions	776,358	1,081,563	2,465,000
<u>Investments carried out</u>			
Financial Period 2011/11			
Financial Period 2011/12			
Financial Period 2012/13			
Financial Period 2013/14	(776,358)	(1,081,563)	(799,103)

The Company, during the Financial Period 2013/14, carried out the following Investments, materialising the Reserve in the following assets and on the indicated dates on the following table. This table shows the Financial Period for which the provisions were materialised by type of asset is indicated:

<u>Euros</u>								
Account	Item	Date Acquired	Acquisition Amount	Grant Deduction	Amount Used	Provision 2011	Provision 2011/2012	Provision 2012/2013
21100001	ANGRY BIRDS CONSTRUCTIONS	01.11.2013	1,084,195	633,330	633,330	633,330	-	-
					<b>633,330</b>	<b>633,330</b>	-	-
21301001	ANGRY BIRDS ASSETS	01.11.2013	55,851	23,226	32,625	32,625	-	-
21301001	Machinery	12.06.2014	3,500		3,500	3,500	-	-
					<b>36,125</b>	<b>36,125</b>	-	-
21508001	ANGRY BIRDS ASSETS	01.11.2013	2,833,292	1,178,231	1,655,060	106,902	1,081,563	466,595
21508001	Other Facilities	21.11.2013	7,710	-	7,710	-	-	7,710
21508001	Other Facilities	01.02.2014	1,102	-	1,102	-	-	1,102
21508001	Other Facilities	01.02.2014	2,590	-	2,590	-	-	2,590
21508001	Other Facilities	18.02.2014	755	-	755	-	-	755
21508001	Other Facilities	26.02.2014	746	-	746	-	-	746
21508001	Other Facilities	08.04.2014	1,609	-	1,609	-	-	1,609
21508001	Other Facilities	07.05.2014	110	-	110	-	-	110
21508001	Other Facilities	09.05.2014	298	-	298	-	-	298
21508001	Other Facilities	09.05.2014	943	-	943	-	-	943

<u>Euros</u>			
Item	2011	2011/12	2012/13
Financial Period 2014/15			(263,916)
Financial Period 2015/16			(13,857)
<u>Investment pending</u>			
Maturity 2014/15	-	-	-
Maturity 2015/16	-	-	-
Maturity 2016/17	-	-	1,388,124
<u>Rupees</u>			
Item	2011	2011/12	2012/13
Provisions	58,203,559	81,084,778	184,801,050
<u>Investments carried out</u>			
Financial Period 2011/11			
Financial Period 2011/12			
Financial Period 2012/13			
Financial Period 2013/14	(58,203,559)	(81,084,778)	(59,908,752)
Financial Period 2014/15			(19,785,782)
Financial Period 2015/16			(1,038,859)
<u>Investment pending</u>			
Maturity 2014/15	-	-	-
Maturity 2015/16	-	-	-
Maturity 2016/17	-	-	104,067,656

## Euros

Account	Item	Date Acquired	Acquisition Amount	Grant Deduction	Amount Used	Provision 2011	Provision 2011/2012	Provision 2012/2013
21508001	Other Facilities	14.05.2014	893	-	893	-	-	893
21508001	Other Facilities	19.05.2014	1,609	-	1,609	-	-	1,609
21508001	Other Facilities	20.05.2014	1,390	-	1,390	-	-	1,390
21508001	Other Facilities	21.05.2014	396	-	396	-	-	396
21508001	Other Facilities	31.05.2014	1,476	-	1,476	-	-	1,476
21508001	Other Facilities	31.05.2014	604	-	604	-	-	604
21508001	Other Facilities	05.06.2014	1,811	-	1,811	-	-	1,811
21508001	Other Facilities	06.06.2014	26	-	26	-	-	26
21508001	Other Facilities	06.06.2014	15	-	15	-	-	15
21508001	Other Facilities	06.06.2014	76	-	76	-	-	76
21508001	Other Facilities	01.08.2014	269	-	269	-	-	269
21508001	Other Facilities	01.08.2014	1,616	-	1,616	-	-	1,616
21508001	Other Facilities	01.08.2014	3,493	-	3,493	-	-	3,493
21508001	Other Facilities	08.08.2014	2,001	-	2,001	-	-	2,001
21508001	Other Facilities	01.09.2014	2,319	-	2,319	-	-	2,319
					<b>1,688,918</b>	<b>106,902</b>	<b>1,081,563</b>	<b>500,453</b>
21601002	ANGRY BIRDS ASSETS	01.11.2013	83,856	34,871,61	48,984	-	-	48,984
21601002	Furniture	19.11.2013	783	-	783	-	-	783
21601002	Furniture	19.11.2013	175	-	175	-	-	175
21601002	Furniture	01.03.2014	600	-	600	-	-	600
21601002	Furniture	01.04.2014	690	-	690	-	-	690
21601002	Furniture	15.04.2014	690	-	690	-	-	690
21601002	Furniture	31.05.2014	356	-	356	-	-	356
21601002	Furniture	01.06.2014	199	-	199	-	-	199
21601002	Furniture	01.06.2014	63	-	63	-	-	63
21601002	Furniture	01.06.2014	175	-	175	-	-	175
21601002	Furniture	01.06.2014	1,142	-	1,142	-	-	1,142
21601002	Furniture	29.06.2014	814	-	814	-	-	814
					<b>54,670</b>	-	-	<b>54,670</b>
21701001	IT Equipment	26.10.2013	1,347	-	1,347	-	-	1,346
21701001	IT Equipment	04.12.2013	768	-	768	-	-	768
21701001	IT Equipment	04.12.2013	749	-	749	-	-	749
21701001	IT Equipment	04.12.2013	14,176	-	14,176	-	-	14,176
21701002	IT Equipment	11.10.2013	1,224	-	1,224	-	-	1,224
					<b>18,264</b>	-	-	<b>18,264</b>
21801001	Vehicles	10.09.2014	19,509	-	19,509	-	-	19,509
21801001	Vehicles	12.09.2014	285	-	285	-	-	285
					<b>19,794</b>	-	-	<b>19,794</b>
21901008	Other Tangible Fixed Assets	01.12.2013	1,400	-	1,400	-	-	1,400
21901008	Other Tangible Fixed Assets	16.09.2014	64	-	64	-	-	64
21901008	Other Tangible Fixed Assets	16.09.2014	2,500	-	2,500	-	-	2,500
21901008	Other Tangible Fixed Assets	17.09.2014	64	-	64	-	-	64
					<b>4,029</b>	-	-	<b>4,029</b>

HOLIDAY CLUB CANARIAS SALES & MARKETING S.L.U.

Rupees								
Account	Item	Date Acquired	Acquisition Amount	Grant Deduction	Amount Used	Provision 2011	Provision 2011/2012	Provision 2012/2013
21100001	ANGRY BIRDS CONSTRUCTIONS	01.11.2013	81,282,099	47,480,750	47,480,750	47,480,750	-	-
					<b>47,480,750</b>	<b>47,480,750</b>	-	-
21301001	ANGRY BIRDS ASSETS	01.11.2013	4,187,149	1,741,253	2,445,896	2,445,896	-	-
21301001	Machinery	12.06.2014	262,395		262,395	262,395	-	-
					<b>2,708,291</b>	<b>2,708,291</b>	-	-
21508001	ANGRY BIRDS ASSETS	01.11.2013	212,411,901	88,331,978	124,079,848	8,014,443	81,084,778	34,980,627
21508001	Other Facilities	21.11.2013	578,019	-	578,019	-	-	578,019
21508001	Other Facilities	01.02.2014	82,617	-	82,617	-	-	82,617
21508001	Other Facilities	01.02.2014	194,172	-	194,172	-	-	194,172
21508001	Other Facilities	18.02.2014	56,602	-	56,602	-	-	56,602
21508001	Other Facilities	26.02.2014	55,928	-	55,928	-	-	55,928
21508001	Other Facilities	08.04.2014	120,627	-	120,627	-	-	120,627
21508001	Other Facilities	07.05.2014	8,247	-	8,247	-	-	8,247
21508001	Other Facilities	09.05.2014	22,341	-	22,341	-	-	22,341
21508001	Other Facilities	09.05.2014	70,697	-	70,697	-	-	70,697
21508001	Other Facilities	14.05.2014	66,948	-	66,948	-	-	66,948
21508001	Other Facilities	19.05.2014	120,627	-	120,627	-	-	120,627
21508001	Other Facilities	20.05.2014	104,208	-	104,208	-	-	104,208
21508001	Other Facilities	21.05.2014	29,688	-	29,688	-	-	29,688
21508001	Other Facilities	31.05.2014	110,656	-	110,656	-	-	110,656
21508001	Other Facilities	31.05.2014	45,282	-	45,282	-	-	45,282
21508001	Other Facilities	05.06.2014	135,771	-	135,771	-	-	135,771
21508001	Other Facilities	06.06.2014	1,949	-	1,949	-	-	1,949
21508001	Other Facilities	06.06.2014	1,125	-	1,125	-	-	1,125
21508001	Other Facilities	06.06.2014	5,698	-	5,698	-	-	5,698
21508001	Other Facilities	01.08.2014	20,167	-	20,167	-	-	20,167
21508001	Other Facilities	01.08.2014	121,152	-	121,152	-	-	121,152
21508001	Other Facilities	01.08.2014	261,870	-	261,870	-	-	261,870
21508001	Other Facilities	08.08.2014	150,015	-	150,015	-	-	150,015
21508001	Other Facilities	01.09.2014	173,855	-	173,855	-	-	173,855
					<b>126,618,182</b>	<b>8,014,443</b>	<b>81,084,778</b>	<b>37,518,961</b>
21601002	ANGRY BIRDS ASSETS	01.11.2013	6,286,684	2,614,325	3,672,330	-	-	3,672,330
21601002	Furniture	19.11.2013	58,702	-	58,702	-	-	58,702
21601002	Furniture	19.11.2013	13,120	-	13,120	-	-	13,120
21601002	Furniture	01.03.2014	44,982	-	44,982	-	-	44,982
21601002	Furniture	01.04.2014	51,729	-	51,729	-	-	51,729
21601002	Furniture	15.04.2014	51,729	-	51,729	-	-	51,729
21601002	Furniture	31.05.2014	26,689	-	26,689	-	-	26,689
21601002	Furniture	01.06.2014	14,919	-	14,919	-	-	14,919
21601002	Furniture	01.06.2014	4,723	-	4,723	-	-	4,723
21601002	Furniture	01.06.2014	13,120	-	13,120	-	-	13,120
21601002	Furniture	01.06.2014	85,616	-	85,616	-	-	85,616
21601002	Furniture	29.06.2014	61,026	-	61,026	-	-	61,026
					<b>4,098,610</b>	-	-	<b>4,098,610</b>

## Rupees

Account	Item	Date Acquired	Acquisition Amount	Grant Deduction	Amount Used	Provision 2011	Provision 2011/2012	Provision 2012/2013
21701001	IT Equipment	26.10.2013	100,985	-	100,985	-	-	100,910
21701001	IT Equipment	04.12.2013	57,577	-	57,577	-	-	57,577
21701001	IT Equipment	04.12.2013	56,153	-	56,153	-	-	56,153
21701001	IT Equipment	04.12.2013	1,062,775	-	1,062,775	-	-	1,062,775
21701002	IT Equipment	11.10.2013	91,763	-	91,763	-	-	91,763
					<b>1,369,252</b>	-	-	<b>1,369,252</b>
21801001	Vehicles	10.09.2014	1,462,590	-	1,462,590	-	-	1,462,590
21801001	Vehicles	12.09.2014	21,366	-	21,366	-	-	21,366
					<b>1,483,956</b>	-	-	<b>1,483,956</b>
21901008	Other Tangible Fixed Assets	01.12.2013	104,958	-	104,958	-	-	104,958
21901008	Other Tangible Fixed Assets	16.09.2014	4,798	-	4,798	-	-	4,798
21901008	Other Tangible Fixed Assets	16.09.2014	187,425	-	187,425	-	-	187,425
21901008	Other Tangible Fixed Assets	17.09.2014	4,798	-	4,798	-	-	4,798
					<b>302,054</b>	-	-	<b>302,054</b>

Also, at the time of the initial investment relating to the opening of the Angry Birds Park, the creation of jobs occurred, which caused an increase of the total average number of employees. This has resulted in the materialization of the reserve in the creation of jobs, which, as indicated in the Report for the 2013/2014 Financial Period, amounted to 201,892 Euros (15,135,843 Rupees).

During the financial period 2014/2015, the Company has carried out the following investments: using the Reserve on the following assets and on the dates indicated in the following table. This table shows the Financial Period for which the provisions were materialised by type of asset is indicated:

## Euros

Account	Item	Acquisition Date	Acquisition Amount	Amount materialised	Provision 2012/2013
21601002	Furniture	28.02.2015	220	220	220
21601002	Furniture	28.02.2015	715	715	715
21601002	Furniture	12.03.2015	298	298	298
21601002	Furniture	19.03.2015	1,060	1,060	1,060
21601002	Furniture	19.03.2015	60	60	60
21601002	Furniture	30.04.2015	2,373	2,373	2,373
21601002	Furniture	30.09.2015	571	571	571
	<b>Furniture</b>		<b>5,297</b>	<b>5,297</b>	<b>5,297</b>
21701001	IT Equipment	31.10.2014	784	784	784
21701001	IT Equipment	31.10.2014	645	645	645
21701001	IT Equipment	30.11.2014	2,311	2,311	2,311
	<b>IT Equipment</b>		<b>3,740</b>	<b>3,740</b>	<b>3,740</b>

## Rupees

Account	Item	Acquisition Date	Acquisition Amount	Amount materialised	Provision 2012/2013
21601002	Furniture	28.02.2015	164,934	164,934	164,934
21601002	Furniture	28.02.2015	5,360,355	5,360,355	5,360,355
21601002	Furniture	12.03.2015	2,234,106	2,234,106	2,234,106
21601002	Furniture	19.03.2015	79,468	79,468	79,468
21601002	Furniture	19.03.2015	44,982	44,982	44,982
21601002	Furniture	30.04.2015	177,904	177,904	177,904

HOLIDAY CLUB CANARIAS SALES & MARKETING S.L.U.

Rupees

Account	Item	Acquisition Date	Acquisition Amount	Amount materialised	Provision 2012/2013
21601002	Furniture	30.09.2015	4,280,787	4,280,787	4,280,787
	<b>Furniture</b>		<b>397,116</b>	<b>397,116</b>	<b>397,116</b>
21701001	IT Equipment	31.10.2014	5,877,648	5,877,648	5,877,648
21701001	IT Equipment	31.10.2014	4,835,565	4,835,565	4,835,565
21701001	IT Equipment	30.11.2014	173,256	173,256	173,256
	<b>IT Equipment</b>		<b>280,388</b>	<b>280,388</b>	<b>280,388</b>

Furthermore, on the occasion of the initial investment for the launch of the Angry Birds Park on November 1, 2013, jobs have been created which have determined an increase of the average total number of staff. This has resulted in the realization of the reserve due to the creation of jobs.

In particular, the increase to the average amount of staff pursuant to Article 27.4.C of Law 19/1994, July 6 and Article 10 of the Royal Decree of 1758/2007, was 10,56 employees.

During the financial period 2014/2015, the amount of 24,136 Euros (1,809,476 Rupees) is the average cost of the gross wages and compulsory social contributions of employees connected to the Park. Consequently, in accordance with Article 27.6 of Law 19/1994, the materialization of the reserve due to the increase of the number of employees at the initial investment, is 254,879 Euros (19,108,279 Rupees).

This investment, due to the creation of jobs materializes part of the reserve allocated in the Financial Period 2012/2013.

During the financial period 2015/2016, the Company has carried out the following investments: using the Reserve on the following assets and on the dates indicated in the following table. This table shows the Financial Period for which the provisions were materialised by type of asset is indicated:

Euros

Account	Item	Acquisition Date	Acquisition amount	Amount materialised	Provision 2012/2013
21601002	Furniture	01.10.2015	6,898	6,898	6,898
21601002	Furniture	31.10.2015	320	320	320
	<b>Furniture</b>		<b>7,218</b>	<b>7,218</b>	<b>7,218</b>
21701002	IT Equipment	25.11.2015	749	749	749
21701002	IT Equipment	30.11.2015	460	460	460
	<b>IT Equipment</b>		<b>1,209</b>	<b>1,209</b>	<b>1,209</b>
21508001	Other facilities	29.02.2016	1,260	1,260	1,260
21508001	Other facilities	29.02.2016	355	355	355
	<b>Other facilities</b>		<b>1,615</b>	<b>1,615</b>	<b>1,615</b>
20601001	IT applications	01.03.2016	3,816	3,816	3,816
	<b>IT applications</b>		<b>3,816</b>	<b>3,816</b>	<b>3,816</b>

Rupees

Account	Item	Acquisition Date	Acquisition amount	Amount materialised	Provision 2012/2013
21601002	Furniture	01.10.2015	517,143	517,143	517,143
21601002	Furniture	31.10.2015	23,990	23,990	23,990
	<b>Furniture</b>		<b>541,133</b>	<b>541,133</b>	<b>541,133</b>
21701002	IT Equipment	25.11.2015	56,153	56,153	56,153
21701002	IT Equipment	30.11.2015	34,486	34,486	34,486
	<b>IT Equipment</b>		<b>90,639</b>	<b>90,639</b>	<b>90,639</b>
21508001	Other facilities	29.02.2016	94,462	94,462	94,462
21508001	Other facilities	29.02.2016	26,614	26,614	26,614
	<b>Other facilities</b>		<b>121,077</b>	<b>121,077</b>	<b>121,077</b>
20601001	IT applications	01.03.2016	286,086	286,086	286,086
	<b>IT applications</b>		<b>286,086</b>	<b>286,086</b>	<b>286,086</b>

Finally, it must be reported that the Company has not carried out investments prior the provision and it has not been benefited from any other tax benefit accrued at the time of the Investments made as a result of the realization of the RIC.

13.8. Financial Periods Open to the Possibility of a Tax Inspection

As set forth in current legislation, taxes cannot be considered definitively settled until the tax returns presented have been inspected by the tax authorities or the four-year statute of limitations has run out.

At the closing date, the company is also open to inspection of all the taxes that are applicable to it, corresponding to the last four years.

The Board of Directors of the Company considered that liquidations of the mentioned taxes have been properly settled, so, even though discrepancies could arise in the interpretation or the existing tax regulations by the handling of tax granted to the operations, the eventual resulting liabilities in case of materialisation would not significantly affect the annual accounts.

14. INCOMES AND EXPENSES14.1. Breakdown of the following items in the Profit and Loss Account:

4.a) Consumption of goods: corresponding to the cost of the acquired weeks and with purchases of merchandise and merchandising for the Theme Park. The amounts are as follows:

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
Cost of weeks acquired	–	8,322
Merchandise purchased Theme Park	85,180	298,647
Change in Inventory merchandise Theme park	26,800	(126,337)
<b>Totals</b>	<b>111,980</b>	<b>180,632</b>

<b>Rupees</b>	<b>2015/16</b>	<b>2014/15</b>
Cost of weeks acquired	–	623,900
Merchandise purchased Theme Park	6,385,945	22,389,566
Change in Inventory merchandise Theme park	2,009,196	(9,471,485)
<b>Totals</b>	<b>8,395,141</b>	<b>13,541,981</b>

The purchase of acquired weeks has been carried out in Spanish territory and the theme park merchandise has been purchased from members countries of the European Union.

6.b) Social security: corresponds entirely with the business contribution whose amount totalled 351,418 euros (26,345,807 Rupees) and 747,827 Euros (56,064,590 Rupees) for the Financial Periods 2015/16 and 2014/15, respectively.

## 7.a) External Services:

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
Leases and Charges	259,172	660,028
Repair and Maintenance	1,448,362	2,059,084
Independent Professional Services	939,466	1,526,450
Transport	110,915	197,912
Insurance	13,137	23,062
Bank Services and Similar	18,550	26,916
Publicity, Advertising and Public Relations	377,890	681,533
Supplies	95,595	133,310
Other Services	82,413	138,238
<b>Totals</b>	<b>3,345,499</b>	<b>5,446,534</b>

<b>Rupees</b>	<b>2015/16</b>	<b>2014/15</b>
Leases and Charges	19,430,125	49,482,299
Repair and Maintenance	108,583,699	154,369,527

<b>Rupees</b>	<b>2015/16</b>	<b>2014/15</b>
Independent Professional Services	70,431,766	114,437,957
Transport	8,315,298	14,837,463
Insurance	984,881	1,728,958
Bank Services and Similar	1,390,694	2,017,893
Publicity, Advertising and Public Relations	28,330,413	51,094,529
Supplies	7,166,757	9,994,251
Other Services	6,178,503	10,363,703
<b>Totals</b>	<b>250,812,060</b>	<b>408,326,654</b>

## 7.c) Losses on, impairment of and change in trade provisions:

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
Losses from bad debts	486,718	673,570
Trade Provision	322,523	1,207,262
Excess Trade Provision	(486,718)	(660,000)
Provision packs	–	49,040
Provision Sales-persons' commissions	33,892	(50,951)
Other provisions	54,898	111,090
<b>Totals</b>	<b>411,313</b>	<b>1,330,011</b>

<b>Rupees</b>	<b>2015/16</b>	<b>2014/15</b>
Losses from bad debts	36,489,248	50,497,543
Trade Provision	24,179,549	90,508,432
Excess Trade Provision	(36,489,248)	(49,480,200)
Provision packs	–	3,676,529
Provision Sales-persons' commissions	2,540,883	(3,819,796)
Other provisions	4,115,703	8,328,417
<b>Totals</b>	<b>30,836,136</b>	<b>99,710,925</b>

14.2. "Other results": these correspond to the net of Profit & Loss that stem from events that are not a part of the Company's typical activities and which are not expected to occur frequently.

15. PROVISIONS AND CONTINGENCIESProvisions

15.1. These correspond to the accrual of commissions pending payment to sales staff, the cost of the accommodation of packs and provisions for the cancellation of sales. The balance at the close of the financial year 2015/16 and 2014/15 amounts 645,660 euros (48,405,130 Rupees) and 556,871 Euros (41,748,619 Rupees), respectively.

Contingencies

15.2. There are guarantees provided by one of the group Companies, to respond to a loan granted by a financial institution, amounting to 518,142 Euros (38,845,106 Rupees) (see Note 19.3).

16. ENVIRONMENTAL INFORMATION

Given the activity that the Company carries out, there are no responsibilities, expenses, assets or contingencies of any environmental nature that could be of any significance with regard to equity, the financial position and its results. Therefore, no specific break-downs are included in this report.

17. GRANTS, DONATIONS AND BEQUESTS

17.1. On June 24, 2014 a grant was given by the Ministry of Finance and other Public Administrations for the investment Project in the Angry Birds Theme Park, for the amount of 870,213 Euros (65,239,869 Rupees).

17.2. Variations in the capital grant during the financial years 2014/15 and 2015/16 are as follows:

Euros	Balance 30.09.14	Acquisitions	Transfer to results	Balance 30.09.15
Capital Grant	786,216	-	(91,633)	694,583
Tax Effect	(235,865)	-	27,490	(208,375)
<b>Totals</b>	<b>550,351</b>	<b>-</b>	<b>(64,143)</b>	<b>486,208</b>

	Balance 30.09.15	Acquisitions	Transfer to results	Tax rate change	Balance 31.03.16
Capital Grant	694,583	-	(45,817)	-	648,766
Tax Effect	(208,375)	-	13,363	32,820	(162,191)
<b>Totals</b>	<b>486,208</b>	<b>-</b>	<b>(32,454)</b>	<b>32,820</b>	<b>486,574</b>

Rupees	Balance 30.09.14	Acquisitions	Transfer to results	Balance 30.09.15
Capital Grant	58,942,614	-	(6,869,726)	52,072,888
Tax Effect	(17,682,799)	-	2,060,925	(15,621,874)
<b>Totals</b>	<b>41,259,814</b>	<b>-</b>	<b>(4,808,801)</b>	<b>36,451,014</b>

	Balance 30.09.15	Acquisitions	Transfer to results	Tax rate change	Balance 31.03.16
Capital Grant	52,072,888	-	(3,434,900)	-	48,637,987
Tax Effect	(15,621,874)	-	1,001,824	2,460,515	(12,159,459)
<b>Totals</b>	<b>36,451,014</b>	<b>-</b>	<b>(2,433,076)</b>	<b>2,460,515</b>	<b>36,478,453</b>

## 18. EVENTS AFTER THE CLOSING OF THE YEAR

No events have occurred after closing that could be considered significant and affect the financial period's accounts.

## 19. TRANSACTIONS BETWEEN RELATED PARTIES

### 19.1. Regarding the Managing Board and Key Company Staff

Managers and the key personnel of the company with whom related-party transactions have been carried out are the following:

- Mr. Calvin Stuart Lucock, Administrator and Managing Director.
- Ms. Unn Tove Saetran, Sales Manager.
- Ms. Maria del Carmen Meinster, Publicity Services Manager.

Remuneration paid to managers and key personnel of the company, during the financial period 2015/16, in their status as employees of the company, amounts to 102,715 Euros (7,700,543 Rupees) and in the financial period 2014/2015, 221.192 Euros (16,582,764 Rupees).

On the Balance Sheet there is a current account with partners and administrators at March 31, 2016, that amounts 3,264 euros (244,702 Rupees) and in the financial period 2014/2015, 2,530 euros (189,674 Rupees).

### 19.2. Information required by Article 229 Of the Corporate Enterprises Act

According to the Article 229 of the Corporate Enterprises Act, we hereby inform that the members of the Board of Directors do not have shares or hold positions or perform functions in companies whose corporate purpose is the same, similar or complementary to the Company's.

However, the members of the Board of Directors hold various shares in companies related to the Company and hold management positions and carry out functions related to the management, which have not been

subject to inclusion in this Note of the Report, as this does not pose any conflict with regard to their duties of diligence and loyalty or the existence of potential conflicts of interest in the context of Law 26/2004 17 July, that amended Law 24/1988, of July 28, in which the market values and the text revised from the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July.

Also during the Financial Period, the members of the Board of Directors have not carried out transactions outside the normal course of business beyond the ordinary traffic or in conditions other than those of the market with the company or group companies. The only transactions with administrators are those outlined in Note 19.1.

### 19.3. Transactions and Balances with Group companies:

The transactions carried out with Group companies during the Financial periods 2014/15 and 2015/16, are the following:

Euros	2014/15		
Company	Financial Expenses	Services received	Services rendered
Holiday Club Canarias Resort Management, S.L.U.	-	2,327,749	160,073
Holiday Club Resort OY	-	289,712	252,965
Holiday Club Sweden AB	354,174	2,761	69,289
<b>Totals</b>	<b>354,174</b>	<b>2,620,222</b>	<b>482,328</b>

	2015/16		
Company	Financial Expenditures	Services received	Services rendered
Holiday Club Canarias Resort Management, S.L.U.	-	2,144,102	87,563
Holiday Club Resort OY	-	227,256	235,591
Holiday Club Sweden AB	172,304	2,169	-
<b>Totals</b>	<b>172,304</b>	<b>2,373,528</b>	<b>323,154</b>

Rupees	2014/15		
Company	Financial Expenses	Services received	Services rendered
Holiday Club Canarias Resort Management, S.L.U.	-	174,511,342	12,000,673
Holiday Club Resort OY	-	21,719,709	18,964,786
Holiday Club Sweden AB	26,552,425	206,992	5,194,596
<b>Totals</b>	<b>26,552,425</b>	<b>196,438,043</b>	<b>36,160,055</b>

	2015/16		
Company	Financial Expenditures	Services received	Services rendered
Holiday Club Canarias Resort Management, S.L.U.	-	160,743,327	6,564,598
Holiday Club Resort OY	-	17,037,382	17,662,257
Holiday Club Sweden AB	12,917,631	162,610	-
<b>Totals</b>	<b>12,917,631</b>	<b>177,943,319</b>	<b>24,226,855</b>

The transactions between the Group companies were performed under normal market conditions.

Balances outstanding with the Group Companies in the financial periods 2015/16 and 2014/15, both short-term and long-term, at the close of the Financial Periods are:



Euros	2015/2016		2014/2015	
	Debit Balances	Creditor Balances	Debit Balances	Creditor Balances
Holiday Club Canarias Resort Management, S.L.U.	-	448,950	1,236,463	71,993
Holiday Club Canarias Investment, S.L.U.	816,777	-	802,854	100,000
Holiday Club Resort OY	18,263	-	-	140,326
Holiday Club Sweden AB	-	13,299,365	-	14,074,479
<b>Totals</b>	<b>835,040</b>	<b>13,748,315</b>	<b>2,039,318</b>	<b>14,386,799</b>

Rupees	2015/2016		2014/2015	
	Debit Balances	Creditor Balances	Debit Balances	Creditor Balances
Holiday Club Canarias Resort Management, S.L.U.	-	33,657,782	92,697,631	5,397,315
Holiday Club Canarias Investment, S.L.U.	61,233,772	-	60,189,964	7,497,000
Holiday Club Resort OY	1,369,177	-	-	10,520,240
Holiday Club Sweden AB	-	997,053,394	-	1,055,163,691
<b>Totals</b>	<b>62,602,949</b>	<b>1,030,711,176</b>	<b>152,887,670</b>	<b>1,078,578,321</b>

The Company is backed by the Group Company Holiday Club Canarias Resort Management, S.L.U., to respond to a loan granted by a financial institution, amounting to 518,142 Euros (38,845,106 Rupees) (see Note 15.2).

## 20. OTHER INFORMATION

### 20.1. Companies subject to the same unit of decision

The Company shows the largest assets in the group of companies subject to the same decision-making units, headquartered in Spain. The companies are the following ones:

- Holiday Club Canarias Investment, S.L.U.: Parent Company of the Group
- Holiday Club Canarias Sales & Marketing, S.L.U.: Subsidiary and with the highest assets.
- Holiday Club Canarias Resort Management, S.L.U.: Subsidiary.

Aggregate amounts of said companies are as follows:

Euros	2015/16	2014/15
<b>ASSETS</b>		
Non-current Assets	10,192,461	10,426,673
Current Assets	18,167,717	18,204,629
<b>Total</b>	<b>28,360,178</b>	<b>28,631,303</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	6,607,897	6,517,230
Non-current Liabilities	12,687,560	13,926,968

Euros	2015/16	2014/15
Current Liabilities	9,064,721	8,187,105
<b>Total</b>	<b>28,360,178</b>	<b>28,631,303</b>

### PROFIT & LOSS

Turnover	7,708,321	14,152,257
Results (Profit/Loss)	90,300	(1,139,407)

Rupees	2015/16	2014/15
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### ASSETS

Non-current Assets	764,128,801	781,687,675
Current Assets	1,362,033,743	1,364,801,036

<b>Total</b>	<b>2,126,162,545</b>	<b>2,146,488,786</b>
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### EQUITY AND LIABILITIES

Equity	495,394,038	488,596,733
Non-current Liabilities	951,186,373	1,044,104,791
Current Liabilities	679,582,133	613,787,262

<b>Total</b>	<b>2,126,162,545</b>	<b>2,146,488,786</b>
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### PROFIT & LOSS

Turnover	577,892,825	1,060,994,707
Results (Profit/Loss)	6,769,791	(85,421,343)

### 20.2. Number of Employees

The average number of persons employed by the Company during the financial periods 2015/16 and 2014/15, distributed by their professional categories, has been the following:

	Persons	
	2015/16	2014/15
Executives and Administrative Staff	22,79	25,70
Sales Managers	-	1,19
Sales and Collections Staff	44,46	39,95
Others	23,09	27,47
<b>Totals</b>	<b>90,34</b>	<b>94,32</b>

The distribution by gender at the end of the financial periods 2015/16 and 2014/15 is the following:

	2015/16		2014/15	
	Men	Women	Men	Women
Executives and Administrative Staff	11	12	8	14
Sales Managers	-	-	2	-
Sales and Collections Staff	31	18	19	11
Others	17	11	16	8
<b>Totals</b>	<b>59</b>	<b>41</b>	<b>45</b>	<b>33</b>

### 20.3. Auditors' Fees

The fees for the audit of annual accounts amount to 10,590 Euros (793,932 Rupees) and 5,252 Euros (393,742 Rupees) for the Financial Periods 2015/16 and 2014/15 respectively.

**21. SEGMENT REPORTING**

The Company's business has been carried out entirely within the geographical area of the Canary Islands.

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
Sale of weeks and packs	4,313,469	7,133,097
Angry Birds Theme Park income	568,392	1,047,211
Other income	322,971	991,616
<b>Totals</b>	<b>5,204,832</b>	<b>9,171,924</b>

<b>Rupees</b>	<b>2015/16</b>	<b>2014/15</b>
Sale of weeks and packs	323,380,771	534,768,282
Angry Birds Theme Park income	42,612,348	78,509,409
Other income	24,213,136	74,341,452
<b>Totals</b>	<b>390,206,255</b>	<b>687,619,142</b>

**22. INFORMATION ABOUT DEFERRAL PAYMENTS MADE TO SUPPLIERS. THIRD ADDITIONAL REGULATION TO THE "DUTY OF INFORMATION" OF LAW 15/2010 OF 5 JULY**

According to the Third Additional Regulation of Law 15/2010 of 5 July, the Company informs the following information:

	<b>2015/16</b>
	<b>Days</b>
<b>Payment Ratio</b>	<b>45</b>
<b>Outstanding payment Ratio</b>	<b>30</b>
<b>Average period for payment to suppliers</b>	<b>43</b>
	<b>Euro/Rupees</b>
<b>Total payments in the period</b>	1,796,437/134,678,881
<b>Total outstanding payments</b>	194,128/14,553,776

In Mogán, on April 18, 2016

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in the management of five resorts and the lease of commercial premises at those resorts.

The Company's Resort property located at Mogán, Gran Canaria, Spain, was fully operational.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of Euro 2,503,489 (INR 187,686,570) and made profit Euro 273,598 (INR 20,511,642).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Calvin Stuart Lucock
- 2) Holiday Club Resorts Oy

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Canarias Investment S.L.U. and in turn subsidiary Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Holiday Club Canarias Resort Management S.L.U.

**Calvin Stuart Lucock**  
Director

**Holiday Club Resorts Oy**  
Director represented by  
**Calvin Stuart Lucock**

Place : Gran Canaria, Mogán  
Dated : April 18, 2016

## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

Translation of a report originally in Spanish based on our work performed in accordance with the audit regulations in force in Spain and prepared in accordance with the regulatory financial reporting framework applicable to the company in Spain (see Note 2). In the event of a discrepancy, the Spanish language version prevails.

To the shareholder of HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, SLU:

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

We have audited the accompanying financial statements of HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, SLU ("the company"), which comprise the balance sheet as at 31<sup>st</sup> March 2016, and the income statement, statement of cash flows and notes to the financial statements for the year then ended.

### **Director's Responsibility for the Financial Statements**

The Director is responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, SLU in accordance with Financial Reporting Standards applicable to the company in Spain, identified in Note 2.1 to the accompanying financial statements, and for such internal control as the director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations 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

judgement, 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 preparation by the Company's director 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 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, the accompanying financial statements presents fairly, in all material respects, the equity and financial position of HOLIDAY CLUB CANARIA RESORT MANAGEMENT, SLU as at 31<sup>st</sup> March 2016, and its results and its cash flows for the year then ended in accordance with Financial Reporting Standards, as applicable to the Company in Spain.

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

The accompanying director's report for 2015-2016 contains the explanations which the company's directors consider appropriate about the company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2015-2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, SLU.

Javier ALVAREZ CABRERA (n° ROAC: 16.092)  
RSM SPAIN AUDITORES, SLP (n° ROAC: S2158)

Place: In Las Palmas de Gran Canaria  
Date: 19<sup>th</sup> April, 2016

**BALANCE AT MARCH 31, 2016**

<b>ASSETS</b>	<b>Notes</b>	(Euros) <b>2015/16</b>	(Rupees) <b>2015/16</b>	(Euros) <b>2014/15</b>	(Rupees) <b>2014/15</b>
<b>A) NON-CURRENT ASSETS</b>					
<b>I. Intangible Assets</b>	<b>5</b>	<b>1,700,000</b>	<b>127,449,000</b>	<b>1,700,000</b>	<b>127,449,000</b>
4. Goodwill		1,700,000	127,449,000	1,700,000	127,449,000
<b>II. Fixed Assets</b>	<b>6</b>	<b>2,605,522</b>	<b>195,335,984</b>	<b>2,579,204</b>	<b>193,362,924</b>
1. Property and Buildings		2,346,015	175,880,745	2,341,281	175,525,837
2. Technical Facilities and other Fixed Assets		248,478	18,628,396	237,923	17,837,087
3. Advances and fixed assets in progress		11,030	826,919	-	-
<b>III. Real Estate Investments</b>	<b>7</b>	<b>774,408</b>	<b>58,057,368</b>	<b>781,786</b>	<b>58,610,496</b>
2. Construction/Buildings		774,408	58,057,368	781,786	58,610,496
<b>VI. Deferred Tax Assets</b>	<b>11</b>	<b>49,392</b>	<b>3,702,918</b>	<b>43,129</b>	<b>3,233,381</b>
<b>TOTAL A</b>		<b>5,129,323</b>	<b>384,545,345</b>	<b>5,104,119</b>	<b>382,655,801</b>
<b>B) LIQUID ASSETS</b>					
<b>II. Inventories</b>		<b>4,343</b>	<b>325,595</b>	<b>10,099</b>	<b>757,122</b>
6. Advance payments to suppliers		4,343	325,595	10,099	757,122
<b>III. Commercial debtors and other accounts receivables</b>		<b>1,842,781</b>	<b>138,153,292</b>	<b>2,259,851</b>	<b>169,421,029</b>
1. Trade receivables		1,803,711	135,224,214	2,212,723	165,887,843
a) <i>Trade receivables/long term</i>	8	139,947	10,491,827	180,660	13,544,080
b) <i>Trade receivables/short term</i>	8	1,663,764	124,732,387	2,032,063	152,343,763
3. Other debtors	8	39,053	2,927,803	47,110	3,531,837
6. Other receivables from Public Administrations		17	1,274	17	1,274
<b>IV. Short-term Investments in affiliated group and associated companies</b>	<b>8-17</b>	<b>513,745</b>	<b>38,515,463</b>	<b>86,789</b>	<b>6,506,571</b>
2. Loans to companies		513,745	38,515,463	86,789	6,506,571
<b>VI. Short term accruals</b>		<b>26,321</b>	<b>1,973,285</b>	<b>26,707</b>	<b>2,002,224</b>
<b>VII. Cash and other equivalent liquid assets</b>	<b>8</b>	<b>1,150,278</b>	<b>86,236,342</b>	<b>234,802</b>	<b>17,603,106</b>
1. Liquid assets		1,150,278	86,236,342	234,802	17,603,106
<b>TOTAL B</b>		<b>3,537,468</b>	<b>265,203,976</b>	<b>2,618,248</b>	<b>196,290,053</b>
<b>TOTAL ASSETS (A + B)</b>		<b>8,666,792</b>	<b>649,749,396</b>	<b>7,722,368</b>	<b>578,945,929</b>

**BALANCE AT MARCH 31, 2016**

<b>NET WORTH AND LIABILITIES</b>		<b>Notes</b>	(Euros) <b>2015/16</b>	(Rupees) <b>2015/16</b>	(Euros) <b>2014/15</b>	(Rupees) <b>2014/15</b>
<b>A) TOTAL EQUITY</b>						
<b>A-1) EQUITY</b>						
<b>I. Capital</b>						
1. Shared Capital						
<b>III. Reserves</b>						
1. Legal and statutory						
2. Other reserves						
<b>V. Profit &amp; Loss from previous Periods</b>						
2. (Losses from previous Periods)						
<b>VII. Profits for the Period</b>						
<b>TOTAL A</b>						
<b>B) NON CURRENT LIABILITIES</b>						
<b>II. Long-term Debts</b>						
2. Debts to Loan Institutions						
5. Other financial liabilities						
<b>TOTAL B</b>						
<b>C) CURRENT LIABILITIES</b>						
<b>II. Short-term provisions</b>						
<b>III. Short-term debts</b>						
2. Debts to Loan Institutions						
5. Other financial liabilities						
<b>IV. Short-term Debts with Group and Associated Companies</b>						
<b>V. Trade Creditors and other Accounts payable</b>						
3. Sundry Creditors						
4. Staff (salaries pending payment)						
6. Other debts with Public Administrations						
<b>VI. Short-term accruals</b>						
<b>TOTAL C</b>						
<b>TOTAL NET WORTH AND LIABILITIES (A + B + C)</b>						

**PROFIT AND LOSS ACCOUNTS AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) CONTINUING OPERATIONS</b>					
<b>1. Turnover</b>	<b>19</b>	<b>2,503,489</b>	<b>187,686,570</b>	<b>4,980,333</b>	<b>373,375,565</b>
b) Services rendered		2,503,489	187,686,570	4,980,333	373,375,565
<b>3. Self-constructed assets</b>		<b>-</b>	<b>-</b>	<b>17,395</b>	<b>1,304,103</b>
<b>4. Supplies</b>	<b>13</b>	<b>(52,729)</b>	<b>(3,953,093)</b>	<b>(112,086)</b>	<b>(8,403,087)</b>
a) Consumption of merchandise		(52,729)	(3,953,093)	(112,086)	(8,403,087)
<b>5. Other operations income</b>	<b>7</b>	<b>66,757</b>	<b>5,004,772</b>	<b>98,604</b>	<b>7,392,342</b>
a) Accessory income and other current operations		66,757	5,004,772	98,604	7,392,342
<b>6. Personnel expenses</b>		<b>(1,089,449)</b>	<b>(81,675,992)</b>	<b>(2,219,623)</b>	<b>(166,405,136)</b>
a) Wages, salaries and similar		(870,036)	(65,226,599)	(1,739,048)	(130,376,429)
b) Social Security contributions	13	(219,413)	(16,449,393)	(480,575)	(36,028,708)
<b>7. Other operating expenses</b>		<b>(994,663)</b>	<b>(74,569,885)</b>	<b>(1,875,661)</b>	<b>(140,618,305)</b>
a) Outsourced services	13	(805,625)	(60,397,706)	(1,450,582)	(108,750,133)
b) Taxes		(79,914)	(5,991,153)	(156,541)	(11,735,879)
c) Losses, impairment and variation of supplies from trade op.	13	(109,124)	(8,181,026)	(268,262)	(20,111,602)
d) Other current operating expenses		-	-	(277)	(20,767)
<b>8. Depreciation of fixed assets</b>	<b>6-7</b>	<b>(70,598)</b>	<b>(5,292,732)</b>	<b>(122,993)</b>	<b>(9,220,785)</b>
<b>13. Other incomes and expenses</b>	<b>13</b>	<b>(6,097)</b>	<b>(457,092)</b>	<b>(779)</b>	<b>(58,402)</b>
<b>A.1.) Operating Income (Profit)</b>		<b>356,709</b>	<b>26,742,474</b>	<b>765,190</b>	<b>57,366,294</b>
<b>14. Financial Income</b>	<b>8</b>	<b>28,323</b>	<b>2,123,375</b>	<b>24,614</b>	<b>1,845,312</b>
<b>b) Trade securities and other equity instruments</b>		28,323	2,123,375	24,614	1,845,312
b 2) Third Parties		28,323	2,123,375	24,614	1,845,312
<b>15. Financial expenses</b>		<b>(5,198)</b>	<b>(389,694)</b>	<b>(21,180)</b>	<b>(1,587,865)</b>
a) For debts with group and associated Companies	9-17	-	-	(15,547)	(1,165,559)
b) Debts with Third Parties		(5,198)	(389,694)	(5,634)	(422,381)
<b>17. Exchange differences</b>	<b>12</b>	<b>585</b>	<b>43,857</b>	<b>59</b>	<b>4,423</b>
<b>A.2) FINANCIAL PROFIT &amp; LOSS (PROFIT)</b>		<b>23,709</b>	<b>1,777,464</b>	<b>3,492</b>	<b>261,795</b>
<b>A.3) PROFIT BEFORE TAXES (PROFIT)</b>		<b>380,418</b>	<b>28,519,937</b>	<b>768,682</b>	<b>57,628,090</b>
<b>19. Corporate Income Tax</b>	<b>11</b>	<b>(106,821)</b>	<b>(8,008,370)</b>	<b>(229,805)</b>	<b>(17,228,481)</b>
<b>A.5) RESULTADO DEL EJERCICIO (BENEFICIO) PROFIT &amp; LOSS IN THE PERIOD (PROFIT)</b>		<b>273,598</b>	<b>20,511,642</b>	<b>538,878</b>	<b>40,399,684</b>

**STATEMENT OF CHANGES IN EQUITY AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) STATEMENT OF RECOGNISED PROFIT AND LOSS</b>					
A) PROFIT AND LOSS ACCOUNT	3	<u>273,598</u>	<u>20,511,642</u>	<u>538,878</u>	<u>40,399,684</u>
<b>TOTAL OF RECOGNISED PROFIT AND LOSS (A)</b>		<u>273,598</u>	<u>20,511,642</u>	<u>538,878</u>	<u>40,399,684</u>



**STATEMENT OF CHANGES IN EQUITY AT MARCH 31, 2016 (euros)**

ITEM	Shared Capital	Reserves	Previous Year's Profit & Loss	Current Year's Profit & Loss	TOTAL
<b>B) COMPLETE STATEMENT OF CHANGES TO EQUITY</b>					
<b>A. FINAL BALANCE YEAR 2013/14</b>	<b>3,100</b>	<b>1,564,094</b>	<b>(236,134)</b>	<b>610,152</b>	<b>1,941,212</b>
<b>B. ADJUSTED BALANCE BEGINNING 2014/15</b>	<b>3,100</b>	<b>1,564,094</b>	<b>(236,134)</b>	<b>610,152</b>	<b>1,941,212</b>
I. Total recognised Profit & Loss	–	–	–	538,878	<b>538,878</b>
III. Other variations to Equity	–	610,152	–	(610,152)	–
<b>C. FINAL BALANCE 2014/15</b>	<b>3,100</b>	<b>2,174,246</b>	<b>(236,134)</b>	<b>538,878</b>	<b>2,480,089</b>
<b>D. ADJUSTED BALANCE, BEGINNING 2015/16</b>	<b>3,100</b>	<b>2,174,246</b>	<b>(236,134)</b>	<b>538,878</b>	<b>2,480,089</b>
I. Total recognised incomes and expenses	–	–	–	273,598	<b>273,598</b>
III. Other changes to Equity	–	538,878	–	(538,878)	–
<b>E. FINAL BALANCE 2015/16</b>	<b>3,100</b>	<b>2,713,123</b>	<b>(236,134)</b>	<b>273,598</b>	<b>2,753,687</b>

**STATEMENT OF CHANGES IN EQUITY AT MARCH 31, 2016 (Rupees)**

ITEM	Shared Capital	Reserves	Previous Year's Profit & Loss	Current Year's Profit & Loss	TOTAL
<b>B) COMPLETE STATEMENT OF CHANGES TO EQUITY</b>					
<b>A. FINAL BALANCE YEAR 2013/14</b>	<b>232,407</b>	<b>117,260,127</b>	<b>(17,702,966)</b>	<b>45,743,095</b>	<b>145,532,664</b>
<b>B. ADJUSTED BALANCE BEGINNING 2014/15</b>	<b>232,407</b>	<b>117,260,127</b>	<b>(17,702,966)</b>	<b>45,743,095</b>	<b>145,532,664</b>
I. Total recognised Profit & Loss	–	–	–	40,399,684	<b>40,399,684</b>
III. Other variations to Equity	–	45,743,095	–	(45,743,095)	–
<b>C. FINAL BALANCE 2014/15</b>	<b>232,407</b>	<b>163,003,223</b>	<b>(17,702,966)</b>	<b>40,399,684</b>	<b>185,932,272</b>
<b>D. ADJUSTED BALANCE, BEGINNING 2015/16</b>	<b>232,407</b>	<b>163,003,223</b>	<b>(17,702,966)</b>	<b>40,399,684</b>	<b>185,932,272</b>
I. Total recognised incomes and expenses	–	–	–	20,511,642	<b>20,511,642</b>
III. Other changes to Equity	–	40,399,684	–	(40,399,684)	–
<b>E. FINAL BALANCE 2015/16</b>	<b>232,407</b>	<b>203,402,831</b>	<b>(17,702,966)</b>	<b>20,511,642</b>	<b>206,443,914</b>

**CASH FLOW STATEMENT AT MARCH 31, 2016**

ITEMS	Notes	(Euros)	(Rupees)	(Euros)	(Rupees)
		2015/16	2015/16	2014/15	2014/15
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>1. PROFIT &amp; LOSS BEFORE TAXES</b>		<b>380,418</b>	<b>28,519,937</b>	<b>768,682</b>	<b>57,628,090</b>
<b>2. ADJUSTMENTS TO PROFIT &amp; LOSS</b>		<b>76,852</b>	<b>5,761,594</b>	<b>56,595</b>	<b>4,242,927</b>
a) Depreciation of Fixed Assets	6-7	70,598	5,292,732	122,993	9,220,785
c) Change to provisions		29,378	2,202,469	(62,965)	(4,720,486)
g) Financial Incomes	8	(28,323)	(2,123,375)	(24,614)	(1,845,312)
h) Financial Expenses		5,198	389,694	21,180	1,587,865
<b>3. CHANGES IN WORKING CAPITAL</b>		<b>2,288,006</b>	<b>171,531,810</b>	<b>(62,778)</b>	<b>(4,706,467)</b>
a) Inventories		5,757	431,602	(1,083)	(81,193)
b) Trade and other accounts receivable		417,069	31,267,663	(972,218)	(72,887,183)
c) Other current assets		386	28,938	(12,685)	(950,994)
d) Creditors and other accounts payable		(572,667)	(42,932,845)	883,824	66,260,285
e) Other current liabilities		2,437,460	182,736,376	39,384	2,952,618
<b>4. OTHER CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>23,124</b>	<b>1,733,606</b>	<b>3,433</b>	<b>257,372</b>
a) Interest payments		(5,198)	(389,694)	(21,180)	(1,587,865)
c) Interest receivable		28,323	2,123,375	24,614	1,845,312
<b>5. CASH FLOW ON OPERATING ACTIVITIES</b>		<b>2,768,400</b>	<b>207,546,948</b>	<b>765,932</b>	<b>57,421,922</b>
<b>B) CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
<b>6. PAYMENTS FOR INVESTMENTS</b>		<b>(516,495)</b>	<b>(38,721,630)</b>	<b>(205,763)</b>	<b>(15,426,052)</b>
a) Group and Associated Companies		(426,956)	(32,008,891)	(14,280)	(1,070,572)
c) Fixed Assets	6	(89,539)	(6,712,739)	(191,483)	(14,355,481)
<b>7. DIVESTMENT RECEIPTS</b>		<b>-</b>	<b>-</b>	<b>6,475</b>	<b>485,431</b>
a) Group and Associated Companies		-	-	282	21,142
c) Fixed Assets		-	-	6,193	464,289
<b>8. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		<b>(516,495)</b>	<b>(38,721,630)</b>	<b>(199,288)</b>	<b>(14,940,621)</b>
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>10. RECEIVABLES AND PAYABLES FOR FINANCIAL LIABILITIES</b>		<b>(1,336,428)</b>	<b>(100,192,007)</b>	<b>(498,173)</b>	<b>(37,348,030)</b>
<b>a) Issue</b>		<b>2,139</b>	<b>160,361</b>	<b>762,348</b>	<b>57,153,230</b>
2. Amounts owed to credit institutions		-	-	750,000	56,227,500
4. Other debts		2,139	160,361	12,348	925,730
<b>b) Repayment and amortization</b>		<b>(1,338,567)</b>	<b>(100,352,368)</b>	<b>(1,260,521)</b>	<b>(94,501,259)</b>
2. Debts with credit institutions		(123,056)	(9,225,508)	(81,486)	(6,109,005)
3. Debts with Group and Associated Companies		(1,215,512)	(91,126,935)	(1,179,035)	(88,392,254)
<b>12. CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(1,336,428)</b>	<b>(100,192,007)</b>	<b>(498,173)</b>	<b>(37,348,030)</b>
<b>E) NET INCREASE IN CASH OR CASH EQUIVALENTS</b>		<b>915,476</b>	<b>68,633,236</b>	<b>68,471</b>	<b>5,133,271</b>
Cash or cash equivalents at the beginning of the year	8	234,802	17,603,106	166,330	12,469,760
Cash or equivalents at the end of the year	8	1,150,278	86,236,342	234,802	17,603,106

# ANNUAL REPORT CORRESPONDING TO THE FINANCIAL PERIOD ENDING MARCH 31, 2016

## 1. THE COMPANY'S BUSINESS ACTIVITY

- 1.1. HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, S.L.U. was founded as a limited corporation on December 9, 2010, before the Notary Public of the Guild of the Canary Islands, whose office is located in Maspalomas, Mr. Valentín Concejo Arranz, under his Protocol number 1525. On March, 3, 2011, the Company acquired its current condition as a Sole Proprietor Limited Liability Company.
- 1.2. Its main corporate mission comprises the acquisition, promotion, construction, urbanisation, management, operation, holding, use, enjoyment of, yielding of, business management of any type, of property, buildings, tourist complexes, hotels, farms and/or agricultural land in the country or urban areas and personal rights or rights in rem of real-estate property including its conveyance, whether in its entirety or partially, per apartment or by means of the sale of or assignment of rotational enjoyment rights, timeshare or any other kind of rights to use. The main activity is the management of five hotel complexes (Playa Amadores, Sol Amadores, Vista Amadores, Jardín Amadores and Puerto Calma, as well as the lease of commercial premises.
- 1.3. The Corporate offices are located at Avenida Anna Lindh, number 1, Urbanización Amadores, in the municipality of Mogán in Gran Canaria.
- 1.4. The financial year, between 1st April until 31st March of the following year, has been fixed according to the Group that belongs to, explained in the following note. However, during this financial year has been a change of financial year as indicated in the note 2.3 of this document.
- 1.5. The Company is a part of a Group whose parent Company is HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U., headquartered at Avenida Ministra. Anna Lindh, number 1, Urbanización Amadores, in the municipality of Mogán (Gran Canaria). Said company does not present yearly consolidated accounts, because it is not mandatory for it to do so. This Spanish Group is integrated in a higher one, which the parent company is Holiday Club Resorts Oy, located in Finland, which presents yearly consolidated accounts.
- 1.6. On April 6, 2011 the Public Deed was signed, by means of which the Company, together with its related company HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U., acquired the business of the five tourist complexes which they are currently operating. In said acquisition, the Company was assigned property for the amount of 3,170,602 Euros (237,700,032 Rupees) and the administration and maintenance operations' Goodwill valued at 1,700,000 Euros (127,449,000 Rupees). The remaining assets (unsold weeks, customers' loan rights and goodwill corresponding to the main business of Timeshare) was assigned to the abovementioned related Company. On June 1, 2012 a public Deed was also signed comprising a series of agreements related to the purchase of the business described above.

## 2. BASIS USED FOR THE PRESENTATION OF THE ANNUAL ACCOUNTS

The figures contained in the Balance Sheet, in the Profit & Loss Account, in the Statement of Changes to Equity, in the Cash-flow Statement and in this Report are expressed in Euros, which, upon being rounded out, cause small differences in their presentation.

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

These annual accounts are presented for approval to the Annual General Meeting of Members.

### 2.1. True and Fair View

The annual accounts are obtained from the Company's accounting records and have been presented according to the regulations set out in Law 16/2007 of July 4, on the revised and adapted mercantile accounting legislation to harmonise it internationally on the basis of the European Union and by Royal Decree 1514/2007 of November 16, in which the

General Accounting Plan was approved, in order to reflect a true and fair view of the Equity, the financial situation and the Company's Profit & Loss as well as the veracity of the streams incorporated into the Cash-flow, according to generally accepted accounting practices and regulations.

### 2.2. Critical Aspects in the Valuation and Judgement of Uncertainty

At the closing of the financial period, estimations were used in the drafting of the annual accounts such as: calculation of the impairment of assets and estimations of the useful life of the assets, amongst others. Due to future events, it is possible that additional information to that existing at the time the annual accounts were drafted require modifying these estimations in future financial periods.

There are no significant uncertainties relating to events or conditions which would raise significant doubts about the possibility of the Company continuing to operate normally.

### 2.3. Comparing Information

On February 1, 2016 General Meeting of the Company in which it was agreed to modify the start and end dates of the financial year in the bylaws, establishing April 1 to March 31 of each year. Exceptionally, with respect to this financial period beginning on October 1, 2015, it was agreed to finalize on March 31, 2016.

However, it is important to point out that the figures corresponding to the Financial Year ending on September 30, 2015 will not be comparable, since the Financial Period ending on March 31, 2016 only covered 6 months (October 2015 to March 2016) and the previous period covered twelve months (October 2014 to September 2015). This is due to the fact that the shareholders passed a resolution in which they decided to modify the Financial Period, in order for it to start every April 1 of each year. This is why the Financial Period 2015/2016 only covered 6 months.

Foreign Currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC: EUR1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2016.

## 3. APPLICATION OF RESULTS

The proposal for the application of the results of the financial period ending March 31, 2016 which the Administrators shall draw up for approval by the Members, together with the distribution approved for the period ending on September 30, 2015, is as follows:

<b>Euros</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Distribution Balance</b>		
Financial Period Profits	<b>273,598</b>	<b>538,878</b>
<b>Distribution</b>		
Goodwill Reserves	42,500	85,000
Voluntary Reserves	231,098	453,878
<b>Totals</b>	<b>273,598</b>	<b>538,878</b>
<b>Rupees</b>		
<b>Distribution Balance</b>		
Financial Period Profits	<b>20,511,642</b>	<b>40,399,684</b>
<b>Distribution</b>		
Goodwill Reserves	3,186,225	6,372,450
Voluntary Reserves	17,325,417	34,027,234
<b>Totals</b>	<b>20,511,642</b>	<b>40,399,684</b>

## 4. RECOGNITION AND MEASUREMENT REGULATIONS

The main accounting principles and practices applied in the drafting of the Annual Accounts, follow current legislation, highlighting the principles of company operation, accrual, consistency, prudence, non-compensation and relative importance as most significant.

The most significant accounting criteria applied in the drafting of the Annual Accounts are the following ones:

**4.1. Intangible Fixed Assets**

The intangible fixed assets are comprised of Goodwill.

At the closing of the financial period, goodwill has been measured and no impairment has been identified, as it has been estimated that the recoverable value is higher than the accounting value.

**4.2. Tangible Fixed Assets**

These have been measured at their acquisition cost, including those additional costs necessary to put the assets into operation.

Maintenance and repair costs which do not improve the use of or extend the useful life of the assets are charged to the Profit and Loss account when they occur.

It is depreciated linearly depending on the useful life of assets and their residual value, according to the normal depreciation experienced during operation, use and enjoyment, using as a reference point, the regulations contained in Law 27/2014 of November 27, in which the Regulation of Corporate Taxes was approved, without prejudice to taking into consideration the technical or commercial obsolescence which could affect it. The percentages applied are the following:

Buildings	3%
Machinery	12-50%
Other installations	8-12%
Furniture	10%
IT Equipment	25%
Other intangible assets	12-15%

The Company's administrators consider that the accounting value of these assets does not exceed their recoverable value.

**4.3. Real-estate Investments**

The Company classifies as Real-estate Investments, those buildings which are not being used for the production process and the profits from which are obtained through revenue from leases. The recording and measurement criteria are the same as applied to intangible fixed assets. They are amortised linearly and the percentage applied is 3 per cent.

The Company's administrators consider that the accounting value of these assets do not exceed their recoverable value.

**4.4. Financial Instruments**

The Company's financial instruments are classified as:

- a) Loans and accounts receivable, including those loans for commercial or non-commercial operations. Those whose maturity is no longer than one year are valued at their face-value, because they do not have any contractual interest rate and the effect of not up-dating cash-flow is not significant. Those whose maturity is over one year are measured at their reasonable value, which is equal to the value of the compensation delivered plus directly attributable transaction costs. Interest accrued is accounted for in the Profit & Loss Account, applying the Effective Interest Rate method.

Loss due to impairment of the value of these financial assets is the difference between their book value and the real value of future cash-flow estimated to be generated by them, less the effective interest rate calculated at the time of their initial recognition. The reversal of the impairment shall be limited by the loan's book value.

- b) Debits and accounts payable, including debits from commercial operations and the amounts owed by non-commercial operations: They will initially be measured by their reasonable value, except those debits which are for trade operations with a maturity of no more than one year and which do not bear any contractual interest, the amount of which is expected to be paid off short term, which are measured at their face value. Interest accrued is accounted for in the Profit and Loss Account, applying the Effective Interest Rate method.

Financial instruments are classified as short and long-term, according to whether their maturity is less than or more than twelve months, respectively.

The Company has complied with requirements set out in the regulations governing recording and measurement relating to financial instruments.

**4.5. Transactions in Foreign Currency**

Accounts mentioned in foreign currency are measured at the exchange rate in effect at the time of the transaction. Positive or negative differences occurring at the time of payment or collection as a consequence of monetary fluctuations are carried over to the Profit and Loss Account. At closing of the period, both positive and negative differences that did not occur are carried over to the Profit and Loss Account.

**4.6. Profit Tax**

The Company pays tax under the Tax Consolidation System, according to what is set out in Chapter 7 of Royal Legislative Decree 4/2004 of March 5, in which the Revised Text of the Corporate Tax Law was approved. Holiday Club Canarias Investment is the parent Company, which presents the correspondent settlement.

Following the Accrual Principle, profit tax has been charged as an expense during the period. Current tax has been calculated per the financial results before taxes, adjusted by permanent differences and consolidation and decreased by applying deductions, as set out in the tax regulations in effect.

Income and expense have also been accrued from deferred tax by activating tax credits at different times, originated in part by a fiscally non-deductible amortisation and short term provisions allocated in previous financial periods and which are respectively, tax deductible.

**4.7. Provisions and Contingencies**

Provisions are present obligations on the date of the balance sheet that have arisen as a result of past events; the amount and timing of cancellation are undetermined. Provisions are recorded at the current value of the estimated amount that the company will have to pay to settle the obligation in the future.

Contingent liabilities are potential liabilities arising as a result of past events, whose realization is contingent upon that happening or not, one or more future events independent of the will of the Company. Contingent liabilities, as well as the Provisions whose amount cannot be estimated reliably or it is not very likely that the Company must dispose of resources embodying profits, for their cancellation are not recognized for accounting purposes but are broken down in the Report.

**4.8. Income and Expenses**

Income and expenses are charged according to the actual stream of goods and services which they represent and regardless of when the monetary or financial flow deriving therefrom arises.

Revenue from sales and services performed will be measured at the fair value of the consideration received or receivable; the amount of any discount deducted, reduction in the price or other similar items that the company might grant. They are recognized when all the risks and significant benefits inherent in the ownership of the property have been transferred to the buyer.

Purchases and services incorporate taxes levied on the operation, with the exception of the VAT when deductible status exists.

**4.9. Personnel Expenses**

Personnel expenses are recognised on the basis of their accrual, considering that bonus payments are accrued on a yearly basis. There are no commitments for pensions nor retirement bonuses in the Company.

**4.10. Criteria used in transactions between related parties**

Transactions between related parties are accounted for, in general, by their reasonable value.

**5. INTANGIBLE FIXED ASSETS**

5.1. As indicated in Note 1.6, during the 2011 financial period the Company acquired the goodwill corresponding to the business of administration and maintenance for the amount of 1,700,000 Euros (127,449,000 Rupees). There were no transactions during the financial periods 2014/15 and 2015/16.

5.2. There is no evidence of impairment through March 31, 2016 on any of the elements in the Intangible Fixed Assets.

## 6. TANGIBLE FIXED ASSETS

6.1. The transactions occurring during the 2014/15 and 2015/16 periods were the following:

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Buildings	2,415,567	105,720	-	2,521,287
Machinery	21,153	5,113	(6,193)	20,074
Other facilities	9,521	79,558	-	89,080
Furniture	14,343	1,091	-	15,434
IT Equipment	11,029	-	-	11,029
Other tangible fixed assets	374,100	-	-	374,100
<b>Totals</b>	<b>2,845,713</b>	<b>191,483</b>	<b>(6,193)</b>	<b>3,031,003</b>
<b>Accumulated amortization</b>				
Buildings	138,693	41,313	-	180,006
Machinery	717	5,449	-	6,166
Other installations	1,347	1,283	-	2,630
Furniture	1,984	1,533	-	3,517
IT Equipment	5,634	2,581	-	8,215
Other tangible fixed assets	195,187	56,079	-	251,266
<b>Totals</b>	<b>343,562</b>	<b>108,237</b>	<b>-</b>	<b>451,799</b>
<b>Net Totals</b>	<b>2,502,151</b>			<b>2,579,204</b>
	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	2,521,287	26,837	-	2,548,123
Machinery	20,074	5,550	-	25,624
Other facilities	89,080	39,886	-	128,966
Furniture	15,434	1,036	-	16,470
IT Equipment	11,029	5,200	-	16,229
Other tangible fixed assets	374,100	-	-	374,100
Advances and fixed assets in progress	-	11,030	-	11,030
<b>Totals</b>	<b>3,031,003</b>	<b>89,539</b>	<b>-</b>	<b>3,120,542</b>
<b>Accumulated amortization</b>				
Buildings	180,006	22,103	-	202,109
Machinery	6,166	3,765	-	9,930
Other installations	2,630	6,910	-	9,540
Furniture	3,517	798	-	4,314
IT Equipment	8,215	1,606	-	9,821
Other tangible fixed assets	251,266	28,039	-	279,306
<b>Totals</b>	<b>451,799</b>	<b>63,221</b>	<b>-</b>	<b>515,020</b>
<b>Net Totals</b>	<b>2,579,204</b>			<b>2,605,522</b>

<b>Rupees</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 30.09.15</b>
<b>Gross Costs</b>				
Buildings	181,095,058	7,925,828	-	189,020,886
Machinery	1,585,840	383,322	(464,289)	1,504,948
Other facilities	713,789	5,964,463	-	6,678,328
Furniture	1,075,295	81,792	-	1,157,087
IT Equipment	826,844	-	-	826,844
Other tangible fixed assets	28,046,277	-	-	28,046,277
<b>Totals</b>	<b>213,343,104</b>	<b>14,355,481</b>	<b>(464,289)</b>	<b>227,234,295</b>
<b>Accumulated amortization</b>				
Buildings	10,397,814	3,097,236	-	13,495,050
Machinery	53,753	408,512	-	462,265
Other installations	100,985	96,187	-	197,171
Furniture	148,740	114,929	-	263,669
IT Equipment	422,381	193,498	-	615,879
Other tangible fixed assets	14,633,169	4,204,243	-	18,837,412
<b>Totals</b>	<b>25,756,843</b>	<b>8,114,528</b>	<b>-</b>	<b>33,871,371</b>
<b>Net Totals</b>	<b>187,586,260</b>			<b>193,362,924</b>

	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance 31.03.16</b>
<b>Gross Costs</b>				
Buildings	189,020,886	2,011,970	-	191,032,781
Machinery	1,504,948	416,084	-	1,921,031
Other facilities	6,678,328	2,990,253	-	9,668,581
Furniture	1,157,087	77,669	-	1,234,756
IT Equipment	826,844	389,844	-	1,216,688
Other tangible fixed assets	28,046,277	-	-	28,046,277
Advances and fixed assets in progress	-	826,919	-	826,919
<b>Totals</b>	<b>227,234,295</b>	<b>6,712,739</b>	<b>-</b>	<b>233,947,034</b>
<b>Accumulated amortization</b>				
Buildings	13,495,050	1,657,062	-	15,152,112
Machinery	462,265	282,262	-	744,452
Other installations	197,171	518,043	-	715,214
Furniture	263,669	5,982,606	-	323,421
IT Equipment	615,879	120,402	-	736,280
Other tangible fixed assets	18,837,412	2,102,084	-	20,939,571
<b>Totals</b>	<b>33,871,371</b>	<b>4,739,678</b>	<b>-</b>	<b>38,611,049</b>
<b>Net Totals</b>	<b>193,362,924</b>			<b>195,335,984</b>

6.2. The Buildings heading corresponds to property for which the value of the plots and buildings come to 1,061,167 euros (79,555,690 Rupees) and 1,486,957 euros (111,447,166 Rupees), respectively.

6.3. Acquisitions during the financial period 2015/16 correspond mostly to refurbishments in the common areas of a hotel resort.

6.4. Advances and fixed assets in progress correspond to advances given to suppliers for future projects in two of the resorts.

6.5. The amounts of fully depreciated fixed assets in use at March 31, 2016 are as follows:

<b>Euros</b>	<b>2015/16</b>
Machinery	13,809
Other facilities	113,452
IT Equipment	1,649
<b>Totals</b>	<b>128,909</b>
<b>Rupees</b>	<b>2015/16</b>
Machinery	1,035,261
Other facilities	8,505,496
IT Equipment	123,625
<b>Totals</b>	<b>9,664,308</b>

6.6. There are no signs of impairment through March 31, 2016 for the elements in the Tangible Fixed Assets.

6.7. The fixed assets are covered against risk of fire, theft, etc., by means of several insurance policies with the corresponding premiums paid up-to-date.

#### 7. REAL-ESTATE INVESTMENTS

7.1. The transactions occurring during the 2014/15 and 2015/16 periods were the following:

<b>Euros</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance 30.09.15</b>
Buildings	848,003	-	-	-	848,003
Accumulated amortisation	(51,462)	(14,755)	-	-	(66,217)
<b>Net Totals</b>	<b>796,541</b>				<b>781,786</b>
	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Tranfers</b>	<b>Balance 31.03.16</b>
Buildings	848,003	-	-	-	848,003
Accumulated amortisation	(66,217)	(7,378)	-	-	(73,595)
<b>Net Totals</b>	<b>781,786</b>				<b>774,408</b>

#### 8. FINANCIAL ASSETS

##### Information related to the Balance Sheet

8.1. Categories of financial assets (except for investments in the equity of Group, Multigroup and associated companies):

The breakdown of financial assets (except for investments in the equity of Group, Jointly-controlled group and associated companies) by categories is as follows:

<b>Euros</b>	<b>Equity Instruments</b>		<b>Debt Securities</b>		<b>Credits/Derivatives/Others</b>	
<b>Long-term Financial Assets</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>
Loans and Receivables	-	-	-	-	139,947	180,660
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,947</b>	<b>180,660</b>
<b>Short-term Financial Assets</b>						
Loans and Receivables	-	-	-	-	2,216,562	2,165,963
Liquid Assets	-	-	-	-	1,150,278	234,802
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,366,840</b>	<b>2,400,764</b>
<b>Rupees</b>	<b>Equity Instruments</b>		<b>Debt Securities</b>		<b>Credits/Derivatives/Others</b>	
<b>Long-term Financial Assets</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>	<b>31.03.16</b>	<b>30.09.15</b>
Loans and Receivables	-	-	-	-	10,491,827	13,544,080
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,491,827</b>	<b>13,544,080</b>
<b>Short-term Financial Assets</b>						
Loans and Receivables	-	-	-	-	166,175,653	162,382,246
Liquid Assets	-	-	-	-	86,236,342	17,603,106
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252,411,995</b>	<b>179,985,277</b>

<b>Rupees</b>	<b>Balance 30.09.14</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance 30.09.15</b>
Buildings	63,574,785	-	-	-	63,574,785
Accumulated amortisation	(3,858,106)	(1,106,182)	-	-	(4,964,288)
<b>Net Totals</b>	<b>59,716,679</b>				<b>58,610,496</b>
	<b>Balance 30.09.15</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Tranfers</b>	<b>Balance 31.03.16</b>
Buildings	63,574,785	-	-	-	63,574,785
Accumulated amortisation	(4,964,288)	(553,129)	-	-	(5,517,417)
<b>Net Totals</b>	<b>58,610,496</b>				<b>58,057,368</b>

7.2. The heading for Plots and Buildings correspond to property in which the value of the plot and the buildings come to 356,161 euros (26,701,390 Rupees) and 491,842 Euros (36,873,395 Rupees), respectively.

7.3. The Company's Real-estate investments for rental, have generated revenue for 98,593 Euros (7,391,517 Rupees) and 66,757 Euros (5,004,772 Rupees) during the financial periods 2014/15 y 2015/16 respectively and correspond to three restaurants, a pool-bar and a hairdressers' salon.

7.4. The main expenditures for these properties correspond to allocation for amortisation.

7.5. There are no signs of impairment through March 31, 2016 for the elements in the Real-estate investments.

7.6. The Real-estate investments are covered against risk of fire, theft, etc., by means of several insurance policies with the corresponding premiums paid up-to-date.

8.2 Classification by Maturity

The ratings depending on the maturity of the different financial assets are as follows:

**Euros**

<b>Financial Assets</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Next</b>	<b>Total I/t</b>
<b>Investments in Group and Associated Companies</b>	<b>513,745</b>	-	-	-	-	-	-
Loans to companies	513,745	-	-	-	-	-	-
<b>Commercial Debts and other Receivables</b>	<b>1,702,817</b>	<b>85,000</b>	<b>54,947</b>	-	-	-	<b>139,947</b>
Customer receivables for sales and services	1,663,764	85,000	54,947	-	-	-	139,947
Sundry Receivables	39,053	-	-	-	-	-	-
<b>Cash and other Liquid Assets</b>	<b>1,150,278</b>	-	-	-	-	-	-
Liquid Assets	1,150,278	-	-	-	-	-	-
<b>Totals</b>	<b>3,366,840</b>	<b>85,000</b>	<b>54,947</b>	-	-	-	<b>139,947</b>

**Rupees**

<b>Financial Assets</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Next</b>	<b>Total I/t</b>
<b>Investments in Group and Associated Companies</b>	<b>38,515,463</b>	-	-	-	-	-	-
Loans to companies	38,515,463	-	-	-	-	-	-
<b>Commercial Debts and other Receivables</b>	<b>127,660,190</b>	<b>6,372,450</b>	<b>4,119,377</b>	-	-	-	<b>10,454,342</b>
Customer receivables for sales and services	124,732,387	6,372,450	4,119,377	-	-	-	10,454,342
Sundry Receivables	2,927,803	-	-	-	-	-	-
<b>Cash and other Liquid Assets</b>	<b>86,236,342</b>	-	-	-	-	-	-
Liquid Assets	86,236,342	-	-	-	-	-	-
<b>Totals</b>	<b>252,411,995</b>	<b>6,372,450</b>	<b>4,119,377</b>	-	-	-	<b>10,454,342</b>

8.3 Corrections due to Impairment caused by Credit Risk

No variations due to impairment have been applied to the corrective accounts during the financial periods 2014/15 and 2015/16, due to the related Company HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U. having absorbed the uncollectable debts of defaulting clients.

8.4 Customer Receivables for Sales and Services Performed

During the financial period 2014/15, the hotel resort Vista Amadores was refurbished, for the amount of 1.7 million Euros (127,449,000 Rupees), for which purpose investment for the amount of 1.3 million Euros (97,461,000 Rupees) had been approved by the General Assembly of Owners at the end of 2014. The difference of 0.4 million Euros (29,988,000 Rupees) has been recorded as a Customer Receivable, as the exceeding amount was approved on December 2015 by the General Assembly.

**Information relating to the Profit & Loss Account**8.5 Financial Income

Under the heading Financial Income from Marketable Securities and Other Financial Instruments in the Profit and Loss Account, the amounts of 24,614 Euros (1,845,312 Rupees) and 28,323 Euros (2,123,375 Rupees) for the financial periods 2014/15 and 2015/2016 respectively, correspond mainly to the accrual of bank account interest, term deposits and interest on commercial clients.

**Other Information**8.6 Reasonable Value

The book value of the financial assets is an acceptable approximation to the reasonable value.

Equity Instruments not being traded on an active market according to what is provided for in the 9th Rule of Recognition and Measurement of the Spanish New General Accounting Plan are valued at their cost.

8.7 Information Regarding the Nature and Level of Risk from Financial Assets

Due to its normal activity, the Company is exposed to different financial risks, essentially, credit risk, liquidity risk and market risk, the latter referring to the rate of exchange; of interest rates and other price risks.

Credit Risks:

This basically refers to sales on credit to clients and debtors. To prevent possible effects, credit to clients and debtors are granted based on a preliminary solvency study and strict follow-up of credits and receivables. The client base is quite diversified.

Liquidity Risk:

The Company tries to keep an adequate liquidity ratio at all times to be able to honour its commitments, ensuring that current assets not including inventories, shall reasonably cover the current payables.

Market Rate Risk:

Due to the Company's activity and scope, it is subject to exchange rate risks of the sales made in foreign currency, depending on the volatility of the exchange rates.

Interest rate risks are minimum, because the Company grants loans at a fixed interest rate.

**9. FINANCIAL LIABILITIES**

**Information related to the Balance Sheet.**

9.1. Categories of Financial Liabilities

The breakdown of the financial liabilities by categories is as follows:

**Euros**

	Debits with Credit Institutions		Bonds y Other Market Securities		Derivatives/Others	
	31.03.16	30.09.15	31.03.16	30.09.15	31.03.16	30.09.15
<b><u>Long-term financial Liabilities</u></b>						
Debits and Payables	296,146	421,310	-	-	6,186	6,186
<b>Totals</b>	<b>296,146</b>	<b>421,310</b>	<b>-</b>	<b>-</b>	<b>6,186</b>	<b>6,186</b>
<b><u>Short-term Financial Liabilities</u></b>						
Debits and Payables	249,312	247,205	-	-	1,164,869	3,052,059
<b>Totals</b>	<b>249,312</b>	<b>247,205</b>	<b>-</b>	<b>-</b>	<b>1,164,869</b>	<b>3,052,059</b>

**Rupees**

	Debits with Credit Institutions		Bonds y Other Market Securities		Derivatives/Others	
	31.03.16	30.09.15	31.03.16	30.09.15	31.03.16	30.09.15
<b><u>Long-term financial Liabilities</u></b>						
Debits and Payables	22,202,066	31,585,611	-	-	463,764	463,764
<b>Totals</b>	<b>22,202,066</b>	<b>31,585,611</b>	<b>-</b>	<b>-</b>	<b>463,764</b>	<b>463,764</b>
<b><u>Short-term Financial Liabilities</u></b>						
Debits and Payables	18,690,921	18,532,959	-	-	87,330,229	228,812,863
<b>Totals</b>	<b>18,690,921</b>	<b>18,532,959</b>	<b>-</b>	<b>-</b>	<b>87,330,229</b>	<b>228,812,863</b>

9.2 Classification by Maturity

Classification according to the maturity of the different financial liabilities, is as follows:

**Euros**

Financial Liabilities	2016/17	2017/18	2018/19	2019/20	2020/21	Next	Total I/t
<b>Debts</b>	<b>281,900</b>	<b>253,486</b>	<b>42,661</b>	-	-	<b>6,186</b>	<b>302,332</b>
Debits with Credit Institutions	249,312	253,486	42,661	-	-	-	296,146
Other financial liabilities	32,588	-	-	-	-	6,186	6,186
<b>Debts with Group and Associated Companies</b>	<b>749,582</b>	-	-	-	-	-	-
<b>Trade Creditors and other accounts payable</b>	<b>382,699</b>	-	-	-	-	-	-
Sundry Creditors	368,833	-	-	-	-	-	-
Personnel (wages pending payment)	13,866	-	-	-	-	-	-
<b>Totals</b>	<b>1,414,181</b>	<b>253,486</b>	<b>42,661</b>	<b>-</b>	<b>-</b>	<b>6,186</b>	<b>302,332</b>

**Rupees**

Financial Liabilities	2016/17	2017/18	2018/19	2019/20	2020/21	Next	Total I/t
<b>Debts</b>	<b>21,134,043</b>	<b>19,003,845</b>	<b>3,198,295</b>	-	-	<b>463,764</b>	<b>22,665,830</b>
Debits with Credit Institutions	18,690,921	19,003,845	3,198,295	-	-	-	22,202,066
Other financial liabilities	2,443,122	-	-	-	-	463,764	463,764
<b>Debts with Group and Associated Companies</b>	<b>56,196,163</b>	-	-	-	-	-	-
<b>Trade Creditors and other accounts payable</b>	<b>28,690,944</b>	-	-	-	-	-	-
Sundry Creditors	27,651,410	-	-	-	-	-	-
Personnel (wages pending payment)	1,039,534	-	-	-	-	-	-
<b>Totals</b>	<b>106,021,150</b>	<b>19,003,845</b>	<b>3,198,295</b>	<b>-</b>	<b>-</b>	<b>463,764</b>	<b>22,665,830</b>



**Information related to the Profit & Loss Account****9.3 Financial Expenses**

The Financial expenses for "Debts with Group and Associated Companies" for the amount of 15,547 euros (1,165,559 Rupees) for the financial period 2014/15, includes the accrual of interest from debts for non-commercial operations of related companies.

The heading of debts to third parties includes interest accrued with credit institutions, the amounts of which come to 5,198 Euros (389,694 Rupees) and 5,634 Euros (422,381 Rupees) for the financial periods 2015/16 and 2014/15, respectively.

**Other Information****9.4 Reasonable Value**

The book value of the financial liabilities is an acceptable approximation to the reasonable value.

**9.5 Information on the Nature and Level of Risk from Financial Liabilities**

Due to its regular activity, the Company is exposed to diverse financial risks, basically credit risks, liquidity risks and market risks, the latter of which refers to exchange rate risks, interest rate risks and other price risks.

**9.6 Other Information about Financial Instruments**

a) Debts with credit institutions show the following breakdown:

Euros	2015/2016	2014/2015
Personal secured loans	545,458	668,515
<b>Totals</b>	<b>545,458</b>	<b>668,515</b>
Rupees	2015/2016	2014/2015
Personal secured loans	40,892,986	50,118,569
<b>Totals</b>	<b>40,892,986</b>	<b>50,118,569</b>

b) The average interest rate of non-commercial debts fluctuates between 1 and 2 per cent per annum

**10. SHAREHOLDERS' EQUITY**

10.1. The share capital, for an amount of 3,100 Euros (232,407 Rupees), comprises 31 shares of 100 Euros (7,497 Rupees) face value each.

10.2. The Canary Islands Investments Reserve Fund for the amount of 670,000 Euros (50,229,900 Rupees), is subject to the availability limitations established in the tax regulations.

10.3. The corporation HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U., owns 100 per cent of the share capital of the Company.

10.4. The breakdown of the heading "other reserves" from the Balance Sheet, is as follows:

Euros	2015/16	2014/15
Voluntary Reserves	1,567,852	1,113,974
Canary Islands Investment Reserves	670,000	670,000
Goodwill Reserves	474,651	389,651
<b>Totals</b>	<b>2,712,503</b>	<b>2,173,626</b>
Rupees	2015/16	2014/15
Voluntary Reserves	117,541,864	83,514,631
Canary Islands Investment Reserves	50,229,900	50,229,900
Goodwill Reserves	35,584,585	29,212,135
<b>Totals</b>	<b>203,356,350</b>	<b>162,956,741</b>

**11. TAX POSITION****Profit Tax****11.1 Tax Consolidation Regime**

The Company is taxed in the Consolidated Tax System in accordance with Chapter VII of Royal Legislative Decree 4/2004, of 5 March, which approved the revised text from the Law of Corporate Tax. The Tax Group comprises the following corporations:

Parent: HOLIDAY CLUB CANARIAS INVESTMENT, S.L.U.  
Subsidiaries: HOLIDAY CLUB CANARIAS SALES & MARKETING, S.L.U.  
AND HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, S.L.U.

**11.2 Individual Tax Base**

The reconciliation of the net amounts of income and expenditures for the financial period against the tax base of Corporate Tax, is the following:

Euros	Profit & Loss Account	Inc. & expend. directly attributable to Equity
<b>Balance of income and expenditure for the financial year</b>	<b>273,598</b>	–
<b>Profit Tax</b>	<b>106,821</b>	–
Current Tax	113,084	–
Deferred Tax	(6,263)	–
<b>Permanent Differences</b>		
Goodwill Deduction	(8,500)	–
Non-deductible Expenses	6,178	–
<b>Temporary Differences</b>		
70% Limit Amortization	(3,605)	–
Provisions (Art. 14 LIS)	29,378	–
<b>Tax Base (Tax Profit &amp; Loss)</b>	<b>403,870</b>	–

Rupees	Profit & Loss Account	Inc. & expend. directly attributable to Equity
<b>Balance of income and expenditure for the financial year</b>	<b>20,511,642</b>	–
<b>Profit Tax</b>	<b>8,008,370</b>	–
Current Tax	8,477,907	–
Deferred Tax	(469,537)	–
<b>Permanent Differences</b>		
Goodwill Deduction	(637,245)	–
Non-deductible Expenses	463,165	–
<b>Temporary Differences</b>		
70% Limit Amortization	(270,267)	–
Provisions (Art. 14 LIS)	2,202,469	–
<b>Tax Base (Tax Profit &amp; Loss)</b>	<b>30,278,134</b>	–

**11.3 Corporate Tax Settlement**

Under the rules applicable to the Tax Consolidation Regime, the taxable income of the tax group is determined by adding individual taxable bases corresponding to the companies comprising the Fiscal group, deletions; additions of deletions carried out in previous years and, in the event that the above sum proves to be positive, compensating the carry-forwards of the Fiscal group, as well as the outstanding tax bases to be applied by the companies taxable at the time of joining the Tax Group.

In consequence, the Individual Tax Base of HOLIDAY CLUB CANARIAS RESORT MANAGEMENT, S.L.U. for the amount of 403,870 Euros (30,278,134 Rupees), is subject to addition together with the rest of the tax bases of the remaining companies comprising the Tax Group.

HOLIDAY CLUB CANARIAS RESORT MANAGEMENT S.L.U.

By applying the tax rate over the tax base, you obtain the total tax due for the tax group which is reduced by the items and amounts expressed below.

Euros	2015/16	2014/15
<b>Previous Group Tax Base</b>	<b>116,247</b>	<b>(1,029,232)</b>
<b>Negative Group Tax base from previous financial years</b>	<b>(116,247)</b>	<b>-</b>
<b>Group Tax Base</b>	<b>-</b>	<b>(1,029,232)</b>
<b>Corporate income tax payable (28-30% x taxable base)</b>	<b>-</b>	<b>(308,797)</b>
<b>Group Gross Tax payable</b>	<b>-</b>	<b>(308,797)</b>

Rupees	2015/16	2014/15
<b>Previous Group Tax Base</b>	<b>8,715,038</b>	<b>(77,161,523)</b>
<b>Negative Group Tax base from previous financial years</b>	<b>(8,715,038)</b>	<b>-</b>
<b>Group Tax Base</b>	<b>-</b>	<b>(77,161,523)</b>
<b>Corporate income tax payable (28-30% x taxable base)</b>	<b>-</b>	<b>(23,150,511)</b>
<b>Group Gross Tax payable</b>	<b>-</b>	<b>(23,150,511)</b>

11.4 Breakdown of expenditure on Income Tax

The expenditure on Income Tax accrued in the financial periods is broken down as follows:

Euros	2015/16	2014/15
<b>1. Current Tax</b>	<b>113,084</b>	<b>217,685</b>
<b>2. Deferred tax</b>	<b>(6,263)</b>	<b>12,120</b>
- deductible temporary differences that are activated in the period	(27,281)	(32,569)
- deductible temporary differences that are deducted in the period	21,018	44,689
<b>3. Total expenditure on Income Tax</b>	<b>106,821</b>	<b>229,805</b>

Rupees	2015/16	2014/15
<b>1. Current Tax</b>	<b>8,477,907</b>	<b>16,319,844</b>
<b>2. Deferred tax</b>	<b>(469,537)</b>	<b>908,636</b>
- deductible temporary differences that are activated in the period	(2,045,257)	(2,441,698)
- deductible temporary differences that are deducted in the period	1,575,719	3,350,334
<b>3. Total expenditure on Income Tax</b>	<b>8,008,370</b>	<b>17,228,481</b>

11.5 Deductions for Investments

During the financial period 2015/2016, no fixed asset investments located or received on the Canary Islands, have been made that have generated deductions nor are there, at March 31, any deductions pending application.

11.6 Deferred Tax Assets

Transactions during the financial periods 2014/15 and 2015/16 found in this heading have been the following:

Euros	Balance 30.09.14	Acquisitions	Applications	Balance 30.09.15
- Temporary differences for non-deductible provisions	44,689	21,500	(44,689)	21,500
- Temporary differences, 70% limit fiscal amortisation	10,560	11,069	-	21,629
<b>Totals</b>	<b>55,249</b>	<b>32,569</b>	<b>(44,689)</b>	<b>43,129</b>

	Balance 30.09.15	Acquisitions	Applications	Balance 31.03.16
- Temporary differences for non-deductible provisions	21,500	27,281	(19,937)	28,844
- Temporary differences, 70% limit fiscal amortisation	21,629	-	(1,081)	20,548
<b>Totals</b>	<b>43,129</b>	<b>27,281</b>	<b>(21,018)</b>	<b>49,392</b>

Rupees	Balance 30.09.14	Acquisitions	Applications	Balance 30.09.15
- Temporary differences for non-deductible provisions	3,350,334	1,611,855	(3,350,334)	1,611,855
- Temporary differences, 70% limit fiscal amortisation	791,683	829,843	-	1,621,526
<b>Totals</b>	<b>4,142,018</b>	<b>2,441,698</b>	<b>(3,350,334)</b>	<b>3,233,381</b>

	Balance 30.09.15	Acquisitions	Applications	Balance 31.03.16
- Temporary differences for non-deductible provisions	1,611,855	2,045,257	(1,494,677)	2,162,435
- Temporary differences, 70% limit fiscal amortisation	1,621,526	-	(81,043)	1,540,484
<b>Totals</b>	<b>3,233,381</b>	<b>2,045,257</b>	<b>(1,575,719)</b>	<b>3,702,918</b>

11.7 The Canary Islands Investment Reserve

The Canary Islands Investment Reserve was provided for from January 1, 2007 and what has been set out in Royal Decree Act 12/2016 of December 29, in which Law 19/1994 of July 6, Modification of the Canary Islands Financial and Tax Regime (REF) was modified, is applicable.

At the end of the financial period 2015/2016, the situation of the Canary Islands Investment Reserve is as follows:

Euros	2012/2013	2013/2014
<b>Item</b>		
Provisions	245,000	425,000
<b>Investments made</b>		
Financial Period 2011	-	-
Financial Period 2011/12	-	-
Financial Period 2012/13	-	-
Financial Period 2013/14	(17,221)	-
Financial Period 2014/15	(191,443)	-
Financial Period 2015/16	(36,336)	(42,173)
<b>Investments pending</b>		
Maturity 2016/17	-	-
Maturity 2017/18	-	382,827

Rupees	2012/2013	2013/2014
<b>Item</b>		
Provisions	18,367,650	31,862,250
<b>Investments made</b>		
Financial Period 2011	-	-
Financial Period 2011/12	-	-
Financial Period 2012/13	-	-
Financial Period 2013/14	(1,291,058)	-
Financial Period 2014/15	(14,352,482)	-
Financial Period 2015/16	(2,724,110)	(3,161,710)
<b>Investments pending</b>		
Maturity 2016/17	-	-
Maturity 2017/18	-	28,700,540

Specifically, investments made in the financial period 2013/2014 for which the Canary Island Investment Reserve was materialised, were the following:

## Euros

Account	Item	Acquisition Date	Amount Materialised	Provision 2012/2013
21301001	Machinery	01.03.2014	1,103	1,103
21301001	Machinery	13.03.2014	690	690
21301001	Machinery	13.08.2014	1,152	1,152
21301001	Machinery	15.09.2014	12,015	12,015
<b>TOTAL MACHINERY</b>			<b>14,961</b>	<b>14,961</b>
201608002	Furniture	29.11.2013	2,097	2,097
201608002	Furniture	22.11.2013	163	163
<b>TOTAL FURNITURE</b>			<b>2,260</b>	<b>2,260</b>

## Rupees

Account	Item	Acquisition Date	Amount Materialised	Provision 2012/2013
21301001	Machinery	01.03.2014	82,692	82,692
21301001	Machinery	13.03.2014	51,729	51,729
21301001	Machinery	13.08.2014	86,365	86,365
21301001	Machinery	15.09.2014	900,765	900,765
<b>TOTAL MACHINERY</b>			<b>1,121,626</b>	<b>1,121,626</b>
201608002	Furniture	29.11.2013	157,212	157,212
201608002	Furniture	22.11.2013	12,220	12,220
<b>TOTAL FURNITURE</b>			<b>169,432</b>	<b>169,432</b>

Throughout the financial period 2014/2015 the Company has carried out the following investments, materialising the Reserve in the following assets and on the dates indicated in the table below. This table shows, the Financial Period, for which the provision was materialised by type of asset is indicated:

## Euros

Account	Item	Acquisition Date	Amount materialised	Provision 2012/2013
21108022	Construction/Buildings	10.02.2015	4,020	4,020
21108022	Construction/Buildings	28.02.2015	6,759	6,759
21108022	Construction/Buildings	28.02.2015	392	392
21108022	Construction/Buildings	28.02.2015	329	329
21108022	Construction/Buildings	28.02.2015	15,212	15,212
21108022	Construction/Buildings	31.03.2015	2,183	2,183
21108022	Construction/Buildings	30.09.2015	76,825	76,825
<b>TOTAL CONSTRUCTION</b>			<b>105,720</b>	<b>105,720</b>
21301001	Machinery	28.02.2015	1,103	1,103
21301001	Machinery	28.02.2015	1,103	1,103
21301001	Machinery	28.02.2015	1,103	1,103
21301001	Machinery	31.05.2015	562	562
21301001	Machinery	30.06.2015	601	601
21301001	Machinery	30.07.2015	601	601
<b>TOTAL MACHINERY</b>			<b>5,074</b>	<b>5,074</b>
21508001	Other Facilities	31.05.2015	5,646	5,646
21508001	Other Facilities	17.06.2015	1,096	1,096
21508001	Other Facilities	17.06.2015	586	586
21508001	Other Facilities	29.09.2015	4,056	4,056
21508001	Other Facilities	30.09.2015	68,175	68,175
<b>TOTAL OTHER FACILITIES</b>			<b>79,558</b>	<b>79,558</b>
201608001	Furniture	28.10.2014	437	437
201608001	Furniture	01.12.2014	654	654
<b>TOTAL FURNITURE</b>			<b>1,091</b>	<b>1,091</b>

## Rupees

Account	Item	Acquisition Date	Amount materialised	Provision 2012/2013
21108022	Construction/Buildings	10.02.2015	301,379	301,379
21108022	Construction/Buildings	28.02.2015	506,722	506,722
21108022	Construction/Buildings	28.02.2015	29,388	29,388
21108022	Construction/Buildings	28.02.2015	24,665	24,665
21108022	Construction/Buildings	28.02.2015	1,140,444	1,140,444
21108022	Construction/Buildings	31.03.2015	163,660	163,660
21108022	Construction/Buildings	30.09.2015	5,759,570	5,759,570
<b>TOTAL CONSTRUCTION</b>			<b>7,925,828</b>	<b>7,925,828</b>
21301001	Machinery	28.02.2015	82,692	82,692
21301001	Machinery	28.02.2015	82,692	82,692
21301001	Machinery	28.02.2015	82,692	82,692
21301001	Machinery	31.05.2015	42,133	42,133
21301001	Machinery	30.06.2015	45,057	45,057
21301001	Machinery	30.07.2015	45,057	45,057
<b>TOTAL MACHINERY</b>			<b>380,398</b>	<b>380,398</b>
21508001	Other Facilities	31.05.2015	423,281	423,281
21508001	Other Facilities	17.06.2015	82,167	82,167
21508001	Other Facilities	17.06.2015	43,932	43,932
21508001	Other Facilities	29.09.2015	304,078	304,078
21508001	Other Facilities	30.09.2015	5,111,080	5,111,080
<b>TOTAL OTHER FACILITIES</b>			<b>5,964,463</b>	<b>5,964,463</b>
201608001	Furniture	28.10.2014	32,762	32,762
201608001	Furniture	01.12.2014	49,030	49,030
<b>TOTAL FURNITURE</b>			<b>81,792</b>	<b>81,792</b>

Throughout the financial period 2015/2016 the Company has carried out the following investments, materialising the Reserve in the following assets and on the dates indicated in the table below. This table shows, the Financial Period, for which the provision was materialised by type of asset is indicated:

## Euros

Account	Item	Acquisition Date	Amount materialised	Provision 2012/2013	Provision 2013/2014
21108005	Constructions	20.11.2015	8,027	8,027	-
21108005	Constructions	20.11.2015	1,950	1,950	-
21108005	Constructions	24.12.2015	1,565	1,565	-
21108005	Constructions	24.12.2015	1,450	1,450	-
21108005	Constructions	24.12.2015	1,499	1,499	-
21108005	Constructions	24.12.2015	8,027	8,027	-
21108005	Constructions	31.01.2016	1,950	1,950	-
21108008	Constructions	31.01.2016	2,370	2,370	-
<b>TOTAL CONSTRUCTIONS</b>			<b>26,837</b>	<b>26,837</b>	-
21301001	Machinery	31.01.2016	1,036	-	1,036
21301001	Machinery	31.01.2016	4,514	-	4,514
<b>TOTAL MACHINERY</b>			<b>5,550</b>	-	<b>5,550</b>
21508001	Other facilities	30.11.2015	5,271	5,271	-
21508001	Other facilities	01.12.2015	30,707	320	30,387
21508001	Other facilities	31.12.2015	2,409	2,409	-
21508001	Other facilities	31.01.2016	1,499	1,499	-
<b>TOTAL OTHER FACILITIES</b>			<b>39,886</b>	<b>9,499</b>	<b>30,387</b>
21608001	Furniture	02.01.2016	1,036	-	1,036
<b>TOTAL FURNITURE</b>			<b>1,036</b>	-	<b>1,036</b>
21708001	IT equipment	18.12.2015	5,024	-	5,024
21708001	IT equipment	18.12.2015	176	-	176
<b>TOTAL IT EQUIPMENT</b>			<b>5,200</b>	-	<b>5,200</b>

Rupees

Account	Item	Acquisition Date	Amount materialised	Provision 2012/2013	Provision 2013/2014
21108005	Constructions	20.11.2015	601,784	601,784	-
21108005	Constructions	20.11.2015	146,192	146,192	-
21108005	Constructions	24.12.2015	117,328	117,328	-
21108005	Constructions	24.12.2015	108,707	108,707	-
21108005	Constructions	24.12.2015	112,380	112,380	-
21108005	Constructions	24.12.2015	601,784	601,784	-
21108005	Constructions	31.01.2016	146,192	146,192	-
21108008	Constructions	31.01.2016	177,679	177,679	-
<b>TOTAL CONSTRUCTIONS</b>			<b>2,011,970</b>	<b>2,011,970</b>	-
21301001	Machinery	31.01.2016	77,669	-	77,669
21301001	Machinery	31.01.2016	338,415	-	338,415
<b>TOTAL MACHINERY</b>			<b>416,084</b>	-	<b>416,084</b>
21508001	Other facilities	30.11.2015	395,167	395,167	-
21508001	Other facilities	01.12.2015	2,302,104	23,990	2,278,113
21508001	Other facilities	31.12.2015	180,603	180,603	-
21508001	Other facilities	31.01.2016	112,380	112,380	-
<b>TOTAL OTHER FACILITIES</b>			<b>2,990,253</b>	<b>712,140</b>	<b>2,278,113</b>
21608001	Furniture	02.01.2016	77,669	-	77,669
<b>TOTAL FURNITURE</b>			<b>77,669</b>	-	<b>77,669</b>
21708001	IT equipment	18.12.2015	376,649	-	376,649
21708001	IT equipment	18.12.2015	13,195	-	13,195
<b>TOTAL IT EQUIPMENT</b>			<b>389,844</b>	-	<b>389,844</b>

The Company has not carried out investments prior to the provision and it has not been benefited from grants or any other tax benefit accrued at the time of the investment made as a result of the realization of the RIC.

#### 11.8 Financial Periods Open to the Possibility of a Tax Inspection

As set forth in current legislation, taxes cannot be considered definitively settled until the tax returns presented have been inspected by the tax authorities or the four-year statute of limitations has run out.

At the closing date, the company is also open to inspection of all the taxes that are applicable to it, corresponding to the last four years.

The Board of Directors of the Company considered that liquidations of the mentioned taxes has been properly settled, so, even though discrepancies could arise in the interpretation or the existing tax regulations by the handling of tax granted to the operations, the eventual resulting liabilities in case of materialisation would not significantly affect the annual accounts.

## 12 FOREIGN CURRENCY

The Exchange differences recognised in the financial periods 2015/16 and 2014/15 in the Profit and Loss Account, for creditors' amounts of 585 Euros (43,857 Rupees) and 59 Euros (4,423 Rupees) respectively, belongs to transactions settled during the Financial Period.

## 13 INCOME AND EXPENSES

Breakdown of the following items in the Profit and Loss Account:

4.a) Consumption of goods: corresponding entirely to the cost of merchandise for the amounts of 52,729 Euros (3,953,093 Rupees) and 112,086 Euros (8,403,087 Rupees) during the financial periods 2015/16 and 2014/15, respectively. All purchases have been made in Spanish territory.

6.b) Social security: corresponds entirely to the Business contribution to Social Security for a total amount of 219,413 Euros (16,449,393 Rupees) and 480,575 Euros (36,028,708 Rupees) for the financial periods 2015/16 and 2014/15, respectively.

## 7.a) External Services

Euros	2015/16	2014/15
Leases and Charges	824	1,648
Repair and Maintenance	239,627	422,417
Independent Professional Services	175,585	310,235
Transport	14,660	29,296
Insurance	10,079	27,200
Bank Services and Similar	12,191	14,480
Publicity, Advertising and Public Relations	3,736	12,908
Supplies	288,135	523,116
Other Services	60,788	109,282
<b>Totals</b>	<b>805,625</b>	<b>1,450,582</b>
Rupees	2015/16	2014/15
Leases and Charges	61,775	123,551
Repair and Maintenance	17,964,836	31,668,602
Independent Professional Services	13,163,607	23,258,318
Transport	1,099,060	2,196,321
Insurance	755,623	2,039,184
Bank Services and Similar	913,959	1,085,566
Publicity, Advertising and Public Relations	280,088	967,713
Supplies	21,601,481	39,218,007
Other Services	4,557,276	8,192,872
<b>Totals</b>	<b>60,397,706</b>	<b>108,750,133</b>

## 7.c) Losses on impairment of and change in trade transactions:

Euros	2015/16	2014/15
Provisions Other Trade Transactions (Note 14)	109,124	268,262
<b>Totals</b>	<b>109,124</b>	<b>268,262</b>
Rupees	2015/16	2014/15
Provisions Other Trade Transactions (Note 14)	8,181,026	20,111,602
<b>Totals</b>	<b>8,181,026</b>	<b>20,111,602</b>

13. Other results: these correspond to the Profits & Losses that stem from events that are not a part of the Company's typical activities and which are not expected to occur frequently.

## 14 PROVISIONS AND CONTINGENCIES

14.1 During the financial period 2014/15, a provision was allocated for 268,262 Euros (20,111,602 Rupees), corresponding to the accrual of a fund approved in the Owners' General Assembly for extraordinary improvements and replacements in the different resorts and a provision was applied to investments carried out for the amount of 331,226 Euros (24,832,013 Rupees) which resulted in a short-term provision a balance of 91,686 Euros (6,873,699 Rupees). During the financial period 2015/16, a provision of 109,124 Euros (8,181,026 Rupees) (see Note 13) was applied to the provision for investments carried out for 79,746 Euros (5,978,558 Rupees). In consequence, the Balance of short-term provisions on March 31, 2016 comes to 121,064 Euros (9,076,169 Rupees).

14.2 The Company is guaranteeing another Company in the Group for a loan obtained from a Finance Company for the amount of 518,142 Euros (38,845,106 Rupees) (see Note 17.3).

14.3 A guarantee has been provided by one of the Group companies, to respond for a loan granted by a Finance Company, for the amount of 750,000 Euros (56,227,500 Rupees) (see Note 17.3).

**15 ENVIRONMENTAL INFORMATION**

Given the activity that the Company carries out, there are no responsibilities, expenses, assets or deadlines of any environmental nature that could be of any significance with regard to equity, the financial position and its results. Therefore, no specific break-downs are included in this report.

**16 EVENTS AFTER THE CLOSING OF THE FINANCIAL YEAR**

No events have occurred after closing that could be considered significant and affect the financial period's accounts.

**17 TRANSACTIONS BETWEEN RELATED PARTIES**

**17.1 Regarding the Managing Board and Key Company Staff**

Managers and the key personnel of the company with whom related-party transactions have been carried out are the following:

- Mr. Calvin Stuart Lucock, Administrator and Managing Director.
- Mrs. Claudia Esplá Marín, Finance Manager
- Mr. Roberto Picón Pampin, Operations Manager

Remuneration paid to managers and key personnel of the company, during the financial periods 2015/16, in their status as employees of the company, amounts to 96,600 Euros (7,242,102 Rupees) and 220,259 Euros (16,512,817 Rupees) in the financial period 2014/15.

On the Balance Sheet there is a current account with partners and administrators at March 31, 2016, that amounts 3,588 Euros (268,992 Rupees), and at September 30, 2015 an amount of 1,449 euros (108,631 Rupees).

**17.2 Information required by Article 229 Of the Corporate Enterprises Act**

According to the Article 229 of the Corporate Enterprises Act, we hereby inform that the members of the Board of Directors do not have shares or hold positions or perform functions in companies whose corporate purpose is the same, similar or complementary to the Company's.

However, the members of the Board of Directors hold various shares in companies related to the Company and hold management positions and carry out functions related to the management, which have not been subject to inclusion in this Note of the Report, as this does not pose any conflict with regard to their duties of diligence and loyalty or the existence of potential conflicts of interest in the context of Law 26/2004 of July 17, which amended Law 24/1988, of July 28, in which the Market Values and the revised text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July.

Also during the Financial Period, the members of the Board of Directors have not carried out transactions outside the normal course of business beyond the ordinary traffic or in conditions other than those of the market with the company or group companies. The only transactions with administrators are those outlined in Note 17.1.

**17.3 Transactions and Balances with Group companies**

Euros	Company	2014/15		
		Financial Expenses	Services received	Services rendered
	Holiday Club Canarias Sales & Marketing, SLU.	-	160,073	2,327,749
	Holiday Club Resort OY.	-	43,403	2,170
	Holiday Club Canarias Investment, SL	-	-	-
	Holiday Club Sweden AB	15,547	-	-
<b>Totals</b>		<b>15,547</b>	<b>203,476</b>	<b>2,329,919</b>
		2015/16		
		Services received	Services rendered	
	Holiday Club Canarias Sales & Marketing, SLU.	87,563	2,144,102	
	Holiday Club Resort OY.	(30,600)	(1,142)	
	Holiday Club Canarias Investment, SL	-	-	
<b>Totals</b>		<b>56,963</b>	<b>2,142,960</b>	

Rupees	Company	2014/15		
		Financial Expenses	Services received	Services rendered
	Holiday Club Canarias Sales & Marketing, SLU.	-	12,000,673	174,511,342
	Holiday Club Resort OY.	-	3,253,923	162,685
	Holiday Club Canarias Investment, SL	-	-	-
	Holiday Club Sweden AB	1,165,559	-	-
<b>Totals</b>		<b>1,165,559</b>	<b>15,254,596</b>	<b>174,674,027</b>

Rupees	Company	2015/16	
		Services received	Services rendered
	Holiday Club Canarias Sales & Marketing, SLU.	6,564,598	160,743,327
	Holiday Club Resort OY.	(2,294,082)	(85,615)
	Holiday Club Canarias Investment, SL	-	-
<b>Totals</b>		<b>4,495,426</b>	<b>160,657,711</b>

Transactions carried out between Group Companies have been performed under normal market conditions.

Balances outstanding with the Group Companies in the financial periods 2015/16 and 2014/15, both short-term and long-term, at the close of the Financial Periods are:

Euros	2015/2016		2014/2015		
	Debit Balances	Creditor Balances	Debit Balances	Creditor Balances	
	Holiday Club Canarias Sales & Marketing, SLU	449,253	-	71,993	1,236,463
	Holiday Club Canarias Investment, SL	64,020	749,582	14,796	587,268
	Holiday Club Resorts OY	472	-	-	28,279
	Holiday Club Sweden AB	-	-	-	-
<b>Totals</b>	<b>513,745</b>	<b>749,582</b>	<b>86,789</b>	<b>1,852,010</b>	

Rupees	2015/2016		2014/2015		
	Debit Balances	Creditor Balances	Debit Balances	Creditor Balances	
	Holiday Club Canarias Sales & Marketing, SLU	33,680,497	-	5,397,315	92,697,631
	Holiday Club Canarias Investment, SL	4,799,579	56,196,163	1,109,256	44,027,482
	Holiday Club Resorts OY	35,386	-	-	2,120,077
	Holiday Club Sweden AB	-	-	-	-
<b>Totals</b>	<b>38,515,463</b>	<b>56,196,163</b>	<b>6,506,571</b>	<b>138,845,190</b>	

The Company is backing to the Group Company Holiday Club Canarias Sales & Marketing, SLU to respond to a loan granted by a financial institution amounting to 518,142 Euros (38,845,106 Rupees). There is also a guarantee provided by the parent Group Company Holiday Club Canarias Investment, SLU to respond to a loan granted by a financial institution, amounting 750,000 Euros (56,227,500 Rupees) (see Notes 14.2 and 14.3).

**18 OTHER INFORMATION**

18.1 Number of Employees

The average number of persons employed by the Company during the 2014/15 and 2013/14 Financial Periods, distributed by professional categories, has been the following:

	Persons	
	2015/16	2014/15
Senior Managers	1.50	2.01
Administration and Middle Managers	9.00	9.17
Receptionists and Technical Staff	29.49	30.71
Housekeeping and others	40.05	38.54
<b>Totals</b>	<b>80.04</b>	<b>80.43</b>

The distribution by gender at the end of the financial periods 2015/16 and 2014/15 is the following:

	2015/16		2014/15	
	Men	Women	Men	Women
Senior Managers	2	-	2	-
Administration and Middle Managers	3	6	2	5
Receptionists and Technical Staff	24	7	21	8
Housekeeping and others	15	28	9	40
<b>Totals</b>	<b>44</b>	<b>41</b>	<b>34</b>	<b>53</b>

18.2 Auditor's Fees

The fees for the audit of Annual Accounts for the Financial Periods 2015/16 and 2014/15 are as follows:

	2015/16	2014/15
<b>Euros</b>		
Fees charged for Account Auditing	9,300	9,292
Fees for other Services performed	4,500	4,500
<b>Totals</b>	<b>13,800</b>	<b>13,792</b>

	2015/16	2014/15
<b>Rupees</b>		
Fees charged for Account Auditing	697,221	696,621
Fees for other Services performed	337,365	337,365
<b>Totals</b>	<b>1,034,586</b>	<b>1,033,986</b>

**19 SEGMENT INFORMATION**

The distribution of the net amount of turnover corresponding to ordinary activity, by categories, is as follows:

	2015/16	2014/15
<b>Euros</b>		
Maintenance Fee	2,355,627	4,638,806
Other incomes	147,861	341,527
<b>Totals</b>	<b>2,503,489</b>	<b>4,980,333</b>

	2015/16	2014/15
<b>Rupees</b>		
Maintenance Fee	176,601,356	347,771,286
Other incomes	11,071,644	25,604,279
<b>Totals</b>	<b>187,686,570</b>	<b>373,375,565</b>

**20 INFORMATION ABOUT PAYMENT DEFERRALS MADE TO SUPPLIERS. THIRD ADDITIONAL PROVISION TO THE "DUTY OF INFORMATION" OF LAW 15/2010 OF 5 JULY**

According to the Third Additional Regulation of Law 15/2010 of 5 July, the Company informs the following information:

	2015/16
	Days
<b>Payment Ratio</b>	45
<b>Outstanding payment Ratio</b>	30
<b>Average period for payment to suppliers</b>	42
	Euro/Rupees
<b>Total payments in the period</b>	1,679,807/125,935,131
<b>Total outstanding payments</b>	368,833/27,651,410

In Mogán, on April 18, 2016.

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from January 1, 2015 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of real estate.

The Company's property located at Salla, was fully operational.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 5,055.00 (INR 378,973.35).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Tapio Anttila
- 3) Anne Oravainen
- 4) Iiro Rossi

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results

of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited, consequently, the Company became subsidiary for these companies.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Kiinteistö Oy Tunturinrivi

**Riku Rauhala**  
Chair of the Board of Directors

Place: Tampere  
Dated: April 26, 2016

## AUDITOR'S REPORT

To the Annual General Meeting of Kiinteistö Oy Tunturinrivi.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kiinteistö Oy Tunturinrivi for the year ended March 31, 2016. The financial statements comprise the consolidated balance sheet, income statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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

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, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of directors is consistent with the information in the financial statements.

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

**Pekka Hiltunen**  
Authorised Public Accountant

Place : Tampere  
Dated : April 26, 2016



## PROFIT AND LOSS STATEMENT

	Eur	Rs	Eur	Rs
	1.1.2015	1.1.2015	1.1.2014	1.1.2014
	-31.3.2016	-31.3.2016	-31.12.2014	-31.12.2014
<b>Depreciation and impairments</b>				
Depreciations	(5,037.50)	(377,661.38)	(4,030.00)	(302,129.10)
Impairments	0.00	0.00	(12,554.92)	(941,242.35)
<b>Depreciation and impairments total</b>	<b>(5,037.50)</b>	<b>(377,661.38)</b>	(16,584.92)	(1,243,371.45)
<b>Other operating expenses</b>				
Other expenses	(17.50)	(1,311.98)	(138.40)	(10,375.85)
<b>Other operating expenses total</b>	<b>(17.50)</b>	<b>(1,311.98)</b>	(138.40)	(10,375.85)
<b>Loss</b>	<b>(5,055.00)</b>	<b>(378,973.35)</b>	(16,723.32)	(1,253,747.30)
<b>Result before appropriations and taxes</b>	<u><b>(5,055.00)</b></u>	<u><b>(378,973.35)</b></u>	<u>(16,723.32)</u>	<u>(1,253,747.30)</u>
<b>Loss for the financial year</b>	<u><b>(5,055.00)</b></u>	<u><b>(378,973.35)</b></u>	<u>(16,723.32)</u>	<u>(1,253,747.30)</u>

**BALANCE SHEET**

	<b>Eur</b>	<b>Rs</b>	<b>Eur</b>	<b>Rs</b>
<b>appendix</b>	<b>1.1.2015</b>	<b>1.1.2015</b>	<b>1.1.2014</b>	<b>1.1. 2014</b>
	<b>-31.3.2016</b>	<b>-31.3.2016</b>	<b>-31.12.2014</b>	<b>-31.12.2014</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
<b>Tangible assets</b>	1			
Land and waters				
Land areas	7,525.55	564,190.48	7,525.55	564,190.48
Buildings	104,591.53	7,841,227.00	109,629.03	8,218,888.38
<b>Total tangible assets</b>	<b>112,117.08</b>	<b>8,405,417.49</b>	<b>117,154.58</b>	<b>8,783,078.86</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>112,117.08</b>	<b>8,405,417.49</b>	<b>117,154.58</b>	<b>8,783,078.86</b>
<b>CURRENT ASSETS</b>				
<b>Cash in hand and at banks</b>				
Cash at bank	2,832.39	212,344.28	2,849.89	213,656.25
<b>Total Cash in hand and at banks</b>	<b>2,832.39</b>	<b>212,344.28</b>	<b>2,849.89</b>	<b>213,656.25</b>
<b>TOTAL CURRENT ASSETS</b>	<b>2,832.39</b>	<b>212,344.28</b>	<b>2,849.89</b>	<b>213,656.25</b>
<b>TOTAL ASSETS</b>	<b>114,949.47</b>	<b>8,617,761.77</b>	<b>120,004.47</b>	<b>8,996,735.12</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
	2			
Share capital	16,482.42	1,235,687.33	16,482.42	1,235,687.33
Reserve fund	129.71	9,724.66	129.71	9,724.66
Profit from previous years	103,392.33	7,751,322.98	120,115.65	9,005,070.28
Loss for the financial year	(5,055.00)	(378,973.35)	(16,723.32)	(1,253,747.30)
<b>TOTAL EQUITY</b>	<b>114,949.47</b>	<b>8,617,761.62</b>	<b>120,004.47</b>	<b>8,996,734.97</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>114,949.47</b>	<b>8,617,761.62</b>	<b>120,004.47</b>	<b>8,996,734.97</b>

## ACCOUNTING PRINCIPLES

### Valuation principles

Depreciation from building is recorded on a straight-line basis over expected useful lives.

Depreciation period for building is 43 years from acquisition 1998.

Tangible assets have been entered under acquisition costs and financial assets under nominal value.

### Comparability of the previous financial year data

The Company's financial period has been changed and it come to an end 31.3.2016, current financial period is 15 month.

The reference figures used are from the 1.1.2014-31.12.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### Note:

FC amounts are translated for convenience in to Indian Rupees at the exchange rate of Rs. 74.91 = FC1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

## ASSETS

## NON-CURRENT ASSETS

## 1. Tangible assets

Eur	Land areas	Buildings	Total	Rs.	Land areas	Buildings	Total
Acquisition cost 1.1.2015	7,525.55	181,363.57	188,889.12	Acquisition cost 1.1.2015	564,190.48	13,596,826.84	14,161,017.33
Acquisition cost 31.3.2016	7,525.55	181,363.57	188,889.12	Acquisition cost 31.3.2016	564,190.48	13,596,826.84	14,161,017.33
Accumulated depreciation 1.1.2015	-	71,734.54	71,734.54	Accumulated depreciation 1.1.2015	-	5,377,938.46	5,377,938.46
Depreciation for the financial year	-	5,037.50	5,037.50	Depreciation for the financial year	-	377,661.38	377,661.38
Accumulated depreciation 31.3.2016	-	76,772.04	76,772.04	Accumulated depreciation 31.3.2016	-	5,755,599.84	5,755,599.84
<b>Book value 31.12.2014</b>	<b>7,525.55</b>	<b>104,591.53</b>	<b>112,117.08</b>	<b>Book value 31.12.2014</b>	<b>564,190.48</b>	<b>7,841,227.00</b>	<b>8,405,417.49</b>

## EQUITY AND LIABILITIES

## 2. EQUITY/Eur

	Share capital	Reserve fund	Retained earnings	Profit (loss) for the financial year	Total
Amount 1.1.2015	16,482.42	129.71	120,115.65	(16,723.32)	120,004.47
Transfers between retained earnings and profit/loss from prev. financial period	-	-	(16,723.32)	16,723.32	0.00
Profit (loss) for the financial year	-	-	-	(5,055.00)	(5,055.00)
Amount 31.3.2016	<b>16,482.42</b>	<b>129.71</b>	<b>103,392.33</b>	<b>(5,055.00)</b>	<b>114,949.47</b>

## EQUITY/Rs

	Share capital	Reserve fund	Retained earnings	Profit (loss) for the financial year	Total
Amount 1.1.2015	1,235,686.79	9,724.73	9,005,070.58	(1,253,747.30)	8,996,734.80
Transfers between retained earnings and profit/loss from prev. financial period	-	-	(1,253,747.30)	1,253,747.30	0.00
Profit (loss) for the financial year	-	-	-	(378,973.35)	(378,973.35)
Amount 31.3.2016	<b>1,235,686.79</b>	<b>9,724.73</b>	<b>7,751,323.28</b>	<b>(378,973.35)</b>	<b>8,617,761.45</b>

## Calculation for distributable funds 31.12.

	Eur 2016	Rs 2016	Eur 2014	Rs 2014
Profit (loss) from prev. financial period	103,392.33	7,751,322.98	120,115.65	9,005,070.28
Profit (loss) for the financial year	(5,055.00)	(378,973.35)	(16,723.32)	(1,253,747.30)
<b>Total</b>	<b>98,337.33</b>	<b>7,372,349.63</b>	<b>103,392.33</b>	<b>7,751,322.98</b>

Financial Statements date and signatures

Tampere, April 1, 2016

**Riku Rauhala**  
Chair of the Board of Director

**Tapio Anttila**  
Board Member

**Anne Oravainen**  
Board Member

**Iiro Rossi**  
Board Member

**Riku Rauhala**  
CEO

## OTHER NOTES TO THE FINANCIAL STATEMENTS

The company has had no business operations during the financial year 1.1.2015-31.3.2016.

Koy Tunturirivi belongs to the Holiday Club Resorts Oy group and its parent company is Sallan Tunturipalvelut Oy.

Sallan Tunturipalvelut is a subsidiary of Holiday Club Resorts Oy.

Sallan Tunturipalvelut will be merged with Holiday Club Resorts Oy in 31.3.2016.

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters

Hitsaajankatu 22, 00810 Helsinki.

## Board of Director's Proposal for Distribution of Profits

The Board of Directors proposes to the Annual General Meeting that the loss Euro 5,055.00 (Rs. 378,973.35) for the financial year 1.1.2015-31.3.2016 be placed in retained earnings and no dividend be paid.

## AUDITOR'S NOTE

A report of the audit has been submitted today.

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from October 1, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in letting of estate.

The Company is located at Turku.

There have been no significant changes in the nature of the principal activities during the financial period under review. Further, the Shareholder at their extraordinary general meeting has approved the liquidation process of the Company. Accordingly, Liquidator has been appointed.

### Financial Highlights

The results for the financial period and financial position of the Company are as shown in the annexed Financial Statements.

During the period under review, the Company has made loss of Euro 1,382.83 (INR 103,670.77).

### Dividends

No Dividend was proposed for the financial period under review.

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Riku Rauhala
- 2) Anne Oravainen
- 3) Iiro Rossi

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion

of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is wholly owned subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Caribia Service Oy

**Riku Rauhala**  
Chair of the Board of Directors

Place : Tampere  
Dated : April 21, 2016

## AUDITOR'S REPORT

For the general meeting of Caribia Service Oy, which is in liquidation.

We have audited the books and records, the financial statements, and administration of Caribia Service Oy, which was placed into liquidation on 4 January 2016, for the accounting period from 1 October 2014 to 31 March 2016. The financial statements include the statement of financial position, income statement and notes.

### Liquidator's responsibility

The liquidator is responsible for drawing up the final account and ensuring that it gives true and fair information in accordance with the regulations on drawing up a final account valid in Finland. The liquidator is responsible for organising the appropriate monitoring of the books and records and financial management, and for ensuring that the books and records are legal and that the financial management is organised in reliable manner.

### Auditor's Responsibility

It is our responsibility to provide an opinion on the financial statements and items required by the Limited Liability Companies Act based on the audit we have conducted. The Auditing Act requires us to adhere to the principles of professional ethics. We conducted the audit according to the good accounting practice observed in Finland. Good accounting practice requires us to plan and conduct an audit in order to obtain reasonable assurance of whether the financial statements or annual report contain material misstatements and whether members of the board, the chief executive officer or liquidator have perpetrated acts or derelictions that might result in indemnity liability to the company or have violated the Limited Liability Companies Act or the articles of association.

The audit involves procedures to obtain audit evidence on the figures and other information presented in the financial statements and annual report. The procedures are chosen

based on the auditor's judgement, which includes the assessment of the risks of material misstatement due to fraud or error. In the assessment of these risks, the auditor considers internal control that is significant to the company for the drawing up of financial statements and an annual report that give true and fair information. The auditor assesses the internal control in order to be able to plan audit procedures that are appropriate for the situation, but not for the purpose of giving an opinion on the effectiveness of the company's internal control. The audit also involves assessment of the appropriateness of the accounting policies applied, the reasonableness of the accounting estimates drawn up by the liquidator and the general presentation of the financial statements and annual report.

It is our understanding that we have obtained the necessary amount of appropriate audit evidence on which to base our opinion.

Opinion on the financial statements and annual report.

As our opinion, we present that the financial statements give true and fair information about the company's result and financial position in accordance with the regulations on drawing up financial statements valid in Finland.

Other statutory opinions.

It is our opinion that the liquidation has not been needlessly prolonged and that the liquidator has otherwise acted appropriately.

Tampere, 26 April 2016

**PricewaterhouseCoopers Oy**  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

**PROFIT AND LOSS STATEMENT**

	<b>Eur</b>	<b>Rs.</b>	<b>Eur</b>	<b>Rs.</b>
	<b>01.10.2014- 31.03.2016</b>	<b>01.10.2014- 31.03.2016</b>	<b>01.10.2013- 30.09.2014</b>	<b>01.10.2013- 30.09.2014</b>
Other operating expenses.....	1,365.55	102,375.28	837.27	62,770.13
<b>PROFIT .....</b>	<b>(1,365.55)</b>	<b>(102,375.28)</b>	<b>(837.27)</b>	<b>(62,770.13)</b>
Financial income and expenses .....	17.28	1,295.48	-	-
<b>PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS.....</b>	<b>(1,382.83)</b>	<b>(103,670.77)</b>	<b>(837.27)</b>	<b>(62,770.13)</b>
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES.....</b>	<b>(1,382.83)</b>	<b>(103,670.77)</b>	<b>(837.27)</b>	<b>(62,770.13)</b>
<b>LOSS FOR THE FINANCIAL YEAR .....</b>	<b>(1,382.83)</b>	<b>(103,670.77)</b>	<b>(837.27)</b>	<b>(62,770.13)</b>

**BALANCE SHEET**

	Eur	Rs.	Eur	Rs.
appendix	31.03.2016	31.03.2016	30.09.2014	30.09.2014
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Time shares .....	2,540.00	190,423.80	2,540.00	190,423.80
<b>Total current assets</b> .....	<b>2,540.00</b>	<b>190,423.80</b>	<b>2,540.00</b>	<b>190,423.80</b>
<b>Short-term receivables</b>				
<b>Cash and cash equivalents</b>				
Cash at bank .....	1,605.53	120,366.58	601.07	45,062.22
<b>Total cash and cash equivalents</b> .....	<b>1,605.53</b>	<b>120,366.58</b>	<b>601.07</b>	<b>45,062.22</b>
<b>TOTAL CURRENT ASSETS</b> .....	<b>4,145.53</b>	<b>310,790.38</b>	<b>3,141.07</b>	<b>235,486.02</b>
<b>TOTAL ASSETS</b> .....	<b>4,145.53</b>	<b>310,790.38</b>	<b>3,141.07</b>	<b>235,486.02</b>
<b>LIABILITIES</b>				
<b>EQUITY</b>				
	<b>1</b>			
Share capital .....	8,000.00	599,760.00	8,000.00	599,760.00
Invested unrestricted equity fund .....	2,387.29	178,975.13	-	-
Profit from previous years .....	(4,858.93)	(364,273.98)	(4,021.66)	(301,503.85)
Profit(loss) for the financial year .....	(1,382.83)	(103,670.77)	(837.27)	(62,770.13)
<b>TOTAL EQUITY</b> .....	<b>4,145.53</b>	<b>310,790.38</b>	<b>3,141.07</b>	<b>235,486.02</b>
<b>LIABILITIES</b> .....	<b>4,145.53</b>	<b>310,790.38</b>	<b>3,141.07</b>	<b>235,486.02</b>



## NOTES TO THE FINANCIAL STATEMENTS

Caribia Service Oy is a fully-owned subsidiary of Kongressi- ja Kylpylähotelli Caribia Oy and belongs to the Group whose parent company is Holiday Club Resorts Oy (domicile: Helsinki).

Copies of the consolidated financial statements are available at the Holiday Club Resorts Group headquarters.

Hitsaajankatu 22, 00810 Helsinki

No sub-group financial statements have been drafted.

### Comparability of the previous financial year data

The reference figures used are from the 1.10.2013 – 30.9.2014 financial period, i.e. a twelve-month period.

This shall be taken into account when comparing financial years.

### Liquidation process

Caribia Service Oy has been registered to be under liquidation process. The decision over liquidation was made in extraordinary general meeting on 4th of January 2016.

FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = FC 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India.

## NOTES TO THE BALANCE SHEET

### LIABILITIES

#### 1. EQUITY

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Share capital in the beginning of the year .....	8,000.00	599,760.00	8,000.00	599,760.00
<b>Share capital in the end of the year .....</b>	<b>8,000.00</b>	<b>599,760.00</b>	<b>8,000.00</b>	<b>599,760.00</b>
Invested unrestricted equity fund in the beginning of the year				
Additions .....	2,387.29	178,975.13	-	-
<b>Invested unrestricted equity fund in the end of the year .....</b>	<b>2,387.29</b>	<b>178,975.13</b>	<b>-</b>	<b>-</b>
Profit from previous years .....	(4,858.93)	(364,273.98)	(4,021.66)	(301,503.85)
Loss for the financial year .....	(1,382.83)	(103,670.77)	(837.27)	(62,770.13)
<b>TOTAL EQUITY .....</b>	<b>4,145.53</b>	<b>310,790.38</b>	<b>3,141.07</b>	<b>235,486.02</b>

### CALCULATION OF DISTRIBUTABLE FUNDS

	Eur	Rs.	Eur	Rs.
	2016	2016	2014	2014
Unrestricted shareholders equity				
Profit from previous years .....	(4,858.93)	(364,273.98)	(4,021.66)	(301,503.85)
Invested unrestricted equity fund .....	2,387.29	178,975.13	-	-
Loss for the financial year .....	(1,382.83)	(103,670.77)	(837.27)	(62,770.13)
	<b>(3,854.47)</b>	<b>(288,969.62)</b>	<b>(4,858.93)</b>	<b>(364,273.98)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Notes to the financial statements compliant with the Limited Liability Companies Act.

Board of Directors' proposal for profit distribution

Loss for the financial year EUR 1,382.83 (Rs. 103,670.77). The Board of Directors proposes to the Annual General Meeting that the loss be transferred to equity and that no dividends be distributed.

### Company shares

The Company holds 100 shares, whose nominal value is EUR 80.00 (Rs. 5,997.60). Each share entitles the holder to one vote at the Annual General Meeting.

### FINANCIAL STATEMENTS

#### DATE AND SIGNATURES

Helsinki April 21, 2016

**Anne Oravainen**  
Liquidator

### AAUDITOR'S NOTE

A report of the audit has been submitted today.

PricewaterhouseCoopers Oy  
Authorised Public Accounting Firm

**Pekka Hiltunen**  
Authorised Public Accountant

## DIRECTOR'S REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial year commencing from January 1, 2015 and ended on December 31, 2015.

### Operations/State of the Company's Affairs

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial year under review.

### Financial Highlights

The results for the financial year and financial position of the Company are shown in the annexed Financial Statements.

During the year under review, the Company has made loss of SEK 700 (INR 5,719).

### Dividends

No Dividend was proposed for the financial year under review.

### Directors

The Directors shown below have held office during the financial year under review:

- 1) Madelene Lillsund Queckfeldt
- 2) Patrik Viklund
- 3) Sinikka Kohtala

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2015.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial year in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial year under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the year under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial year under review.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the year under review.

Signed on behalf of the Board of Directors  
of Åre Semesterby A AB

Sinikka Kohtala  
Director

Madelene Lillsund Queckfeldt  
Director

Patrik Viklund  
Director

Place: Åre  
Dated: January 31, 2016

## PRACTITIONER'S REVIEW REPORT

### To the Board of Directors of Holiday Club Resorts Oy

I have reviewed the financial statements of Are Semesterby A AB for the financial period 1.1.2015 - 31.12.2015. The financial statements comprise balance sheet, the income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the local laws and regulations governing the preparation of the financial statements. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances.

### Practitioner's responsibility

My responsibility is to express a conclusion on the financial statements. I conducted my review in accordance with International Standard on Review Engagements (ISRE) 2400 revised. ISRE 2400 (revised) requires me to conclude whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the local laws and regulations governing the preparation of the financial statements. The Auditing Act requires that I comply with the requirements of professional ethics.

A review of financial statements in accordance with ISRE 2400 (revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity as appropriate, and applies analytical procedures, and evaluates the evidence obtained.

The procedures performed are substantially less than those performed in an audit conducted in accordance with auditing standards. Accordingly, I do not express an audit opinion on the financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not give true and fair view of the financial performance and financial position in accordance with local laws and regulations governing the preparation of the financial statements.

The above review has been conducted at the request of Holiday Club Resort Oy's management for the purpose of consolidation of the company's financial statements with that of Holiday Club Resort Oy.

**Eero Suomela**

Authorized Public Accountant  
Nokkalankulma 7 B  
02230 Espoo.

Place: Helsinki

Date: May 8, 2016

## ADMINISTRATION REPORT

### Operations

#### *Information regarding the operations*

The company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen,

PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

## PROPOSED APPROPRIATION OF PROFITS

The following profits are at the disposal of the Annual General Meeting:

	<u>SEK</u>	<u>INR</u>
Profit bought forward.....	(7,550)	(61,684)
Profit/Loss for the year .....	(700)	(5,719)
Total .....	<u><b>(8,250)</b></u>	<u><b>(67,403)</b></u>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	(8,250)	(67,403)
Total .....	<u><b>(8,250)</b></u>	<u><b>(67,403)</b></u>

## INCOME STATEMENT

Note	1 Jan 2015 –31 Dec 2015 SEK	1 Jan 2014 –31 Dec 2014 SEK	1 Jan 2015 –31 Dec 2015 INR	1 Jan 2014 –31 Dec 2014 INR
<b>Operating expenses</b>				
Other external expenses	(700)	(500)	(5,719)	(4,085)
<b>Total operating expenses</b>	(700)	(500)	(5,719)	(4,085)
<b>Operating profit/loss</b>	(700)	(500)	(5,719)	(4,085)
<b>Financial items</b>				
Other interest income and similar profit/loss items	–	–	–	–
<b>Total financial items</b>	–	–	–	–
<b>Profit/loss after financial items</b>	(700)	(500)	(5,719)	(4,085)
<b>Profit/Loss before tax</b>	(700)	(500)	(5,719)	(4,085)
<b>Profit/Loss for the year</b>	<u>(700)</u>	<u>(500)</u>	<u>(5,719)</u>	<u>(4,085)</u>

## BALANCE SHEET

	Note	31 Dec 2015 SEK	31 Dec 2014 SEK	31 Dec 2015 INR	31 Dec 2014 INR
<b>Assets</b>					
<b>Current assets</b>					
<i>Current receivables</i>					
<i>Cash and bank balances</i>					
Cash and bank balances		91,750	92,450	749,598	755,317
<i>Total cash and bank balances</i>		91,750	92,450	749,598	755,317
<b>Total current assets</b>		91,750	92,450	749,598	755,317
<b>Total assets</b>		91,750	92,450	749,598	755,317



**EQUITY AND LIABILITIES**

	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	SEK	SEK	INR	INR
<b>Equity</b>				
<i>Restricted equity</i>				
Share capital, 1000 shares	100,000	100,000	817,000	817,000
<i>Total restricted equity</i>	100,000	100,000	817,000	817,000
<i>Non-restricted equity</i>				
Profit bought forward	(7,550)	(7,050)	(61,684)	(57,599)
Profit/Loss for the year	(700)	(500)	(5,719)	(4,085)
<i>Total non-restricted equity</i>	(8,250)	(7,550)	(67,403)	(61,684)
<b>Total equity</b>	91,750	92,450	749,598	755,317
Total equity and liabilities	91,750	92,450	749,598	755,317

## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

*Definitions of key performance indicators*

#### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

#### Disclosures to the Income Statement

### Note 2 Sales to Group companies

16 Dec 2015  
–31 Dec 2015

Percentage of sales to companies in Groups of which the Company is a subsidiary 100%

#### Balance sheet disclosures

### Note 3 Changes in equity

	Share capital	Profit/ loss brought forward	Net profit/ loss	Total
Amount at beginning of year according to adopted balance sheet	100,000SEK 817,000INR	(7,050SEK) (57,599INR)	(500SEK) (4,085INR)	92,450 SEK 755317INR

Appropriation of profits as resolved by the AGM

To be carried forward		(500SEK) (4,085INR)	(500SEK) (4,085INR)	
Profit/loss for the year			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Balance at year-end	100,000SEK 817,000INR	(7,550SEK) (61,684INR)	(700SEK) (5,719INR)	91,750SEK 749,598INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-01-31.

Åre 2016-01-31

Madelene Lillsund Queckfeldt

Sinikka Kohtala

Patrik Viklund

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial year commencing from January 1, 2015 and ended on December 31, 2015.

### OPERATIONS/STATE OF THE COMPANY'S AFFAIRS

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial year under review.

### FINANCIAL HIGHLIGHTS

The results for the financial year and financial position of the Company are shown in the annexed Financial Statements.

During the year under review, the Company has made loss of SEK 700 (INR 5,719)

### DIVIDENDS

No Dividend was proposed for the financial year under review.

### DIRECTORS

The Directors shown below have held office during the financial year under review:

- 1) Madelene Lillsund Queckfeldt
- 2) Patrik Viklund
- 3) Sinikka Kohtala

### STATEMENT OF DIRECTORS

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2015.

### EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial year in which this report is made.

### ISSUE OF SHARES

The Company did not issue shares during the financial year under review.

### HOLDING COMPANY

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the year under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### COMPLIANCE

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial year under review.

### ACKNOWLEDGEMENTS

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the year under review.

Signed on behalf of the Board of Directors  
of Åre Semesterby B AB

Sinikka Kohtala  
Director

Madelene Lillsund Queckfeldt  
Director

Patrik Viklund  
Director

Place: Åre  
Dated: January 31, 2016

## PRACTITIONER'S REVIEW REPORT

### To the Board of Directors of Holiday Club Resorts Oy

I have reviewed the financial statements of Are Semesterby B AB for the financial period 1.1.2015-31.12.2015. The financial statements comprise balance sheet, the income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the local laws and regulations governing the preparation of the financial statements. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances.

### Practitioner's responsibility

My responsibility is to express a conclusion on the financial statements. I conducted my review in accordance with International Standard on Review Engagements (ISRE) 2400 revised. ISRE 2400 (revised) requires me to conclude whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the local laws and regulations governing the preparation of the financial statements. The Auditing Act requires that I comply with the requirements of professional ethics.

A review of financial statements in accordance with ISRE 2400 (revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity as appropriate, and applies analytical procedures, and evaluates the evidence obtained.

The procedures performed are substantially less than those performed in an audit conducted in accordance with auditing standards. Accordingly, I do not express an audit opinion on the financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not give true and fair view of the financial performance and financial position in accordance with local laws and regulations governing the preparation of the financial statements.

The above review has been conducted at the request of Holiday Club Resort Oy's management for the purpose of consolidation of the company's financial statements with that of Holiday Club Resort Oy.

**Eero Suomela**

Authorized Public Accountant  
Nokkalankulma 7 B  
02230 Espoo

Place: Helsinki  
Date: May 8. 2016

## ADMINISTRATION REPORT

### Operations

#### *Information regarding the operations*

The Company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

### Proposed appropriation of profits

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Profit bought forward.....	(7,550)	(61,684)
Profit/Loss for the year .....	(700)	(5,719)
<b>Total</b> .....	<u>(8,250)</u>	<u>(67,403)</u>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	(8,250)	(67,403)
<b>Total</b> .....	<u>(8,250)</u>	<u>(67,403)</u>

## INCOME STATEMENT

Note	1 Jan 2015	1 Jan 2014	1 Jan 2015	1 Jan 2014
	- 31 Dec 2015	- 31 Dec 2014	- 31 Dec 2015	- 31 Dec 2014
	SEK	SEK	INR	INR
<b>Operating expenses</b>				
Other external expenses .....	(700)	(500)	(5,719)	(4,085)
<b>Total operating expenses</b> .....	<b>(700)</b>	<b>(500)</b>	<b>(5,719)</b>	<b>(4,085)</b>
<b>Operating profit/loss</b> .....	<b>(700)</b>	<b>(500)</b>	<b>(5,719)</b>	<b>(4,085)</b>
<b>Financial items</b>				
Other interest income and similar profit/loss items	0	0	0	0
<b>Total financial items</b> .....	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit/Loss after financial items</b> .....	<b>(700)</b>	<b>(500)</b>	<b>(5,719)</b>	<b>(4,085)</b>
<b>Profit/Loss before tax</b> .....	<b>(700)</b>	<b>(500)</b>	<b>(5,719)</b>	<b>(4,085)</b>
<b>Profit/Loss for the year</b> .....	<b>(700)</b>	<b>(500)</b>	<b>(5,719)</b>	<b>(4,085)</b>

**BALANCE SHEET**

	Note	31 Dec 2015 SEK	31 Dec 2014 SEK	31 Dec 2015 INR	31 Dec 2014 INR
<b>Assets</b>					
<b>Current assets</b>					
<i>Current receivables</i>					
<i>Cash and bank balances</i>					
Cash and bank balances .....		91,750	92,450	749,598	755,317
<i>Total cash and bank balances</i> .....		91,750	92,450	749,598	755,317
<b>Total current assets</b> .....		91,750	92,450	749,598	755,317
<b>Total assets</b> .....		91,750	92,450	749,598	755,317
<b>Equity and liabilities</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital, 1,000 shares .....		100,000	100,000	817,000	817,000
<i>Total restricted equity</i> .....		100,000	100,000	817,000	817,000
<i>Non-restricted equity</i>					
Profit bought forward .....		(7,550)	(7,050)	(61,684)	(57,599)
Profit/Loss for the year .....		(700)	(500)	(5,719)	(4,085)
<i>Total non-restricted equity</i> .....		(8,250)	(7,550)	(67,403)	(61,684)
<b>Total equity</b> .....		91,750	92,450	749,598	755,317
<b>Total equity and liabilities</b> .....		91,750	92,450	749,598	755,317

## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

#### Definitions of key performance indicators

##### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

#### Note 2 Sales to Group companies

	16 Dec 2015 – 31 Dec 2015
Percentage of sales to companies in Groups of which the Company is a subsidiary .....	100%

### Balance sheet disclosures

#### Note 3 Changes in equity

	Share capital	Profit/loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	100,000SEK 817,000INR	(7,050SEK) (57,599INR)	(500SEK) (5,719INR)	92,450SEK 755,317INR
Appropriation of profits as resolved by the AGM		(500SEK) (4,085INR)	(500SEK) (4,085INR)	
To be carried forward			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Profit/loss for the year			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Balance at year-end....	100,000SEK 817,000INR	(7,550SEK) (61,684INR)	(700SEK) (5,719INR)	91,750SEK 749,598INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-01-31.

Åre 2016-01-31

\_\_\_\_\_  
Madelene Lillsund Queckfeldt

\_\_\_\_\_  
Sinikka Kohtala

\_\_\_\_\_  
Patrik Viklund



## DIRECTOR'S REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial year commencing from January 1, 2015 and ended on December 31, 2015.

### OPERATIONS/STATE OF THE COMPANY'S AFFAIRS

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial year under review.

### FINANCIAL HIGHLIGHTS

The results for the financial year and financial position of the Company are shown in the annexed Financial Statements.

During the year under review, the Company has made loss of SEK 700 (INR 5,719).

### DIVIDENDS

No Dividend was proposed for the financial year under review.

### DIRECTORS

The Directors shown below have held office during the financial year under review:

- 1) Madelene Lillsund Queckfeldt
- 2) Patrik Viklund
- 3) Sinikka Kohtala

### STATEMENT OF DIRECTORS

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2015.

### EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of

the operations of the Company for the financial year in which this report is made.

### ISSUE OF SHARES

The Company did not issue shares during the financial year under review.

### HOLDING COMPANY

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the year under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### COMPLIANCE

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial year under review.

### ACKNOWLEDGEMENTS

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the year under review.

Signed on behalf of the Board of Directors  
of Åre Semesterby C AB

Sinikka Kohtala  
Director

Madelene Lillsund Queckfeldt  
Director

Patrik Viklund  
Director

Place: Åre  
Dated: January 31, 2016

## PRACTITIONER'S REVIEW REPORT

### To the Board of Directors of Holiday Club Resorts Oy

I have reviewed the financial statements of Are Semesterby C AB for the financial period 1.1.2015-31.12.2015. The financial statements comprise balance sheet, the income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the local laws and regulations governing the preparation of the financial statements. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances.

### Practitioner's responsibility

My responsibility is to express a conclusion on the financial statements. I conducted my review in accordance with International Standard on Review Engagements (ISRE) 2400 revised. ISRE 2400 (revised) requires me to conclude whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the local laws and regulations governing the preparation of the financial statements. The Auditing Act requires that I comply with the requirements of professional ethics.

A review of financial statements in accordance with ISRE 2400 (revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries

of management and others within the entity as appropriate, and applies analytical procedures, and evaluates the evidence obtained.

The procedures performed are substantially less than those performed in an audit conducted in accordance with auditing standards. Accordingly, I do not express an audit opinion on the financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not give true and fair view of the financial performance and financial position in accordance with local laws and regulations governing the preparation of the financial statements.

The above review has been conducted at the request of Holiday Club Resort Oy's management for the purpose of consolidation of the company's financial statements with that of Holiday Club Resort Oy.

**Eero Suomela**  
Authorized Public Accountant  
Nokkalankulma 7 B  
02230 Espoo

Place: Helsinki  
Date: May 8, 2016

## ADMINISTRATION REPORT

### Operations

#### *Information regarding the operations*

The Company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

### Proposed appropriation of profits

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Profit bought forward.....	(7,150)	(58,416)
Profit/Loss for the year .....	(700)	(5,719)
Total .....	<u>(7,850)</u>	<u>(64,135)</u>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	<u>(7,850)</u>	<u>(64,135)</u>
Total .....	<u>(7,850)</u>	<u>(64,135)</u>

## INCOME STATEMENT

Note	1 Jan 2015	1 Jan 2014	1 Jan 2015	1 Jan 2014
	- 31 Dec 2015	- 31 Dec 2014	- 31 Dec 2015	- 31 Dec 2014
	SEK	SEK	INR	INR
<b>Operating expenses</b>				
Other external expenses .....	(700)	(500)	(5,719)	(4,085)
<b>Total operating expenses</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Operating profit/loss</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Financial items</b>				
Other interest income and similar profit/loss items	0	0	0	0
<b>Total financial items</b> .....	0	0	0	0
<b>Profit/Loss after financial items</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Profit/Loss before tax</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Profit/Loss for the year</b> .....	(700)	(500)	(5,719)	(4,085)

## BALANCE SHEET

	Note	31 Dec 2015 SEK	31 Dec 2014 SEK	31 Dec 2015 INR	31 Dec 2014 INR
<b>Assets</b>					
<b>Current assets</b>					
<i>Current receivables</i>					
<i>Cash and bank balances</i>					
Cash and bank balances .....		92,150	92,850	752,866	758,585
<i>Total cash and bank balances</i> .....		92,150	92,850	752,866	758,585
<b>Total current assets</b> .....		92,150	92,850	752,866	758,585
<b>Total assets</b> .....		92,150	92,850	752,866	758,585
<b>Equity and liabilities</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital, 1,000 shares.....		100,000	100,000	817,000	817,000
<i>Total restricted equity</i> .....		100,000	100,000	817,000	817,000
<i>Non-restricted equity</i>					
Profit bought forward.....		(7,150)	(6,650)	(58,416)	(54,331)
Profit/Loss for the year .....		(700)	(500)	(5,719)	(4,085)
<i>Total non-restricted equity</i> .....		(7,850)	(7,150)	(64,135)	(58,416)
<b>Total equity</b> .....		92,150	92,850	752,866	758,585
<b>Total equity and liabilities</b> .....		92,150	92,850	752,866	758,585

## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

#### Definitions of key performance indicators

##### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

#### Note 2 Sales to Group companies

	16 Dec 2015 – 31 Dec 2015
Percentage of sales to companies in Groups of which the Company is a subsidiary .....	100%

### Balance sheet disclosures

#### Note 3 Changes in equity

	Share capital	Profit/loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	100,000SEK 817,000INR	(6,650SEK ) (54,331INR)	(500SEK) (4,085INR)	92,850SEK 758,585INR
Appropriation of profits as resolved by the AGM		(500SEK) (4,085INR)	(500SEK) (4,085INR)	
To be carried forward			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Profit/loss for the year			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Balance at year-end....	100,000SEK 817,000INR	(7,150SEK) (58,416INR)	(700SEK) (5,719INR)	92,150SEK 752,866INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-01-31.

Åre 2016-01-31

\_\_\_\_\_  
Madelene Lillsund Queckfeldt

\_\_\_\_\_  
Sinikka Kohtala

\_\_\_\_\_  
Pratik Viklund

## DIRECTOR'S REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial year commencing from January 1, 2015 and ended on December 31, 2015.

### Operations/State Of The Company's Affairs

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial year under review.

### Financial Highlights

The results for the financial year and financial position of the Company are shown in the annexed Financial Statements.

During the year under review, the Company has made loss of sek 700 (INR 5,719)

### Dividends

No Dividend was proposed for the financial year under review.

### Directors

The Directors shown below have held office during the financial year under review:

- 1) Madelene Lillsund Queckfeldt
- 2) Patrik Viklund
- 3) Sinikka Kohtala

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at December 31, 2015.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of

the operations of the Company for the financial year in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial year under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the year under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial year under review.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the year under review.

Signed on behalf of the Board of Directors  
of Åre Semesterby D AB

Sinikka Kohtala  
Director

Madelene Lillsund Queckfeldt  
Director

Patrik Viklund  
Director

Place : Åre  
Dated : January 31, 2016

## PRACTITIONER'S REVIEW REPORT

### To the Board of Directors of Holiday Club Resorts Oy

I have reviewed the financial statements of Are Semesterby D AB for the financial period 1.1.2015-31.12.2015. The financial statements comprise balance sheet, the income statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the local laws and regulations governing the preparation of the financial statements. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances.

### Practitioner's responsibility

My responsibility is to express a conclusion on the financial statements. I conducted my review in accordance with International Standard on Review Engagements (ISRE) 2400 revised. ISRE 2400 (revised) requires me to conclude whether anything has come to my attention that causes me to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the local laws and regulations governing the preparation of the financial statements. The Auditing Act requires that I comply with the requirements of professional ethics.

A review of financial statements in accordance with ISRE 2400 (revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries

of management and others within the entity as appropriate, and apply analytical procedures, and evaluates the evidence obtained.

The procedures performed are substantially less than those performed in an audit conducted in accordance with auditing standards. Accordingly, I do not express an audit opinion on the financial statements.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that these financial statements do not give true and fair view of the financial performance and financial position in accordance with local laws and regulations governing the preparation of the financial statements.

The above review has been conducted at the request of Holiday Club Resort Oy's management for the purpose of consolidation of the company's financial statements with that of Holiday Club Resort Oy.

**Eero Suomela**

Authorized Public Accountant  
Nokkalankulma 7 B  
02230 Espoo.

Place: Helsinki

Date: May 8. 2016



## ADMINISTRATION REPORT

### Operations

#### *Information regarding the operations*

The Company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och register styrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

### Proposed appropriation of profits

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Profit brought forward.....	(7,550)	(61,684)
Profit/Loss for the year .....	(700)	(5,719)
Total .....	<u>(8,250)</u>	<u>(67,403)</u>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	(8,250)	(67,403)
Total .....	<u>(8,250)</u>	<u>(67,403)</u>

## INCOME STATEMENT

Note	1 Jan 2015 – 31 Dec 2015 SEK	1 Jan 2014 – 31 Dec 2014 SEK	1 Jan 2015 – 31 Dec 2015 INR	1 Jan 2014 – 31 Dec 2014 INR
<b>Operating expenses</b>				
Other external expenses .....	(700)	(500)	(5,719)	(4,085)
<b>Total operating expenses</b> .....	<u>(700)</u>	<u>(500)</u>	<u>(5,719)</u>	<u>(4,085)</u>
<b>Operating profit/loss</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Financial items</b>				
Other interest income and similar profit/loss items	0	0	0	0
<b>Total financial items</b> .....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Profit/Loss after financial items</b> .....	(700)	(500)	(5,719)	(4,085)
<b>Profit/Loss before tax</b> .....	<u>(700)</u>	<u>(500)</u>	<u>(5,719)</u>	<u>(4,085)</u>
<b>Profit/Loss for the year</b> .....	<u><u>(700)</u></u>	<u><u>(500)</u></u>	<u><u>(5,719)</u></u>	<u><u>(4,085)</u></u>

**BALANCE SHEET**

	Note	31 Dec 2015 SEK	31 Dec 2014 SEK	31 Dec 2015 INR	31 Dec 2014 INR
<b>Assets</b>					
<b>Current assets</b>					
<i>Current receivables</i>					
<i>Cash and bank balances</i>					
Cash and bank balances .....		<u>91,750</u>	<u>92,450</u>	<u>749,598</u>	<u>755,317</u>
<i>Total cash and bank balances</i> .....		<u>91,750</u>	<u>92,450</u>	<u>749,598</u>	<u>755,317</u>
<b>Total current assets</b> .....		<u>91,750</u>	<u>92,450</u>	<u>749,598</u>	<u>755,317</u>
<b>Total assets</b> .....		<u><u>91,750</u></u>	<u><u>92,450</u></u>	<u><u>749,598</u></u>	<u><u>755,317</u></u>
<b>Equity and liabilities</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital, 1,000 shares .....		<u>100,000</u>	<u>100,000</u>	<u>817,000</u>	<u>817,000</u>
<i>Total restricted equity</i> .....		<u>100,000</u>	<u>100,000</u>	<u>817,000</u>	<u>817,000</u>
<i>Non-restricted equity</i>					
Profit bought forward .....		<u>(7,550)</u>	<u>(7,050)</u>	<u>(61,684)</u>	<u>(57,599)</u>
Profit/Loss for the year .....		<u>(700)</u>	<u>(500)</u>	<u>(5,719)</u>	<u>(4,085)</u>
<i>Total non-restricted equity</i> .....		<u>(8,250)</u>	<u>(7,550)</u>	<u>(67,403)</u>	<u>(61,684)</u>
<b>Total equity</b> .....		<u>91,750</u>	<u>92,450</u>	<u>749,598</u>	<u>755,317</u>
<b>Total equity and liabilities</b> .....		<u><u>91,750</u></u>	<u><u>92,450</u></u>	<u><u>749,598</u></u>	<u><u>755,317</u></u>

## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

*Definitions of key performance indicators*

Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

#### Note 2 Sales to Group companies

	16 Dec 2015 – 31 Dec 2015
Percentage of sales to companies in Groups of which the Company is a subsidiary .....	100%

### Balance sheet disclosures

#### Note 3 Changes in equity

	Share capital	Profit/loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	100,000SEK 817,000INR	(7,050SEK) (57,599INR)	(500SEK) (5,719INR)	92,450SEK 755,317INR
Appropriation of profits as resolved by the AGM		(500SEK) (4,085INR)	(500SEK) (4,085INR)	
To be carried forward			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Profit/loss for the year			(700SEK) (5,719INR)	(700SEK) (5,719INR)
Balance at year-end	100,000SEK 817,000INR	(7,550SEK) (61,684INR)	(700SEK) (5,719INR)	91,750SEK 749,598INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-01-31.

Åre 2016-01-31

**Madelene Lillsund Queckfeldt**

**Sinikka Kohtala**

**Pratik Viklund**

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial Period commencing from December 16, 2014 and ended on March 31, 2016.

### Operations/State of the Company's Affairs

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of SEK 12,426,000 (INR 101,520,420) and made profit of SEK 1,159,475 (INR 9,472,911).

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Tapio Anttila
- 2) Madelene Lillsund Queckfeldt
- 3) Sinikka Kohtala

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Åre Villa 1 Ab

Tapio Anttila Director	Madelene Lillsund Queckfeldt Director	Sinikka Kohtala Director
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Place : Åre  
Dated : April 21, 2016

## AUDITOR'S REPORT

**To the annual meeting of the shareholders of Åre Villa 1 AB, corporate identity number 556996-2177.**

Report on the annual accounts

We have audited the annual accounts of Åre Villa 1 AB for the financial year 2014.12.16-2016.03.31.

### **Responsibilities of the Board of Directors and the Managing Director for the annual accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

### **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Åre Villa 1 AB as of 31<sup>st</sup> March, 2016 and of its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Reports on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Åre Villa 2 AB for the year the financial year 2014.12.16-2016.03.31

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### **Auditor's Responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### **Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**  
Authorized Accountant

Place: Östersund  
Date: 21<sup>th</sup> April, 2016

## ADMINISTRATION REPORT

### Operations

#### *Information regarding the operations*

The Company began operations in 2015. The Company conducts the sale of shares in tenant-owner apartments. The company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs. 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March, 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

### Multi-year review

	2014/16	2014/16
	kSEK	kINR
Net sales .....	12,426	101,520
Profit/loss after financial items .....	1,159	9,473
Equity/assets ratio .....	99.2%	99.2%

### Proposed appropriation of profits

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Unconditional shareholders' contribution .....	577,000	4,714,090
Profit/Loss for the year .....	1,159,475	9,472,911
<b>Total</b> .....	<b>1,736,475</b>	<b>14,187,001</b>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	1,736,475	14,187,001
<b>Total</b> .....	<b>1,736,475</b>	<b>14,187,001</b>

The Board of Directors is authorised to resolve on the day of settlement.

#### Board of Directors' statement concerning the proposed distribution of profits

The proposed dividend reduces the Company's equity/assets ratio to 76.9 percent. Considering that the Company's operations continue to be run with profitability, the Company's equity/assets ratio is satisfactory. Liquidity in the Company is deemed to be maintainable on a similarly satisfactory level.

The Board's opinion is that the proposed dividend will not prevent the Company from fulfilling its short and long-term obligations, nor from making necessary investments. The proposed dividend can thereby be justified with reference to the provisions of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3 (the precautionary principle).

**INCOME STATEMENT**

	Note	16 Dec 2014 – 31 Mar 2016 SEK	16 Dec 2014 – 31 Mar 2016 INR
<b>Operating income, changes in inventory, etc.</b>	2		
Net sales .....		12,426,000	101,520,420
<b>Total operating income, changes in inventory, etc.</b> .....		12,426,000	101,520,420
<b>Operating expenses</b>			
Raw materials and consumables .....		(11,250,000)	(91,912,500)
Other external expenses .....		(16,525)	(135,009)
<b>Total operating expenses</b> .....		(11,266,525)	(92,047,509)
<b>Operating profit/loss</b> .....		1,159,475	9,472,911
<b>Profit/Loss after financial items</b> .....		1,159,475	9,472,911
<b>Profit/Loss before tax</b> .....		1,159,475	9,472,911
<b>Profit/Loss for the year</b> .....		1,159,475	9,472,911



**BALANCE SHEET**

	Note	31 Mar 2016 SEK	31 Mar 2016 INR
<b>Assets</b>			
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies .....		1,580,800	12,915,136
<i>Total current receivables</i> .....		<u>1,580,800</u>	<u>12,915,136</u>
<i>Cash and bank balances</i>			
Cash and bank balances .....		220,675	1,802,915
<i>Total cash and bank balances</i> .....		<u>220,675</u>	<u>1,802,915</u>
<b>Total current assets</b> .....		<u>1,801,475</u>	<u>14,718,051</u>
<b>Total assets</b> .....		<u><u>1,801,475</u></u>	<u><u>14,718,051</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital, 50,000 shares.....		50,000	408,500
<i>Total restricted equity</i> .....		<u>50,000</u>	<u>408,500</u>
<i>Non-restricted equity</i>			
Retained earnings.....		577,000	4,714,090
Profit/Loss for the year .....		1,159,475	9,472,911
<i>Total non-restricted equity</i> .....		<u>1,736,475</u>	<u>14,187,001</u>
<b>Total equity</b> .....		<u>1,786,475</u>	<u>14,595,501</u>
<b>Current liabilities</b>			
Accrued expenses and deferred income .....		15,000	122,550
<b>Total current liabilities</b> .....		<u>15,000</u>	<u>122,550</u>
<b>Total equity and liabilities</b> .....		<u><u>1,801,475</u></u>	<u><u>14,718,051</u></u>

## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

#### Definitions of key performance indicators

##### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

#### Note 2 Sales to Group companies

	16 Dec 2014 – 31 Mar 2016
Percentage of sales to companies in Groups of which the Company is a subsidiary .....	100%

### Balance sheet disclosures

#### Note 3 Changes in equity

	Share capital	Profit/loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	50,000SEK 408,500INR		50,000SEK 408,500INR	
Appropriation of profits as resolved by the AGM				
Dividends				
To be carried forward				
Received unconditional shareholders' contributions		577,000SEK 4,714,090INR	577,000SEK 4,714,090INR	
Net profit/loss for the year			1,159,475SEK 9,472,911INR	1,159,475SEK 9,472,911INR
Balance at year-end	500,00SEK 408,500INR	577,000SEK 4,714,090INR	1,159,475SEK 9,472,911INR	1,786,475SEK 14,595,501INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-04-21.

Åre 2016-04-21

\_\_\_\_\_  
Madelene Lillsund Queckfeldt

\_\_\_\_\_  
Sinikka Kohtala

\_\_\_\_\_  
Tapio Anttila

Our auditor's report has been submitted 2016-04-21.  
Öhrlings PricewaterhouseCoopers AB

\_\_\_\_\_  
Helen Salmonsson

Authorized Public Accountant

## DIRECTORS' REPORT

The Directors hereby submit their report together with the Audited Financial Statements of the Company for the financial period commencing from December 16, 2014 and ended on March 31, 2016.

### Operations/State of The Company's Affairs

The Company is primarily engaged in Timeshare and renting business.

The Company's Resort property located at Åre.

There have been no significant changes in the nature of the principal activities during the financial period under review.

### Financial Highlights

The results for the financial period and financial position of the Company are shown in the annexed Financial Statements.

During the period under review, the Company has earned a revenue of SEK 12,426,000 (INR 101,520,420) and made profit of SEK 1,159,475 (INR 9,472,911).

### Directors

The Directors shown below have held office during the financial period under review:

- 1) Tapio Anttila
- 2) Madelene Lillsund Queckfeldt
- 3) Sinikka Kohtala

### Statement of Directors

In the opinion of the Board of Directors, the accompanying Financial Statements together with notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016.

### Events Subsequent to Balance Sheet Date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, which would substantially affect the results of the operations of the Company for the financial period in which this report is made.

### Issue of Shares

The Company did not issue shares during the financial period under review.

### Holding Company

The Company is subsidiary of Holiday Club Sweden AB and in turn subsidiary of Holiday Club Resorts Oy (HCR). During the period under review, HCR became subsidiary of Covington S.à.r.l. and in turn MHR Holdings (Mauritius) Limited and in turn Mahindra Holidays & Resorts India Limited and in turn subsidiary of the ultimate holding company Mahindra & Mahindra Limited.

### Compliance

The Company has complied with the relevant corporate and other applicable Laws, Rules and Regulations and there are no such incidences of non-compliances noted during the financial period under review.

### Auditors

There are no reservations, qualifications or adverse remarks contained in the Auditor's Report attached to Balance Sheet as at March 31, 2016.

### Acknowledgements

The Board expresses its gratitude and appreciates the assistance and co-operation received from the Holding company, Creditors, Banks, Government Authorities, Customers during the period under review.

Signed on behalf of the Board of Directors  
of Åre Villas 2 AB

Tapio Anttila  
Director

Madelene Lillsund Queckfeldt  
Director

Sinikka Kohtala  
Director

Place: Åre  
Dated: April 21, 2016

## AUDITOR'S REPORT

To the annual meeting of the shareholders of Åre Villa 2 AB, corporate identity number 556996-2250.

### Report on the annual accounts

We have audited the annual accounts of Åre Villa 2 AB for the financial year 2014.12.16-2016.03.31.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Åre Villa 2 AB as of 31st March 2016 and of its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

### Reports on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Åre Villa 2 AB for the year the financial year 2014.12.16-2016.03.31

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditors Responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We have also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Östersund 21 April 2016  
Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**  
Authorized Accountant

## ADMINISTRATION REPORT

### Operations

#### Information regarding the operations

The Company began operations in 2015. The Company conducts the sale of shares in tenant-owner apartments. The company has its registered office in Åre.

In this annual report FC amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 8.17 = FC 1 which is the Bloomberg rate as on 31<sup>st</sup> March 2016.

### Parent Company

The parent company in the smallest group in which the company is included, and which prepares consolidated accounts is Holiday Club Resorts OY, Corporate Identity Number 2033337-1, which has its registered office in Helsinki, Finland.

The parent company in the largest group in which the company is included and which prepares consolidated accounts is Mahindra & Mahindra Ltd, L65990MH1945PLC004558 with its registered office in India.

Annual reports for parent company could be found at Patent- och registerstyrelsen, PRH, for Finland and Ministry of Corporate Affairs (Company Master Data) for India.

Multi-year review	2014/16	2014/16
	kSEK	kINR
Net sales .....	12,426	101,520
Profit/loss after financial items .....	1,159	9,473
Equity/assets ratio .....	99.0%	99.0%

### Proposed appropriation of profits

	SEK	INR
The following profits are at the disposal of the Annual General Meeting:		
Unconditional shareholders' contribution .....	273,000	2,230,410
Profit/Loss for the year .....	1,159,475	9,472,911
<b>Total</b> .....	<b>1,432,475</b>	<b>11,703,321</b>

The Board of Directors proposes that the available profits be appropriated as follows:

Dividend to shareholders .....	1,432,475	11,703,321
<b>Total</b> .....	<b>1,432,475</b>	<b>11,703,321</b>

The Board of Directors is authorised to resolve on the day of settlement.

#### Board of Director's statement concerning the proposed distribution of profits

The proposed dividend reduces the Company's equity/assets ratio to 76.9 percent.

Considering that the Company's operations continue to be run with profitability, the Company's equity/assets ratio is satisfactory. Liquidity in the Company is deemed to be maintainable on a similarly satisfactory level.

The Board's opinion is that the proposed dividend will not prevent the Company from fulfilling its short and long-term obligations, nor from making necessary investments. The proposed dividend can thereby be justified with reference to the provisions of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3 (the precautionary principle).

## INCOME STATEMENT

	Note	16 Dec 2014 – 31 Mar 2016 SEK	16 Dec 2014 – 31 Mar 2016 INR
<b>Operating income, changes in inventory, etc.</b>	2		
Net sales .....		12,426,000	101,520,420
<b>Total operating income, changes in inventory, etc.</b>		12,426,000	101,520,420
<b>Operating expenses</b>			
Raw materials and consumables.....		(11,250,000)	(91,912,500)
Other external expenses .....		(16,525)	(135,009)
<b>Total operating expenses.....</b>		(11,266,525)	(92,047,509)
<b>Operating profit/loss.....</b>		1,159,475	9,472,911
<b>Profit/Loss after financial items .....</b>		1,159,475	9,472,911
<b>Profit/Loss before tax .....</b>		1,159,475	9,472,911
<b>Profit/Loss for the year.....</b>		1,159,475	9,472,911

**BALANCE SHEET**

	Note	31 Mar 2016 SEK	31 Mar 2016 INR
<b>Assets</b>			
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies .....		1,449,000	11,838,330
<i>Total current receivables</i> .....		<u>1,449,000</u>	<u>11,838,330</u>
<i>Cash and bank balances</i>			
Cash and bank balances .....		48,475	396,041
<i>Total cash and bank balances</i> .....		<u>48,475</u>	<u>396,041</u>
<b>Total current assets</b> .....		<u>1,497,475</u>	<u>12,234,371</u>
<b>Total assets</b> .....		<u><u>1,497,475</u></u>	<u><u>12,234,371</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital, 50,000 shares .....		50,000	408,500
<i>Total restricted equity</i> .....		<u>50,000</u>	<u>408,500</u>
<i>Non-restricted equity</i>			
Retained earnings .....		273,000	2,230,410
Profit/Loss for the year .....		1,159,475	9,472,911
<i>Total non-restricted equity</i> .....		<u>1,432,475</u>	<u>11,703,321</u>
<b>Total equity</b> .....		<u>1,482,475</u>	<u>12,111,821</u>
<b>Current liabilities</b>			
Accrued expenses and deferred income .....		15,000	122,550
<b>Total current liabilities</b> .....		<u>15,000</u>	<u>122,550</u>
<b>Total equity and liabilities</b> .....		<u><u>1,497,475</u></u>	<u><u>12,234,371</u></u>

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## SUPPLEMENTARY DISCLOSURES

### Note 1 Accounting and Valuation Principles

The annual accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2008:1 Annual reports in small limited companies.

*Definitions of key performance indicators*

Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of total assets.

### Disclosures to the Income Statement

### Note 2 Sales to Group companies

	16 Dec 2014 – 31 Mar 2016
Percentage of sales to companies in Groups of which the Company is a subsidiary.....	100%

### Balance sheet disclosures

### Note 3 Changes in equity

	Share capital	Profit/loss brought forward	Net profit/loss	Total
Amount at beginning of year according to adopted balance sheet	50,000SEK 408,500INR			50,000SEK 408,500INR
Appropriation of profits as resolved by the AGM				
Dividends				
To be carried forward				
Received unconditional shareholders' contributions	273,000SEK 2,230,410INR			273,000SEK 2,230,410INR
Net profit/loss for the year		1,159,475SEK 9,472,911INR	1,159,475SEK 9,472,911INR	1,482,475SEK 12,111,821INR
<b>Balance at year-end</b>	50,000SEK 408,500INR	273,000SEK 2,230,410INR	1,159,475SEK 9,472,911INR	1,482,475SEK 12,111,821INR

The income statement and balance sheet will be presented for adoption at the Annual General Meeting of Shareholders held on 2016-04-21.

Åre 2016-04-21

**Madelene Lillsund Queckfeldt**

**Sinikka Kohtala**

**Tapio Anttila**

Our auditor's report has been submitted 2016-04-21.  
Öhrlings PricewaterhouseCoopers AB

**Helen Salmonsson**

Authorized Public Accountant



## DIRECTORS' REPORT

Your Directors present their Sixth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	(Rs. in cr.)	
	For the year ended 31 <sup>st</sup> March 2016	For the year ended 31 <sup>st</sup> March 2015
<b>Income</b> .....		
Revenue from Operations(Gross) .....	<b>1001.94</b>	503.91
Less: Excise Duty .....	-	-
Revenue from Operations (Net) .....	<b>1001.94</b>	503.91
Other Income .....	<b>7.73</b>	3.73
<b>Total Income</b> .....	<b>1009.67</b>	507.64
<b>Expenses</b>		
Cost of Raw Material and Components Consumed .....	<b>771.89</b>	403.62
(Increase)/decrease in inventories .....	<b>(1.49)</b>	(0.34)
Employee Benefit Expenses .....	<b>45.92</b>	24.11
Other Expenses .....	<b>157.76</b>	55.35
Depreciation and Amortization Expenses.....	<b>2.79</b>	1.33
Finance Costs.....	<b>0.29</b>	-
<b>Total Expenses</b> .....	<b>977.16</b>	484.07
<b>Profit/(Loss) before Tax</b> .....	<b>32.51</b>	23.57
Provision for Tax .....	<b>11.45</b>	8.34
<b>Profit/(Loss) for the year from Continuing Operations</b> .....	<b>21.06</b>	15.23
Balance of Profit from earlier years .....	<b>53.28</b>	38.05
Balance Carried Forward .....	<b>74.34</b>	53.28
Amount carried forward to Reserves .....	-	-
<b>Networth</b> .....	<b>221.94</b>	117.28

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS OF THE COMPANY

During the current fiscal, the Company revenues crossed the Rs. 1000 Cr. milestone (Almost twice of the FY15 revenues) on the back of an increased project execution volume. The Company posted a (PAT) Profit After Tax of Rs. 21 crores in FY16, Y-o-Y increase of 38%. During the year the Company also undertook construction of a 120 MW solar power project at a single location, the previous milestone was a 50 MW at a single location. The capacity target and allocation announcements by the Central and State Governments for further enhancing the solar contribution to the energy mix is encouraging and gives us confidence that the market and the Company should continue to post a robust growth in the coming years.

Although the market potential shows an upswing, the intense competition and high margin pressure in the space remains a challenge. The Company is taking various measures to counter competition and adapt to the market conditions. The Company continued to focus on innovation, product development – (Single axis tracker, Combiner box, Cleaning robot, DG – PV hybrid etc), business & operational excellence and achieving higher customer satisfaction to maintain its position as one of the leading players in the solar EPC space in India and thus become a preferred choice for developers.

During the year, the Company also leveraged the adjacencies from the Solar power project construction experience, to establish presence in the sustainable infrastructure construction space. To create bigger growth opportunities Machinepulse division of Mahindra Susten Pvt. Ltd. was incorporated as a separate Company and is now a wholly owned subsidiary of the Company w.e.f. 5<sup>th</sup> January 2016.

## OPERATIONS OF THE SUBSIDIARY COMPANIES

### Mahindra Renewables Private Limited (Renewables) (Formerly known as Mahindra Offgrid Services Private Limited)

The Renewables is exploring various opportunities in the renewable energy space. During the year under review, Renewables has made investments in its four wholly owned subsidiaries viz., Brightsolar Renewable Energy Private Limited, which is setting up a 10 MW AC solar power project at Anantapur District in the state of Andhra Pradesh, Cleansolar Renewable Energy Private Limited, which is setting up a 30 MW AC solar power project at Ranga Reddy District in the state of Telangana, Divine Solren Private Limited which is setting up a 50 MW AC solar power project at Nirmal, Adilabad District, Telangana and Neo Solren Private Limited which is setting up a 42 MW AC solar power project at Wadekothapally, Warangal District, Telangana.

### Brightsolar Renewable Energy Private Limited (Brightsolar)

During the year the Brightsolar has commissioned its 10 MW AC solar power plant at Anantapur District in the state of Andhra Pradesh. The power generation has commenced and the first billing has been done.

### Cleansolar Renewable Energy Private Limited (Cleansolar)

During the year the construction work on the 30 MW AC solar power plant at Ranga Reddy District in the state of Telangana is under progress and the plant is expected to be commissioned shortly.

### Divine Solren Private Limited (Divine)

During the year Divine has entered into a power purchase agreement with Northern Power Distribution Company of Telangana Limited for setting up of 50 MW AC solar power plant at Nirmal, Adilabad District in the state of Telangana. The Company is in the process of acquiring land and tying up sources of project financing. Other project execution related activities are being carried on.

### Neo Solren Private Limited (Neo)

During the year Neo has entered into a power purchase agreement with Northern Power Distribution Company of Telangana Limited for setting up of 42 MW AC solar power plant at Wadekothapally, Warangal District, in the state of Telangana. The Company is in the process of acquiring land and tying up sources of project financing. Other project execution related activities are being carried on.

## BOARD OF DIRECTORS

### Composition:

Sr. No.	Name of the Director	DIN	Executive/Non Executive	Independent/Non Independent	No of Board Meetings Attended
1	Mr. A. K. T. Chari	00746153	Non Executive	Independent	4
2	Mr. Noshir Dastur	00493177	Non Executive	Independent	5
3	Mr. Satish Kamat	01536698	Non Executive	Non Independent	3
4	Mr. Ranjan Pant	00005410	Non Executive	Non Independent	3
5	Ms. Anita Arjundas	00243215	Non Executive	Non Independent	3
6	Mr. Parag Shah	00374944	Non Executive	Non Independent	2
7	Mr. K. Chandrasekar	01084215	Non Executive	Non Independent	2

A Report on the performance and financial position of each of the subsidiaries is provided in Form AOC-1 and forms part of this Annual Report.

## DIVIDEND

Your Directors have not recommended dividend with a view to conserve resources for the future growth of your Company.

## SUBSIDIARIES

- Machine Pulse Tech Private Limited has become wholly owned subsidiary of the Company with effect from 5<sup>th</sup> January, 2016.
- Divine Solren Private Limited has become indirect subsidiary of the Company with effect from 8<sup>th</sup> May, 2015.
- Neo Solren Private Limited has become indirect subsidiary of the Company with effect from 1<sup>st</sup> July, 2015.
- Marvel Solren Private Limited has become indirect subsidiary of the Company with effect from 10<sup>th</sup> October, 2015
- Astra Solren Private Limited has become indirect subsidiary of the Company with effect from 14<sup>th</sup> October, 2015.

## SHARE CAPITAL

The authorized share capital was rupees one hundred crore during the year under review.

During the year under review, your Company made the following allotments to Mahindra Holdings Limited on Rights Basis –

- Allotment of 48,27,586 equity shares of face value of Rs. 10/- each at the security premium of Rs. 19/- per share aggregating to Rs. 13,99,99,994 on 26<sup>th</sup> June, 2015.
- Allotment of 1,44,82,700 equity shares of face value of Rs. 10/- each at the security premium of Rs.19/- per share aggregating to Rs. 41,99,98,300 on 28<sup>th</sup> August, 2015.
- Allotment of 72,82,000 equity shares of face value of Rs. 10/- each at the security premium of Rs. 27.90/- per share aggregating to Rs. 27,59,87,800 on 25<sup>th</sup> January, 2015.

The paid-up share capital of your Company as on 31<sup>st</sup> March 2016 stood at Rs. 70,27,17,280 divided into 7,02,71,728 equity shares of face value Rs. 10/- each.

## CHANGE OF NAME

The name of your Company has been changed from 'Mahindra EPC Services Private Limited' to 'Mahindra Susten Private Limited' with effect from 18<sup>th</sup> May, 2015.

Mr. Parag Shah was appointed as an Additional Director of the Company with effect from 9<sup>th</sup> October, 2015. The Company has received notice from a member, signifying its intention to propose Mr. Parag Shah as candidate for the office of Director at the forthcoming Annual General Meeting.

Mr. K Chandrasekar retires by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment. Mr. A. K. T. Chari and Mr. Noshir Dastur have given declarations to the effect that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

#### NUMBER OF BOARD MEETING

The Board met Five times during the year under review, i.e. on 27<sup>th</sup> April, 2015, 29<sup>th</sup> July, 2015, 9<sup>th</sup> October, 2015, 23<sup>rd</sup> October, 2015 and 21<sup>st</sup> January, 2016.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- (a) in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March 2016 the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March 2016 and of the profit of the Company for the financial year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### FRAUDS REPORTED BY AUDITORS

During the year under review, the Statutory Auditors and the Secretarial Auditor 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.

#### EVALUATION OF PERFORMANCE:

The Board of Directors has adopted a process for annual evaluation of its own performance and that of its committees and individual Directors. Questionnaires/Feedback templates for annual evaluation, based on the criteria approved by the Board, were circulated to each Board member and responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation.

#### KEY MANAGERIAL PERSONNEL

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Key Managerial Personnel of your Company are as below:

- Mr. Basant Jain - Chief Executive Officer
- Mr. Roshan Gandhi - Chief Financial Officer
- Mr. Mohammed Stalewala - Company Secretary

#### COMMITTEES OF THE BOARD

##### Audit Committee

The Composition of Audit Committee is follows:-

Director	Designation	No of Meetings attended
Mr. A. K. T. Chari	Member	3
Mr. Noshir Dastur	Member	3
Mr. K. Chandrasekar	Member	0

The Audit Committee met thrice during year under review, i.e. on 27<sup>th</sup> April, 2015, 23<sup>rd</sup> October, 2015 and 21<sup>st</sup> January, 2016.

##### Nomination and Remuneration Committee

The composition of Nomination and Remuneration Committee is follows:-

Director	Designation	No of Meeting attended
Mr. A. K. T. Chari	Member	2
Mr. Noshir Dastur	Member	2
Mr. K. Chandrasekar	Member	0

The Nomination and Remuneration Committee met twice during year under review, i.e. on 27<sup>th</sup> April, 2015 and 23<sup>rd</sup> October, 2015.

##### Corporate Social Responsibility Committee

The composition of Corporate Social Responsibility Committee is follows:-

Director	Designation	No of Meeting attended
Mr. A. K. T. Chari	Member	1
Mr. Satish Kamat	Member	1
Mr. K. Chandrasekar	Member	0

The Corporate Social Responsibility Committee met once during year under review, i.e. on 23<sup>rd</sup> October, 2015.

##### Executives Stock Option Scheme Committee (ESOPS)

The composition of ESOPS Committee is follows: -

Director	Designation	No of Meetings attended
Mr. K. Chandrasekar	Member	1
Mr. Satish Kamat	Member	1
Mr. A. K. T. Chari	Member	0

The Executives Stock Option Scheme Committee (ESOPS) met once during year under review, i.e. on 28<sup>th</sup> March, 2016.

## **MEETING OF THE INDEPENDENT DIRECTORS**

One meeting of the Independent Directors of the Company was held on 23<sup>rd</sup> October, 2015 without the presence of Non-Independent Directors, Chief Executive Officer and Chief Financial Officer of the Company.

The aforesaid Meeting was conducted in a formal but flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors) and to assess the quality, quantity and timeliness of flow of information between the Company Management and the Board which is necessary for the Board to effectively and reasonably perform their duties.

## **POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved

- Policy on the appointment/removal of Directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors,
- Policy on the remuneration of Directors, key managerial personnel and other employees.

These policies are provided as Annexure I and form part of this report.

## **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

## **VIGIL MECHANISM**

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed is implemented through the Company's Whistleblower Policy to enable the Directors and employees of the Company to report genuine concerns, to provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee.

## **STATUTORY AUDITORS**

At the Fifth Annual General Meeting, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number - 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the fifth Annual General Meeting till the conclusion of Sixth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants have given a written consent to act as Statutory Auditor of your Company, if

appointed, and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint statutory auditors of the Company at the ensuing Annual General Meeting and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

## **COST AUDITORS**

The provisions under Companies Act, 2013 related to appointment of Cost Auditor for the financial year 2015-16 was not applicable to the Company.

## **SECRETARIAL AUDITORS**

Your Company has appointed Mr. Ashish Bhatt (FCS 4650, CP 2925), the practicing Company Secretary as the Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 for the financial year 2015-16.

In terms of provisions of Sub section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Board Report, a secretarial audit report given by the Secretarial Auditors, and the said secretarial report, in prescribed form MR 3 at Annexure II, forms part of this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure III and form part of this report.

## **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted Company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

## **CORPORATE SOCIAL RESPONSIBILITY**

Your Board has approved a Corporate Social Responsibility policy in accordance with the relevant provisions of Companies Act, 2013. Report on Corporate Social Responsibility containing particulars specified in Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014 is given in Annexure IV and forms part of this report.

## **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits

falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Particulars of loans given and investments made pursuant to Section 186 of the Companies Act, 2013 are given under Note No. 10 and 12 of the financial statements and the same forms part of this Report.

Particulars of guarantees provided pursuant to Section 186 of the Companies Act, 2013 is given in Annexure V and forms part of this report.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC-2 as Annexure VI and the same forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31st March 2016 in form MGT-9 is annexed as Annexure VII and forms part of this report.

#### **EXECUTIVES STOCK OPTION SCHEME**

During the year under review, the Company has granted 10,39,942 Stock Options to the employees under the Executive Stock Option Scheme. Details of the shares vested, exercised and issued under the aforesaid Scheme, as also the disclosures in compliance with Rule 12(9) of the Companies (Share Capital and Debentures) Rules 2014 are set out in Annexure VIII to this Report.

#### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

#### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

#### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### A. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited).

“**Employee**” means employee of the Company including employees in the Senior Management Team of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Chief Executive Officer (CEO);
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management including the functional heads.

### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of Director:
  - All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  - Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making
  - Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013

and Rules made thereunder.

### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the company, the GNRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### SENIOR MANAGEMENT PERSONNEL

Senior Management personnel are appointed or promoted and removed/relieved with the authority of CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

### II. SUCCESSION PLANNING:

#### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

#### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

We have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Ready now
2. Ready in 1 to 2 years
3. Ready in 2 to 5 years
4. Ready in more than 5 year

in order to ensure talent readiness as per a ladder approach.

### B. Remuneration Policy for Directors, Key Managerial Personnel and Employees.

#### Overall Intent of Compensation Policy

At Mahindra Susten Private Limited (Susten) we want our employees to understand and appreciate their

role in providing value to the business. On its part, the organization recognizes that its success depends upon the skills, competencies and performance of its employees. We also believe that the way in which we compensate, reward and recognize as well as promote our employees is a crucial factor in achieving our business and financial objectives. Towards achievement of these objectives, we promote an entrepreneurial, team-based performance and result oriented culture.

**Objectives of the Compensation Policy-**

- To attract, motivate and retain employees by compensating them competitively, based on periodic comparison with other companies in relevant industries.
- To provide an overall package of remuneration and benefits which addresses the normal requirements of employees and their families.
- To align levels of compensation with the expected output of employees in terms of role responsibility, skills and experience.
- To link elements of compensation with performance of each individual as well as the business.

**Compensation Strategy**

- We will regularly track market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys and informal consultation with a select group of comparable organizations. This information will be used to internally review our compensation policies and levels.
- Our package of remuneration and benefits will be designed to provide a degree of flexibility to individual

officers to structure key benefits in a way that best suits individual personal and family requirements.

- Recognizing the need for long-term security, the compensation will include all statutory and other retirement benefits.
- Broad bands of compensation levels will be equitably defined for each grade to reflect levels of responsibility and provide a template when recruiting new employees.
- A pre-determined portion of remuneration will be linked directly to the annual performance of each individual and the business. This proportion will vary for each grade in keeping with the levels of responsibility.

**Employees and Key Management Personnel**

The company has a comprehensive HR policy manual which covers remuneration, employee benefits, special employee benefits, reimbursements, administrative policies etc.

**Policy for Non- Executive Directors including Independent Directors:**

The Nomination and Remuneration Committee shall decide the basis for determining the compensation, both fixed and variable, to the Non-Executive Directors including Independent Directors whether as commission or otherwise. The Committee shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Companies Act 2013 and such other factors as the committee may consider deem fit for determining the compensation.

**For and on behalf of the Board**

**Director**

*Parag Shah*  
(DIN – 01536698)

**Director**

*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016

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

To,  
The Members,  
Mahindra Susten Private Limited  
Mahindra Towers, Dr. G. M. Bhosle Marg,  
P. K. Kurne Chowk, Worli,  
Mumbai 400 018.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Susten Private Limited (hereinafter called the Company). The Secretarial Audit was conducted in a manner, which provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under (Not applicable to the Company during audit period);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not applicable to the Company during audit period);

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Not applicable to the Company during audit period);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during audit period);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during audit period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during audit period);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Company during audit period);
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during audit period); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during audit period);
- (vi) I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the laws i.e. as stated in the Annexure A attached herewith, applicable specifically to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities of the Company are not listed on any Stock Exchange hence no comment is made about Listing Agreements entered into by the Company with Stock Exchange(s).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors



and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings and agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that during the audit period the Company has not passed any special/ordinary resolutions which are having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For Ashish Bhatt & Associates

*Ashish Bhatt*  
*Practicing Company Secretary*  
*FCS No: 4650*  
*C.P. No. 2956*

Place: Thane  
Date: 28<sup>th</sup> April, 2016

## **ANNEXURE A**

### **List of applicable laws to the Company**

Under the Major Group and Head

1. Electricity Act 2003;
2. Electricity Rules 2005;
3. Industries (Development & Regulation) Act, 1951;
4. Labour Laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
5. Acts prescribed under prevention and control of pollution;
6. Acts prescribed under Environmental protection;
7. Acts as prescribed under Direct Tax and Indirect Tax;
8. Land Revenue laws of respective States;
9. Labour Welfare Act of respective States;
10. Trade Marks Act 1999 & Copy Right Act 1957;
11. The Legal Metrology Act, 2009;
12. Information Technology Amended Act 2008 including applicable rules and regulations.

**For Ashish Bhatt & Associates**

*Ashish Bhatt*  
*Practicing Company Secretary*  
*FCS No: 4650*  
*C.P. No. 2956*

Place: Thane

Date: 28<sup>th</sup> April, 2016

## ANNEXURE III TO THE DIRECTORS' REPORT

PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

### A. CONSERVATION OF ENERGY

(i) **the steps taken or impact on conservation of energy:**

The operations of your Company are not energy – intensive.

However adequate measures have been initiated to reduce energy consumption.

(ii) the steps taken by the Company for utilizing alternate sources of energy: Nil

(iii) the capital investment on energy conservation equipments: Nil

### B. TECHNOLOGY ABSORPTION

i) the efforts made towards technology absorption - None

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable

iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not applicable

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

iv. The expenditure incurred on Research and Development: Nil

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

(Rupees in Lakhs)

Total Foreign Exchange Earned and Outgo:	For the Financial Year ended 31 <sup>st</sup> March, 2016	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	123.93	–
Total Foreign Exchange Outgo	27,632.30	27,311.16

For and on behalf of the Board

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28th April, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

- (1) Mahindra Susten Private Limited (Susten) is a subsidiary of Mahindra & Mahindra Limited. The CSR vision of Susten is to serve and give back to the communities within which it works. From April 2014, in line with Companies Act, 2013, MEPC pledges 2% of average net profits made during the three immediately preceding financial years specifically towards CSR initiatives.

Web-link to the CSR policy - <http://www.mahindrasusten.com/csr.html>.

- (2) The Composition of the CSR Committee.

The CSR Committee of the Board comprises of the following Board members:

Director	Designation	No of Meeting attended
Mr. A. K. T. Chari	Independent Director	1
Mr. Satish Kamat	Director	1
Mr. K. Chandrasekar	Director	0

- (3) Average net profit of the Company for last three financial years. Rs. 2627 Lacs
- (4) Prescribed CSR Expenditure - (two per cent of the amount as in item 3 above) Rs. 53 Lacs
- (5) Details of CSR spent during the financial year.
- (a) Total amount spent for the financial year: Rs. 57.91 Lacs
- (b) Amount unspent, if any; Nil
- (c) Manner in which the amount spent during the financial year is detailed below

S. No.	Particulars	
1	CSR project or activity identified	Education
2	Sector in which the project is covered	Education
3	Projects or programme (1) Local area or other Specify the state and district where projects or programs was undertaken	Nanhi Kali Program across India
4	Amount outlay (budget project or programme wise)	Rs. 57.91 Lacs
5	Amount spent on the project or programme Sub Heads; (1) Direct expenditure on projects or programs Overheads	Rs. 57.91 Lacs -
6	Cumulative expenditure up to the reporting period	Rs. 57.91 Lacs
7	Amount Spent direct or through implementing agency	Through KC Mahindra Education Trust

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Not Applicable
7. The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

*Satish Kamat*

*Noshir Dastur*

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE – V TO THE DIRECTORS’ REPORT

### PARTICULARS OF GUARANTEES PROVIDED PURSUANT TO SECTION 186 OF THE COMPANIES ACT, 2013

Details of guarantee/Security provided:-

Sr. No.	Name of Company	Amount(in lacs)	Type
1	Cleansolar Renewable Energy Private Limited	600	Performance Bank Guarantee
2	Brightsolar Renewable Energy Private Limited	250	Performance Bank Guarantee
3	Divine Solren Private Limited	1000	Performance Bank Guarantee
4	Neo Solren Private Limited	840	Performance Bank Guarantee

For and on behalf of the Board

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE VI TO THE DIRECTORS' REPORT

### FORM NO. AOC-2

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies  
(Accounts) Rules, 2014.)

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub Section (1) of Section 188 of the Companies Act, 2013 including certain arms' length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis- Nil
2. Details of material contracts or arrangements or transactions at arm's length basis.

Sl. No	Particulars	Party 1	Party 2
1	Name (s) of the related party & nature of relationship	a) Brightsolar Renewable Energy Pvt Ltd (Subsidiary Co.)	b) Cleansolar Renewable Energy Pvt Ltd (Subsidiary Co.)
2	Nature of Contracts/arrangements/ transaction	a) EPC Contract	b) EPC contract
3	Duration of the contracts/ arrangements/transaction	a) 9 months	b) 9 months
4	Salient terms of the contracts or arrangements or transaction including the value, if any	a) Construction of a solar power plant and related services for Rs. 7,012 Lacs	b) Construction of a solar power plant for Rs. 20,972 Lacs
5	Date of approval by the Board	23 <sup>rd</sup> October 2015	21 <sup>st</sup> January 2016
6	Amount Paid as Advances, if any	Nil	Nil

**Note:**

Contracts/transactions for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

**For and on behalf of the Board**

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE VII TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U74990MH2010PTC207854
2.	<b>Registration Date</b>	19/09/2010
3.	<b>Name of the Company</b>	Mahindra Renewables Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	Not applicable

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No	Name and Description of Main Product/ Services	NIC Code of the Product	% to total turnover of the Company.
1	Engineering, procurement and construction	42201	99.23

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

Sr. No	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Holdings Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018	U65993MH2007PLC175649	Holding Company	100	2(46)
2.	Mahindra Renewables Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018	U40300MH2010PTC205946	Subsidiary Company	100	2(87)(i) and(ii)
3.	MachinePulse Tech Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018	U72300MH2016PTC271679	Subsidiary Company	100	2(87)(i) and(ii)

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

i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	4,36,79,442	4,36,79,442	100%	-	7,02,71,728	7,02,71,728	100%	-
e. Bank/Fl	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total - A-(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/Fl	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total - A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	4,36,79,442	4,36,79,442	100%	-	7,02,71,728	7,02,71,728	100%	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/Fl	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.									
b. Individual									
i. Individual shareholders holding nominal share capital upto rupees 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of rupees 1 Lakh	-	-	-	-	-	-	-	-	-



MAHINDRA SUSTEN PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA EPC SERVICES PRIVATE LIMITED)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c. Others									
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>		<b>4,36,79,442</b>	<b>4,36,79,442</b>	<b>100%</b>	-	<b>7,02,71,728</b>	<b>7,02,71,728</b>	<b>100%</b>	-

ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Holdings Limited	4,36,79,441	100	-	7,02,71,727	100	-	Nil
2	Mahindra Holdings Limited Jointly with Mr Narayan Shankar*	1	-	-	1	-	-	Nil

The joint shareholder with Mahindra Holdings Limited is an employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions

iii. Change in Promoters' Shareholding:

Name of Promoter: Mahindra Holdings Limited	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	4,36,79,441	100%	4,36,79,441	100%
Increase :- Allotment of Equity shares on Rights basis to Mahindra Holdings Limited on 26 <sup>th</sup> June, 2015	48,27,586	100%	4,85,07,027	100%
Increase :- Allotment of Equity shares on Rights basis to Mahindra Holdings Limited on 28 <sup>th</sup> August, 2015	1,44,82,700	100%	6,29,89,727	100%
Increase :- Allotment of Equity shares on Rights basis to Mahindra Holdings Limited on 25 <sup>th</sup> January, 2016	72,82,000	100%	7,02,71,727	100%
At the end of the year	7,02,71,727	100%	7,02,71,727	100%

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	-	-	-	-	-

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	-	-	-	-	-
2.	-	-	-	-	-
3.	-	-	-	-	-

V. INDEBTEDNESS - Nil

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

(₹ In Crores)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	-	-	-	-
- Reduction	-	-	-	-
<b>Net change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year-31.03.2016</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not Applicable

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(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	-	-	-

MAHINDRA SUSTEN PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA EPC SERVICES PRIVATE LIMITED)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-
5.	Others, please specify Provident Fund & other Funds	-	-	-
	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	5% of the net profits of the Company		

**B. Remuneration of other directors:**

**I. Independent Directors:-**

Particulars of Remuneration	Amount (₹ in Lacs)	
	Noshir Dastur	AKT Chari
Fee for attending Board/Committee Meetings	1.80	1.60
Commission	5	5
Others	-	-
<b>Total (1)</b>	<b>6.80</b>	<b>6.60</b>

**II. Other Non-Executive Directors:-**

Other Non-Executive Directors	Total Amount (₹ In Lacs)
Fee for attending Board/Committee Meetings	-
Commission	-
Others	-
<b>Total (2)</b>	<b>-</b>

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:**

Sr. No.	Particulars of Remuneration	Basant Jain CEO	Roshan Gandhi CFO	M Slatewala CS	Total
1	Gross Salary				-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	1,07,09,607	27,20,730	-	1,29,88,657
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	39,600	-	-	39,600
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-	-
5.	Others Contribution to Provident Fund	2,82,900	-	-	2,82,900
6.	Performance Bonus	29,56,500	-	-	29,56,500
7.	Professional Fees	-	-	1,80,000	1,80,000
	<b>Total (C)</b>	<b>1,39,88,607</b>	<b>27,20,730</b>	<b>1,80,000</b>	<b>1,64,47,657</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): Nil**

	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)
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

**For and on behalf of the Board**

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*AKT Chari*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE VIII TO THE DIRECTORS' REPORT

### DISCLOSURE PURSUANT TO EMPLOYEE STOCK OPTION AND EMPLOYEE STOCK PURCHASE SCHEMES

The Board of Directors, shall, inter alia, disclose in the Directors Report for the year, the following details of the Employees Stock Option Scheme:

- (a) Options granted - 10,39,942
- (b) Options vested - 10,47,650
- (c) Options exercised - Nil
- (d) The total number of shares arising as a result of exercise of option - NIL
- (e) Options lapsed - 8,01,087
- (f) The exercise price - Rs. 35.81 per share
- (g) Variation of terms of options - NIL
- (h) Money realized by exercise of options - NIL
- (i) Total number of options in force - 43,25,682
- (j) Employee wise details of options granted to:
  - (i) Key Managerial Personnel - 2,96,040
  - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year - NIL
  - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant - NIL

**For and on behalf of the Board**

**Director**  
*Parag Shah*  
(DIN – 01536698)

**Director**  
*Noshir Dastur*  
(DIN – 00746153)

Mumbai, 28<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MAHINDRA SUSTEN PRIVATE LIMITED (FORMERLY MAHINDRA EPC SERVICES PRIVATE LIMITED)

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Mahindra Susten Private Limited** (formerly Mahindra EPC Services Private Limited) ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the year ended March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended March 31, 2016.

#### Emphasis of matter

9. We draw attention to Note 14 to the financial statements in respect of trade receivables from a customer aggregating Rs 46.24 crores at March 31, 2016 which management believes is fully recoverable in view of the actions initiated by it. We have relied on management representation in respect of recoverability of this amount.

Our opinion is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

- e. on the basis of written representations received from the directors as on December 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Notes 36 and 32 to the financial statements.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. The Company did not have any derivative contracts.
  - iii. There are no amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm's Registration Number 105102W

**Himanshu Chapsey**  
*Partner*  
Membership Number: 105731

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 10 of our report of even date on the financial statements of Mahindra Susten Private Limited for the year ended March 31, 2016

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) The Company has a phased programme for physical verification of its fixed assets designed to cover all the items over a period of two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. A portion of the fixed assets have been physically verified by the management during the year in accordance with the program. The discrepancies reported on such verification have been properly dealt in the books of account.
- (iii) The Company's fixed assets do not include any immovable property and hence the provisions of para 3(i) (c) of the Order are not applicable to the Company.
2. The inventory has been physically verified by management during the year. In our opinion the frequency of verification is reasonable. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The Company had in the prior year granted an unsecured loan to a subsidiary listed in the register maintained under Section 189 of the Act which has been repaid by that subsidiary during the year. Other than this the Company has not granted any loans to any parties listed in the register maintained under Section 189 of the Act and accordingly the provisions of paragraph 3(iii) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, the provisions of Section 185 and 186 of the Act, have been complied with in respect of the loans granted, investments made, guarantees given and security provided as at March 31, 2016. We are informed that the Company has not given any security during the year.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Sections 73 to 76 the Act, and the rules framed thereunder and hence the provisions of para 3(v) of the Order are not applicable to the Company.
6. In our opinion, and according to the information and explanations given to us, the Central Government of India has not specified the maintenance of cost records under Sub-section (1) of Section 148 of the Act for any of the products of the Company.
7. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts in respect of the above were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.
- (ii) According to the information and explanations given to us and the records of the Company examined by us, except Income tax matters, there are no dues of

sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.

The statement of disputed dues towards Income Tax matters is as listed below:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum
Income Tax Act, 1961	Additions on account of disallowance	27,560,340	Financial Year 2012/13	CIT (Appeals)

8. According to the information and explanations given to us the Company did not have any borrowings from any financial institution, bank or Government nor has it issued any debentures during the year and hence the provisions of para 3(viii) of the Order are not applicable to the Company.
9. The Company has neither raised any money by way of initial public offer, further public offer (including debt instruments) nor has it availed of any term loan during the year and hence the provisions of para 3 (ix) of the Order are 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, we have neither noticed any instance of material fraud by the Company or by the officers or employees on the Company nor has any such instance been reported.
11. According to the information and explanations given to us the Company has not paid any remuneration to managerial personnel as defined in the Act and accordingly the provisions of para 3(xi) of the Order are not applicable to the Company.
12. According to the information and explanations given to us the Company is not a nidhi company and hence the provisions of para 3(xii) of the Order are not applicable to the Company.
13. According to the information and explanations given to us the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act.
14. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or of fully or partly convertible debentures during the year and hence the provisions of para 3(xiv) of the Order are not applicable.
15. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them and accordingly, the provisions of para 3(xv) of the Order are not applicable.
16. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xiv) of the Order are not applicable.

**For B. K. Khare & Co.**

*Chartered Accountants*

Firm Registration Number: 105102W

**Himanshu Chapsey**

*Partner*

Membership Number: 105731

Mumbai, 28<sup>th</sup> April, 2016



## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MAHINDRA SUSTEN PRIVATE LIMITED**

### **Report 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 Mahindra Susten Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended March 31, 2016.

### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Registration Number: 105102W

**Himanshu Chapsey**  
*Partner*  
Membership Number: 105731

Mumbai, April 28, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	Note No.	2015-2016 Rupees	2014-15 Rupees
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholder's Funds</b>			
Share Capital.....	3	702,717,280	436,794,420
Reserves and Surplus.....	4	1,516,638,083	735,998,470
<b>(2) Non-Current Liabilities</b>			
Long term provisions.....	5	34,820,943	16,191,598
<b>(3) Current Liabilities</b>			
Trade payables.....	6	2,691,551,974	1,045,223,624
Other current liabilities.....	7	169,711,293	818,698,490
Short-term provisions.....	8	194,300,372	107,953,143
<b>Total</b> .....		<b>5,309,739,945</b>	<b>3,160,859,745</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
<b>Fixed assets</b>			
(i) Tangible assets.....	9	154,090,677	76,462,170
(ii) Intangible assets.....		9,943,959	9,977,011
(iii) Capital work-in-progress.....		47,288,995	16,734,271
<b>(2) Non-current investments</b> .....	10	1,090,090,100	64,490,100
<b>(3) Deferred tax assets (net)</b> .....	27	61,320,523	34,091,118
<b>(4) Non-current assets</b> .....			
Other non-current assets.....	11	25,000	120,000
<b>(5) Current assets</b>			
Current investments.....	12	10,803,337	–
Inventories.....	13	285,065,782	252,065,991
Trade receivables.....	14	3,370,647,049	1,532,312,528
Cash and cash equivalents.....	15	62,639,726	47,187,112
Short-term loans and advances.....	16	163,261,444	1,100,361,885
Other current assets.....	17	54,563,353	27,057,559
<b>Total</b> .....		<b>5,309,739,945</b>	<b>3,160,859,745</b>

Per our report attached

**For B. K. Khare & Co.**

*Chartered Accountants*

Firm Registration No. 105102W

**Himanshu Chapsey**

*Partner*

**M. No. 105731**

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

For and on behalf of the Board

**Parag Shah**

*Director*

(DIN – 01536698)

**Basant Kumar Jain**

*Chief Executive Officer*

**Noshir Dastur**

*Director*

(DIN – 00746153)

**Roshan Gandhi**

*Chief Financial Officer*

**Mohammed Statewala**

*Company Secretary*

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	Note No.	2015-16 Rupees	2014-15 Rupees
Revenue from operations .....	18	10,019,431,634	5,039,122,421
Other Income .....	19	77,249,402	37,306,649
<b>Total Revenue</b> .....		<b>10,096,681,036</b>	<b>5,076,429,070</b>
<b>Expenses</b>			
Cost of materials consumed .....	20	7,718,941,439	4,023,781,411
Purchase of traded goods .....		-	12,469,791
(Increase)/decrease in inventory .....	21	(14,942,872)	(3,367,688)
Employee benefit expenses .....	22	459,229,779	241,074,865
Financial costs .....	23	2,918,974	-
Depreciation and amortization expenses .....		27,949,285	13,263,988
Other expenses .....	24	1,577,560,015	553,501,005
<b>Total Expenses</b> .....		<b>9,771,656,620</b>	<b>4,840,723,372</b>
<b>(Loss)/Profit before tax</b> .....		<b>325,024,416</b>	<b>235,705,698</b>
Tax expense:			
(1) Current tax .....	27	141,677,442	91,210,663
(2) Deferred tax .....		(27,229,405)	(7,843,120)
<b>(Loss) /Profit for the year</b> .....		<b>210,576,379</b>	<b>152,338,155</b>
<b>Earning per equity share:</b>			
(Face value Rs. 10/- per share)			
(1) Basic .....	26	3.67	5.42
(2) Diluted .....		3.46	4.74

Per our report attached  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Registration No. 105102W

**Himanshu Chapsey**  
*Partner*

**M. No. 105731**

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

For and on behalf of the Board

**Parag Shah**  
*Director*

(DIN – 01536698)

**Basant Kumar Jain**  
*Chief Executive Officer*

**Noshir Dastur**  
*Director*

(DIN – 00746153)

**Roshan Gandhi**  
*Chief Financial Officer*

**Mohammed Slatewala**  
*Company Secretary*

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	2015-16		2014-15	
	Rupees	Rupees	Rupees	Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net profit before Tax .....		<b>325,024,416</b>		235,705,698
Adjustments for:				
Depreciation/Amortization .....	<b>27,949,285</b>		13,263,988	
Interest Income .....	<b>(24,271,851)</b>		(23,424,079)	
Dividend Income .....	<b>(7,937,077)</b>		(4,640,972)	
Interest expense .....	<b>2,918,974</b>	<b>(1,340,669)</b>	–	(14,801,063)
<b>Operating Profit Before Working Capital Changes .....</b>		<b>323,683,747</b>		220,904,635
Adjustments for:				
Increase/(decrease) in trade payables .....	<b>1,646,328,351</b>		879,703,647	
Increase/(decrease) in other current liabilities .....	<b>(696,578,105)</b>		786,815,071	
Increase/(decrease) in short term provisions .....	<b>86,347,229</b>		49,086,773	
Increase/(decrease) in long-term provisions .....	<b>18,629,345</b>		9,799,710	
Decrease/(Increase) in non current assets .....	<b>95,000</b>		–	
Decrease/(Increase) in inventories .....	<b>(32,999,791)</b>		(34,954,507)	
Decrease/(Increase) in trade and other receivables .....	<b>(1,838,334,521)</b>		(1,266,118,188)	
Decrease/(Increase) in short term loans and advances ...	<b>749,783,751</b>		(849,810,874)	
Decrease/(Increase) in other current assets .....	<b>(19,661,898)</b>		42,608,451	
Change in working capital .....		<b>(86,390,639)</b>		(382,869,918)
<b>Cash used for Operations .....</b>		<b>237,293,108</b>		(161,965,282)
<b>Income taxes paid (net of refunds) .....</b>		<b>(139,860,752)</b>		(73,829,419)
<b>NET CASH USED IN OPERATING ACTIVITIES .....</b>		<b>97,432,356</b>		(235,794,701)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchase of Fixed Assets .....		<b>(88,508,554)</b>		(59,427,746)
(Purchase)/sale of investments .....				
Investments in Subsidiaries .....		<b>(696,100,000)</b>		(63,000,000)
Investments in Mutual Funds .....		<b>(10,803,337)</b>		55,434,850
Investments in Others .....		–		(940,100)
ICD given .....		<b>(263,000,000)</b>		(185,500,000)
ICD given refunded .....		<b>119,000,000</b>		100,000,000
Interest Received .....		<b>16,427,952</b>		23,424,079
Dividend Income .....		<b>7,937,077</b>		4,640,972
<b>NET CASH USED IN INVESTING ACTIVITIES .....</b>		<b>(915,046,862)</b>		(125,367,945)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Proceeds from issuance of Share Capital .....		<b>835,986,094</b>		359,999,988
Interest expense .....		<b>(2,918,974)</b>		–

MAHINDRA SUSTEN PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA EPC SERVICES PRIVATE LIMITED)

	2015-16		2014-15	
	Rupees	Rupees	Rupees	Rupees
<b>NET CASH FROM FINANCING ACTIVITIES</b> .....		<b>833,067,120</b>		359,999,988
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> .....		<b>15,452,614</b>		(1,162,658)
<b>CASH AND CASH EQUIVALENTS</b>				
Opening Balance .....		<b>47,187,112</b>		48,349,770
<b>Closing Balance</b> .....		<b>62,639,726</b>		47,187,112
<b>Cash &amp; Cash Equivalents include:</b>				
Cash and Cheques on hand .....		-		-
Balances with Scheduled Banks:				
(i) On Current Account .....	<b>39,216,730</b>		24,942,089	
(ii) On Fixed Deposit Account .....	<b>23,422,996</b>		22,245,023	
		<b>62,639,726</b>		47,187,112
		<b>62,639,726</b>		47,187,112

Per our report attached  
**For B. K. Khare & Co.**  
*Chartered Accountants*  
Firm Registration No. 105102W

**Himanshu Chapsey**  
*Partner*

**M. No. 105731**

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

For and on behalf of the Board

**Parag Shah**  
*Director*

(DIN – 01536698)

**Basant Kumar Jain**  
*Chief Executive Officer*

**Noshir Dastur**  
*Director*

(DIN – 00746153)

**Roshan Gandhi**  
*Chief Financial Officer*

**Mohammed Slatewala**  
*Company Secretary*

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 1. Nature of Operations

Mahindra Susten Private Limited ('the Company'), a subsidiary of Mahindra Holdings Limited, is engaged in Engineering, Procurement and Construction of power plants in renewable energy and water management sector and related operations and maintenance activity.

### 2. Significant Accounting Policies

#### a) Basis of Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the Companies Act, 2013 ('the Act'). Pursuant to Section 133 of the Act and read with Rule 7 of the Companies (Accounts) Rules, 2014 till the standards of accounting or any addendum thereto as prescribed by the Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act 1956, [Companies (Accounting Standards) Rules, 2006], and other relevant provisions of the Companies Act 2013, shall continue to apply to the extent applicable.

The financial statements are prepared and presented in the form set out in Schedule III of the Act, so far as they are applicable thereto. All assets and liabilities have been classified as current/noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as twelve months for the purpose of current/noncurrent classification of assets and liabilities.

These financial statements are presented in Indian rupees.

#### b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Tangible and Intangible Assets:

##### (i) Tangible Fixed Assets:

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. Cost includes all incidental expenses related to acquisition and installation. Borrowing costs relating to acquisition of fixed asset, which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use

When an asset is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit (including capital profit) or loss, if any, is reflected in the Statement of Profit and Loss. Depreciation on assets is calculated on Straight Line Method at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013.

##### (ii) Intangible Assets

Intangible assets are initially measured at cost and amortised on a straight line basis over their estimated useful lives not exceeding ten years.

Software are equally amortised over their estimated useful lives of three years from the year in which they are put to use.

##### (iii) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

#### d) Inventories:

Inventories are stated at lower of cost and net realisable value.

Cost of raw materials includes all costs of purchase, conversion and other direct attributable costs incurred for bringing the items to their present location and condition and is determined using the weighted average cost method.

The cost of contracts work in progress comprises costs directly attributable to the specific contracts and related overheads.

Land considered as stock-in-trade is valued at lower of cost or net realizable value. Cost comprises of all cost attributable to the acquisition of land.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### e) Foreign Exchange Transactions

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognized as income or expense, as the case may be.

The Company uses foreign currency forward contracts to hedge its risk associated with the foreign currency fluctuations relating to firm commitments. In respect of forward exchange contracts covered under AS 11, "The effect of changes in foreign exchange rates", any premium or discount rising at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", provision for losses in respect of forward exchange contracts classified as derivatives is made on mark to market valuation of such contracts. Gains on mark to market valuation, if any, on such derivatives are not recognised in financial statements.

#### f) 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.

##### (i) EPC Contracts

Revenue from fixed price EPC contracts is recognized on percentage of completion method measured on the basis of stage of completion determined on the basis of certifications done internally or by external consultants or customers as well as on the basis of billing schedule agreed.

##### (ii) Sales of goods

Revenue from sale of goods is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are stated net of trade discount, duties and sales tax.

##### (iii) Service Income

Service income is recognised as per the terms of the contract when the related services are rendered. It is stated net of service tax.

##### (iv) Interest income

Interest income is recognized on time proportion basis.

##### (v) Dividend Income

Dividend income is recognized when the right to receive dividend is established.

##### (vi) Insurance claim

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

#### g) Investments

Investments are classified under Non-current and Current categories.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

### h) Employee Benefits:

#### (i) Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus/ex-gratia are recognized in the period in which the employee renders the related service. Provision for short term compensated absences is made on arithmetic basis.

#### (ii) Post employment employee benefits

##### a) Defined Contribution schemes

The Company's contributions to the Provident Fund and Employee's State Insurance Fund are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due.

##### b) Defined benefits plans

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

### i) Employee Stock Option Scheme:

Stock options granted under the employee stock option schemes (ESOS) are accounted by intrinsic value method in accordance with the Guidance Note on accounting for employee share based payments issued by ICAI. Accordingly, the excess of fair value of shares over the exercise price is recognised as deferred employee compensation and is charged to the Statement of Profit and Loss on a straight line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

### j) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised 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 realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets 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 realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually

certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

### k) Provisions and Contingent Liabilities:

- (i) The Company provides for warranty obligation on substantial completion of contracts based on technical evaluation.
- (ii) Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

### l) Cash and Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

### m) Earnings Per Share

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

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Note no. 3: Share Capital</b>		
<b>Authorized:</b>		
100,000,000 (31 <sup>st</sup> March, 2015: 50,000,000)		
Equity Shares of Rs. 10 each .....	1,000,000,000	500,000,000
<b>Total .....</b>	<b>1,000,000,000</b>	<b>500,000,000</b>
<b>Issued and Subscribed:</b>		
70,271,728 (31 <sup>st</sup> March, 2015: 43,679,442)		
Equity Shares of Rs. 10 each, fully paid up.....	702,717,280	436,794,420
<b>Total .....</b>	<b>702,717,280</b>	<b>436,794,420</b>

### a. Reconciliation of the shares outstanding at the beginning and at the end of the year:

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	No. of Shares	Rupees	No. of Shares	Rupees
Equity Shares:				
<b>At the beginning of the period</b>	<b>43,679,442</b>	<b>436,794,420</b>	28,000,000	280,000,000
Issued during the period .....	26,592,286	265,922,860	15,679,442	156,794,420
<b>Outstanding at the end of the period.....</b>	<b>70,271,728</b>	<b>702,717,280</b>	43,679,442	436,794,420

### b. Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

### c. Shares held by holding Company:

Entire equity Shares of the Company are held by Mahindra Holdings Limited, the Holding Company.

### d. Details of shareholders holding more than 5% shares in the company:

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	No. of Shares	% holding	No. of Shares	% holding
Mahindra Holdings Limited*....	70,271,728	100%	43,679,442	100%

\* This includes 1 nominee share held by an individual on behalf of the holding company.

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Note no. 4: Reserves and Surplus:</b>		
<b>Share Premium</b>		
Opening balance .....	203,205,568	-
Add: Premium on shares issued during the year...	570,063,234	203,205,568
<b>Closing balance .....</b>	<b>773,268,802</b>	203,205,568
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per the last financial statement .....	532,792,902	380,454,747
(Loss)/Profit for the year .....	210,576,379	152,338,155
<b>Closing balance .....</b>	<b>743,369,281</b>	532,792,902
<b>Total.....</b>	<b>1,516,638,083</b>	735,998,470

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 5: Long-term Provisions:</b>		
<b>Provision for employee benefits:</b>		
Provision for gratuity.....	13,026,312	7,069,005
Leave encashment.....	21,794,631	9,122,593
<b>Total</b> .....	<b>34,820,943</b>	<b>16,191,598</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 6: Trade payables:</b>		
<b>Trade payables</b>		
Other than Micro and Small Enterprises .....	2,691,551,974	1,045,223,624
<b>Total</b> .....	<b>2,691,551,974</b>	<b>1,045,223,624</b>

### Note no. 9: Fixed Assets

Description of Assets	Gross Block (At Cost)				Depreciation/Amortization				Net Block	
	As at 31 <sup>st</sup> March, 2015 Rupees	Additions/ adjustments Rupees	Deductions/ adjustments Rupees	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees	For the year Rupees	Deductions and Adjustments of Depreciation/ Amortization Rupees	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
<b>1. Tangible Assets:</b>										
Plant and Machinery .....	30,327,110	61,679,404	–	92,006,514	3,409,422	2,307,990	–	5,717,412	86,289,102	26,917,688
Office Equipment.....	31,319,688	15,534,561	–	46,854,249	2,540,262	8,779,449	–	11,319,711	35,534,538	28,779,426
Computers.....	20,103,671	18,709,687	–	38,813,358	5,674,171	10,426,111	–	16,100,282	22,713,076	14,429,500
Furniture & Fixture.....	2,684,227	722,329	–	3,406,556	179,380	387,103	–	566,483	2,840,073	2,504,847
Vehicles .....	3,982,297	3,407,818	–	7,390,115	151,588	524,639	–	676,227	6,713,888	3,830,709
<b>Total</b> .....	<b>88,416,993</b>	<b>100,053,799</b>	<b>–</b>	<b>188,470,792</b>	<b>11,954,823</b>	<b>22,425,292</b>	<b>–</b>	<b>34,380,115</b>	<b>154,090,677</b>	<b>76,462,170</b>
<b>2. Intangible Assets:</b>										
Software .....	16,621,403	5,490,941	–	22,112,344	6,644,392	5,523,993	–	12,168,385	9,943,959	9,977,011
<b>Total</b> .....	<b>16,621,403</b>	<b>5,490,941</b>	<b>–</b>	<b>22,112,344</b>	<b>6,644,392</b>	<b>5,523,993</b>	<b>–</b>	<b>12,168,385</b>	<b>9,943,959</b>	<b>9,977,011</b>
<b>Total</b> .....	<b>105,038,396</b>	<b>105,544,740</b>	<b>–</b>	<b>210,583,136</b>	<b>18,599,215</b>	<b>27,949,285</b>	<b>–</b>	<b>46,548,500</b>	<b>164,034,636</b>	<b>86,439,181</b>
<b>Previous year total</b> .....	<b>47,348,172</b>	<b>58,378,312</b>	<b>688,088</b>	<b>105,038,396</b>	<b>5,638,740</b>	<b>13,263,988</b>	<b>303,513</b>	<b>18,599,215</b>	<b>86,439,181</b>	<b>41,709,432</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 10: Non-current Investments</b>		
(valued at cost unless stated otherwise):		
<b>i) Unquoted Trade Investment - In subsidiary</b>		
1,08,910,000 equity shares (31 March, 2015 Rs. 63,500,000) of Rs. 10/- each of Mahindra Renewables Pvt Ltd .....	1,089,100,000	63,500,000
<b>ii) Unquoted Non Trade Equity investments</b>		
2,000 equity shares (31 March, 2015 Rs. 50,000/-) of Rs. 25/- each of The Zoroastrian Co-operative Bank Ltd.....	50,000	50,000
<b>iii) Unquoted Non Trade Equity investments</b>		
94,010 Convertible Preference Shares (31 March, 2015 Rs. 940,100) of Rs. 10/- each of Renew Solar Energy (TN) Private Ltd. ....	940,100	940,100
<b>Total</b> .....	<b>1,090,090,100</b>	<b>64,490,100</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 7: Other current liabilities:</b>		
Advance from customers .....	24,674,967	756,420,339
Salary and reimbursements .....	50,181,123	40,334,062
Provided Fund and other funds payable.....	3,538,362	1,856,201
Payable to statutory authorities (including TDS, VAT, Service tax etc.) .....	43,725,933	19,687,888
Payables for capital expenditure.....	47,590,908	–
Other liabilities .....	–	400,000
<b>Total</b> .....	<b>169,711,293</b>	<b>818,698,490</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 8: Short term provisions:</b>		
<b>Provision for employee benefits:</b>		
Provision for gratuity.....	267,341	61,531
Leave encashment.....	1,971,724	774,160
Provision for warranties .....	192,061,307	107,117,452
<b>Total</b> .....	<b>194,300,372</b>	<b>107,953,143</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 11: Non - Current assets</b>		
Deposit account with maturity of more than 12 months as at Balance Sheet Date.....	25,000	120,000
<b>Total</b> .....	<b>25,000</b>	<b>120,000</b>

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note no. 12: Current Investments</b>		
(value or cost):		
<b>Investments In Mutual Funds – Unquoted</b>		
Investments In Mutual Funds.....	10,803,337	–
<b>Total</b> .....	<b>10,803,337</b>	<b>–</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

<b>Unquoted investments</b>	<b>Units</b>	<b>31<sup>st</sup> March, 2016</b>		<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>
Birla Sun Lifecash Plus-Instl-Daily Dividend-Reinvestment .....	51,261	5,127,135	<b>Note no. 16: Short-term loans and advances</b>	Rupees	Rupees
Birla Sun Lifecash Plus-Daily Dividend-Reinvestment .....	56,230	5,627,838	<b>Unsecured, considered good</b>		
Sundaramoney Fund Regular Daily DR .....	4,791	48,364	Inter Corporate Deposits .....	–	185,500,000
<b>Total</b> .....		<b>10,803,337</b>	Advances to suppliers .....	<b>51,393,611</b>	879,861,061
			Advances to employees .....	<b>7,936,376</b>	–
<b>Note no. 13: Inventories</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>	Security deposits .....	<b>11,705,795</b>	5,505,000
	<b>Rupees</b>	<b>Rupees</b>	Balance with Government Authorities.....	<b>112,500</b>	67,000
<b>(valued at lower of cost and net realisable value):</b>			Earnest Money Deposits .....	<b>2,885,480</b>	1,756,700
Land held as stock in trade .....	251,021,345	248,264,426	Service tax/VAT receivable .....	<b>68,949,571</b>	5,577,323
Spares .....	15,300,000	–	Advance income tax (net of provisions) .....	<b>20,278,111</b>	22,094,801
Work in Progress .....	18,744,437	3,801,565	<b>Total</b> .....	<b>163,261,444</b>	<b>1,100,361,885</b>
<b>Total</b> .....	<b>285,065,782</b>	<b>252,065,991</b>			
<b>Note no. 14: Trade Receivable</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>	<b>Note no. 17: Other current assets</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>
	<b>Rupees</b>	<b>Rupees</b>		<b>Rupees</b>	<b>Rupees</b>
<b>Trade Receivables:</b>			Unsecured, considered good		
<b>Unsecured, considered good:</b>			Interest accrued on Bank Fixed Deposits .....	<b>387,472</b>	2,213,871
Outstanding for period exceeding more than six months from the date they are due for payment..	91,920,734	138,794,829	Interest receivable from customers.....	<b>34,513,985</b>	24,843,688
Others.....	3,278,726,315	1,393,517,699	Insurance Claim receivable.....	<b>16,149,576</b>	–
Considered Doubtful.....	–	–	Prepaid expenses .....	<b>3,512,320</b>	–
<b>Total</b> .....	<b>3,370,647,049</b>	<b>1,532,312,528</b>	<b>Total</b> .....	<b>54,563,353</b>	<b>27,057,559</b>
<b>Note:</b>					
The Company has an amount of Rs. 46.2 crores receivable from a customer. In view of bankruptcy proceedings filed by the customer's ultimate parent company in the US, as a precautionary measure the Company has initiated necessary legal proceedings in the jurisdictional High Court seeking appropriate relief. Based on its discussions with the management of the customer and the legal relief being sought, the Company believes that the amount of Rs. 46.2 crores is fully recoverable.			<b>Note no. 18: Revenue from Operations</b>	<b>2015-2016</b>	<b>2014-2015</b>
				<b>Rupees</b>	<b>Rupees</b>
<b>Note no. 15: Cash and cash equivalents</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>	Revenue from EPC Contracts.....	<b>9,862,095,133</b>	4,963,494,892
	<b>Rupees</b>	<b>Rupees</b>	Sale of Products.....	–	14,827,244
Cash on hand	–	–	Income from Services.....	<b>88,419,364</b>	60,800,285
Balances with schedule banks:			Other Operating revenue.....	<b>68,917,137</b>	–
(i) in Current account .....	39,216,730	24,942,089	<b>Total</b> .....	<b>10,019,431,634</b>	<b>5,039,122,421</b>
(ii) in Deposit account with maturity of less than 12 months as at Balance Sheet Date (held as margin money and with government authorities) .....	23,422,996	22,245,023			
<b>Total</b> .....	<b>62,639,726</b>	<b>47,187,112</b>	<b>Note no. 19: Other Income</b>	<b>2015-2016</b>	<b>2014-2015</b>
				<b>Rupees</b>	<b>Rupees</b>
			<b>Interest income on</b>		
			Bank deposits .....	<b>2,092,397</b>	4,673,284
			Inter corporate deposits .....	<b>8,143,667</b>	3,930,439
			Others.....	<b>14,035,787</b>	14,820,355
			<b>Dividend income on</b>		
			Equity .....	<b>7,500</b>	7,500
			Debt Mutual Funds .....	<b>7,929,577</b>	4,633,472
			Insurance Claims .....	<b>16,149,576</b>	–
			Support Service Income.....	<b>22,427,948</b>	4,446,125
			Other Non Operating Income .....	<b>6,462,950</b>	–
			Gain on foreign exchange transaction .....	–	4,795,474
			<b>Total</b> .....	<b>77,249,402</b>	<b>37,306,649</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

<b>Note no. 20: Cost of Raw Material and Components Consumed</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>	<b>Note no. 24: Other Expenses:</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>
Inventory at the beginning of the year .....	<b>248,264,426</b>	216,677,607	Travelling & Conveyance.....	<b>52,952,793</b>	24,319,075
Add: Purchases .....	<b>7,736,998,358</b>	4,055,368,230	Communication expenses.....	<b>8,861,736</b>	2,924,349
	<b>7,985,262,784</b>	4,272,045,837	Printing & Stationary.....	<b>3,607,876</b>	1,129,378
Less: Inventory at the end of the year			Loss on foreign exchange transaction (Net) ...	<b>748,420</b>	–
Raw Material Inventory .....	–	–	Legal and professional fees .....	<b>42,380,627</b>	24,964,666
Land held as stock in trade .....	<b>251,021,345</b>	248,264,426	Payment to auditor [Refer Note no 25] .....	<b>882,760</b>	787,500
Spares .....	<b>15,300,000</b>	–	Software Expenses .....	<b>3,822,011</b>	2,078,456
<b>Total</b> .....	<b>7,718,941,439</b>	4,023,781,411	Bank Charges .....	<b>16,947,049</b>	8,767,242
			Miscellaneous expenses .....	<b>32,904,880</b>	22,663,423
<b>Note no. 21: (Increase)/Decrease in inventories/WIP</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>	<b>Total</b> .....	<b>1,577,560,015</b>	553,501,005
Inventory at the end of the year			<b>Note no. 25: Payment to Auditors include:</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>
Work-in-progress.....	<b>18,744,437</b>	3,801,565	(net of services tax)		
Finished Goods .....	–	–	As Auditor .....	<b>800,000</b>	600,000
Less:			For Taxation Matters .....	<b>75,000</b>	175,000
Inventory at the beginning of the year			For Other Services.....	<b>7,760</b>	12,500
Work-in-progress.....	<b>3,801,565</b>	–	<b>Total</b> .....	<b>882,760</b>	787,500
Finished Goods .....	–	433,877			
<b>Total</b> .....	<b>(14,942,872)</b>	(3,367,688)	<b>Note no. 26: Earning per share (EPS):</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>
			Profit/(Loss) after tax .....	<b>210,576,379</b>	152,338,155
<b>Note no. 22: Employee benefit expenses</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>	Weighted average number of equity shares used in computing basic earning per share ...	<b>57,449,425</b>	28,085,915
Salaries, wages and bonus.....	<b>423,017,331</b>	219,451,683	Basic and Diluted earning per share (Rs.) ...	<b>3.67</b>	5.42
Contribution to provident and other fund.....	<b>23,407,815</b>	12,621,485	(Face Value of Rs. 10 per Share)		
Staff welfare expenses.....	<b>12,804,633</b>	9,001,697	Weighted average number of equity shares used in computing diluted earning per share	<b>60,946,457</b>	32,172,742
<b>Total</b> .....	<b>459,229,779</b>	241,074,865	Diluted earning per share (Rs.).....	<b>3.46</b>	4.74
			<b>Note no. 27:</b>	<b>2015-16 Rupees</b>	<b>2014-15 Rupees</b>
<b>Note no. 23: Finance Cost</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>	<b>The components of Deferred Tax liability and assets</b>		
Interest on Others.....	<b>2,918,974</b>	–	Deferred Tax Liability:		
<b>Total</b> .....	<b>2,918,974</b>	–	(i) On depreciation and amortization.....	<b>17,973,782</b>	8,105,679
				<b>17,973,782</b>	8,105,679
<b>Note no. 24: Other Expenses:</b>	<b>2015-2016 Rupees</b>	<b>2014-2015 Rupees</b>	Deferred Tax Asset:		
Rent.....	<b>32,033,405</b>	22,043,801	(i) Provision for employee benefits .....	<b>12,825,728</b>	5,787,575
Rates & Taxes .....	<b>100</b>	4,000	(ii) Provision for warranty .....	<b>66,468,577</b>	36,409,222
Insurance .....	<b>11,518,909</b>	522,359	<b>Total</b> .....	<b>79,294,305</b>	42,196,797
Subcontracting, hire and service charges....	<b>1,226,161,570</b>	341,327,976	<b>Deferred Tax Asset (Net)</b> .....	<b>61,320,522</b>	34,091,118
Operations and Maintenance .....	<b>42,001,410</b>	33,688,108			
Warranty Expenses (Net) [Refer Note 30]....	<b>89,334,224</b>	57,383,221			
Repairs and Maintenance .....	<b>4,823,736</b>	4,144,124			
Advertisement & Sales promotion .....	<b>8,578,509</b>	6,753,326			

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

**Note no. 28: List of Related parties**

Name of Related Party	Description of Relationship	Name of Transaction	Transactions (Rupees)	Amount Outstanding at the end of year	
				Credit (Rupees)	Debit (Rupees)
Mahindra & Mahindra Limited	Ultimate Holding Company	Sale of Goods	166,865,183	58,108,190	–
			(136,045,309)	(47,001,846)	(87,540)
		Receiving of Services	3,997,381		
			(12,510,532)		
		Rendering Service	–		
			(89,025)		
Mahindra Holdings Limited	Holding Company	Reimbursement Paid	8,549,165		
			(4,922,214)		
		Reimbursement Received	–		
			(411,997)		
Mahindra Holdings Limited	Holding Company	Issue of Equity Shares	265,922,860	–	–
			(359,999,988)	(–)	(–)
Mahindra Holdings Limited	Holding Company	Securities Premium	570,063,234		
			(–)		
Bristlecone India Limited	Fellow Subsidiary Company	Receiving of Services	7,619,220	2,111,223	–
			(–)	(–)	(–)
Mahindra Consulting Engineers Ltd.	Fellow Subsidiary Company	Receiving of Services	12,847,725	600,875	–
			(6,094,445)	(–)	(–)
Mahindra Integrated Business Solutions Private Limited	Fellow Subsidiary Company	Receiving of Services	962,392	234,383	–
			(708,615)	(108,873)	(–)
Mahindra Logistics Limited	Fellow Subsidiary Company	Receiving of Services	4,972,749	3,760,408	–
			(30,434)	(–)	(–)
		Reimbursement Paid	1,134,744	–	–
			(1,87,000)	(–)	(–)
Mahindra Vehicle Manufactures Limited	Fellow Subsidiary Company	Services Rendered	19,469,875	–	16,022,803
			(–)	(–)	(213,698)
Mahindra World city (Jaipur) Limited	Fellow Subsidiary Company	Receiving of Services	13,661	–	–
			(13,483)	(6,742)	–
Mahindra First Choice Services Limited	Fellow Subsidiary Company	Reimbursement Received	–	–	–
			–	–	(166,934)
Mahindra Renewable Private Limited	Subsidiary Company	Sale of Goods	13,241,960	–	3,310,491
			(1,257,571)	–	(1,252,245)
		Investment in Equity Shares	696,100,000	–	–
			(63,500,000)	–	–
		ICD Given	263,000,000	–	–
			(185,500,000)	–	–
		ICD Given Refunded	119,000,000	–	–
			(–)	–	–
Mahindra Renewable Private Limited	Subsidiary Company	Interest Income	9,041,043	–	–
			(2,016,740)	–	–
Brightsolar Renewable Energy Private Limited	Subsidiary of Subsidiary Company	Sales of Goods	636,924,952	–	62,979,336
			(–)	–	(–)
		Services Rendered	112,661,148	–	–
			(1,352,402)	–	–
		Guarantee Given	–	–	–
	(25,000,000)	–	–		
Brightsolar Renewable Energy Private Limited	Subsidiary of Subsidiary Company	Reimbursement Received	–	–	–
			(394,893)	–	–

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Name of Related Party	Description of Relationship	Name of Transaction	Transactions (Rupees)	Amount Outstanding at the end of year	
				Credit (Rupees)	Debit (Rupees)
Cleansolar Renewable Energy Private Limited	Subsidiary of Subsidiary Company	Sales of Goods	1,701,776,314		1,230,020,271
			(224,410)		(-)
		Services Rendered	75,602,687		
			(-)		
		Guarantee Given	-		
Divine Solren Private Limited	Subsidiary of Subsidiary Company	Services Rendered	48,889,839		28,160,248
			(-)		(-)
		ICD Given	1,200,000		
			(-)		
		ICD Given Refunded	1,200,000		
Neo Solren Private Limited	Subsidiary of Subsidiary Company	Services Rendered	5,040,000		-
			(-)		(-)
		ICD Given	1,200,000		
			(-)		
		ICD Given Refunded	1,200,000		
Mahindra Suryaprakash Private Limited	Associate of Holding Company	Sales of Goods	-		43,712,479
			(94,414,198)		(39,248,761)
		Rendering Service	32,359,434		
			(30,989,251)		
		Interest Income	4,884,238		
Mahindra Solar One Private Limited	Associate of Holding Company	Rendering Service	6,210,886		71,862,331
			(4,678,816)		(65,116,137)
		Interest Income	5,860,537		
			(6,687,354)		
		Reimbursement Received	10,400		
Tech Mahindra	Associates of holding company	Sales of Goods	110,041,753		41,125,845
			(30,845,217)	(346,700)	(-)
		Rendering Service	18,578,790		
	(2,154,783)				

Previous year's figures are given in brackets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

**Note no. 29:**

**Micro, Small and Medium enterprises have been identified on the basis of the information to the extent provided by the suppliers.**

Total outstanding dues of the Micro and Small enterprises as on 31<sup>st</sup> March, 2016 is Rs. Nil.

**Note no. 30:**

**Provision for warranty relates to provision made in respect of EPC Contracts, the estimated cost of which is accrued on corresponding revenue recognition.**

The movement in the above provision is as follows:

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
Balance as on 1 <sup>st</sup> April, 2015.....	107,117,452	58,682,966
Add: Provision made during the year.....	89,334,224	57,383,221
Less: Reversed during the year.....	-	-
Less: Utilised during the year.....	4,390,369	8,948,735
<b>Balance as on 31st March, 2016.....</b>	<b>192,061,307</b>	<b>107,117,452</b>

**Note no. 31: Segment Information**

The company operates only in one business segment viz. Engineering, Procurement and Construction Contracts.

The Companies operations only in India, hence there is no reportable geographical segment.

**Note no. 32:**

In respect of dues from a client of Rs. 422,03,283 the Company has accrued interest income of Rs. 3,45,13,985 as per the terms of the Contract with the client. Based on discussions with the client and their future plans, the Company is confident of recovery of these dues.

**Note no. 33:**

<b>Disclosure regarding income from Engineering, Procurement and Construction Contracts:</b>	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
i) The amount of contract revenue recognised as revenue during the year..	2,803,554,747	4,963,494,892
ii) The aggregate amount of cost incurred and recognised profits upto the close of the year.....	2,515,660,016	4,365,109,387
iii) The amount of advances received.....	-	756,420,339
iv) Amount due from customer.....	1,014,241,572	1,532,312,528
v) Amount due to customer.....	-	-

**Note no. 34:**

<b>Details of consumption and purchases</b>	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>a) Value of Imports on C.I.F Basis:</b>		
Raw Material.....	2,758,981,655	2,729,764,043
Capital goods.....	-	-
<b>Total.....</b>	<b>2,758,981,655</b>	<b>2,729,764,043</b>
<b>b) Expenditure in foreign currencies</b>		
Travelling Expenditure.....	3,582,889	949,871
Software.....	665,110	402,271
<b>Total.....</b>	<b>4,247,999</b>	<b>1,352,142</b>

**c) Consumption of components and spare parts**

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Rupees	%	Rupees	%
Imported.....	2,758,981,655	36%	2,729,764,043	68%
Indigenous.....	4,959,959,784	64%	1,294,017,368	32%
<b>Total.....</b>	<b>7,718,941,439</b>	<b>100%</b>	<b>4,023,781,411</b>	<b>100%</b>

**d) Particulars of consumption of raw materials:**

	31 <sup>st</sup> March, 2015 Rupees	31 <sup>st</sup> March, 2014 Rupees
Modules.....	3,407,790,057	2,395,302,382
Invertors.....	637,825,735	216,144,400
MMS & hardware.....	904,373,397	443,566,252
HT Panels.....	116,750,765	29,614,595
Others (includes for trade).....	2,652,201,485	939,153,782
<b>Total.....</b>	<b>7,718,941,439</b>	<b>4,023,781,411</b>

**e) Purchase of traded goods:**

Solar Inverter.....	-	12,469,791
<b>Total.....</b>	<b>-</b>	<b>12,469,791</b>

**f) Sale of traded goods:**

Solar Inverter.....	-	14,827,244
<b>Total.....</b>	<b>-</b>	<b>14,827,244</b>

**Note no. 35:**

**Derivative instruments and unhedged foreign currency exposure:**

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
a) Derivatives outstanding as at the balance sheet date (2015 : Nil).....	-	-
<b>31<sup>st</sup> March, 2016 Rupees</b>		
a) Particulars of unhedged foreign currency exposure as at balance sheet date Liabilities in (contracted rates net of advance)		
USD 16,933,233 (2015 : USD Nil).....	1,107,323,004	-
Euro 1,562,800 (2015 : Euro 1,730,068)	112,193,568	117,056,381

**Note no. 36:**

**Contingent liabilities and commitments**

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
Estimated amount of contracts remaining to be executed on capital account and not provided for.....	25,86,000	29,384,558
Outstanding Bank Guarantees.....	812,890,179	1,193,541,159
Claims against company not acknowledged as debts (Income Tax demand for AY 2013-14, appeal filed with the authorities).....	27,560,340	-
<b>Total.....</b>	<b>840,450,519</b>	<b>1,222,925,717</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

**Note no. 37:**

**Disclosures as required under Accounting Standard 15 on "Employee Benefits" Revised**

**1) Defined benefit plan – Gratuity (Unfunded)**

	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>a) Amount recognized in Balance Sheet</b>		
Present value of Unfunded Obligations ...	12,990,712	6,978,617
Unrecognised past service cost .....	-	-
Amount not recognised as an asset (limit in Para 59(b)) .....	-	-
Net Liability .....	<u>12,990,712</u>	<u>6,978,617</u>
<b>Amounts in Balance Sheet</b>		
Liability .....	12,990,712	6,978,617
<b>Net Liability is bifurcated as follows:</b>		
Current .....	131,334	76,546
Non current .....	12,859,378	6,902,071
Net liability .....	<u>12,990,712</u>	<u>6,978,617</u>

**b) Expense recognized in Statement of Profit and Loss**

Current Service Cost .....	3,721,483	2,203,282
Interest on Defined benefit obligation .....	847,615	514,264
Expected return on plan assets .....	-	-
Net Actuarial losses/(gains) recognized in year .....	1,442,997	614,801
Past service cost .....	-	-
Losses/(Gains) on "Curtailements & Settlements" .....	-	-
Losses/(Gains) on "Acquisition/divestiture" .....	-	-
Effect of the Limit in para 59(b) .....	-	-
<b>Total, included in "Employee benefit Expense" .....</b>	<u>6,012,095</u>	<u>3,332,347</u>

**c) Reconciliation of benefit obligation and plan assets for the period Change in Defined Benefit Obligation**

Opening defined benefit obligation .....	6,978,617	3,646,270
Current service cost .....	3,721,483	2,203,282
Interest cost .....	847,615	514,264
Actuarial Losses/(Gain) .....	1,442,997	614,801
Past service cost .....	-	-
Actuarial Losses/(Gain) due to curtailment .....	-	-
Liabilities extinguished on settlements .....	-	-
Liabilities assumed on acquisition /(settled on divestiture) .....	-	-
Exchange difference on foreign plans .....	-	-
Benefits paid .....	-	-
<b>Closing defined benefit obligation .....</b>	<u>12,990,712</u>	<u>6,978,617</u>

**Change in Fair Value of Assets**

Opening fair Value of Plan Assets .....	-	-
Expected return on plan assets .....	-	-
Actuarial Losses/(Gain) .....	-	-
Assets distributed on settlements .....	-	-
Contributions by Employer .....	-	-
Assets acquired on acquisition/ (distributed on divestiture) .....	-	-
Exchange difference on foreign plans .....	-	-
Benefits paid .....	-	-
<b>Closing Fair Value of Plan Assets .....</b>	<u>-</u>	<u>-</u>

**d) Assumptions:**

Discount Rate (p.a.) .....	7.95%	7.95%
Salary Escalation Rate (p.a.) .....	8.00%	8.00%

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

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

e) The above figures does not include liability towards employees transferred from group companies amounting to Rs. 3,02,941/-.

**2) Leave Encashment (Unfunded)**

	As at 31 <sup>st</sup> March 2016 Rupees	As at 31 <sup>st</sup> March 2015 Rupees
Present value of unfunded obligations .....	23,376,607	9,735,383
Expense recognised in the Statement of Profit and Loss .....	13,641,224	6,806,361
Discount rate (p.a.) .....	8.00%	7.95%
Salary escalation rate (p.a.) .....	8.00%	8.00%

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

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

Liability for Gratuity and Leave encashment for the current year are based on actuarial valuation. The liability for the last year was based on arithmetic basis, hence previous year comparative figures are not stated.

The above figures does not include liability towards employees transferred from group companies amounting to Rs. 389,748/-

**Note no. 38: Employee Stock Option Scheme**

In the 3rd Annual General Meeting held on 6th August, 2013, the shareholders approved the issue of Employee Stock Options under the Scheme titled MEPC – Key Executives Stock Option Scheme, 2013.

The ESOS is approved to grant options to Eligible Employees of the Company and Beneficiaries of Mahindra Partners Employee Options Trust.

The Exercise Price in respect of the Options granted under this Plan shall be decided by the Committee, provided however, that the Exercise Price shall not be less than the par value of the Shares of the Company and shall not be more than the fair market value of the equity shares of the Company as on the date of Grant of Options or such other date not earlier than six months before the date of Grant.

The options granted vest in a graded manner over a period as determined by the Committee which shall not exceed seven years. The options can be exercised from the date on which the shares of the Company get listed on a recognized stock exchange but not later than three years from the date of listing and in certain other conditions as detailed in the Scheme.

The Company has issued the ESOS in tranches on 22nd May, 2013 via ESOP Committee and 21st January, 2016 via Board Meeting at an exercise price of Rs. 17 per share and Rs. 35.81 per share respectively.

Since there is no difference between the fair value of the share underlying the options granted on the date of grant of option and the exercise price of the option, there is no adjustment required for the same in the Profit and Loss account.

Employee stock options details for ESOS as on the Balance Sheet date as are follows:

Particulars	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Options (Numbers)	Exercise Price	Options (Numbers)	Exercise price
A. Options outstanding at the beginning of the year .....	4,086,827	Rs. 17.00	4,086,827	Rs. 17.00
B. Granted during the year .....	1,039,942	Rs. 35.81	-	NA
C. Vested during the year .....	1,047,650	Rs. 17.00	-	NA
D. Exercised during the year .....	-	-	-	NA
E. Lapsed during the year .....	801,087	Rs. 17.00	-	NA
F. Options outstanding at the end of the year (A+B-D-E) .....	4,325,682		40,86,827	Rs. 17.00

**Note no. 39:**

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with rule 5 of  
Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Mahindra Renewables Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A.
4.	Share capital	1,089,100,000
5.	Reserves & surplus	33,576,551
6.	Total assets	1,128,476,707
7.	Total Liabilities	1,128,476,707
8.	Investments	1,112,071,880
9.	Turnover	60,586,776
10.	Profit before taxation	36,711,682
11.	Provision for taxation	-
12.	Profit after taxation	36,711,682
13.	Proposed Dividend	-
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations: **MachinePulse Tech Pvt. Ltd.**
2. Names of subsidiaries which have been liquidated or sold during the year. N.A.

**Part “B”: Associates and Joint Ventures**

**Statement pursuant to Section 129(3) of the Companies Act, 2013 related to  
Associate Companies and Joint Ventures: - “Not Applicable”**

Name of associates/Joint Ventures		Name
1.	Latest audited Balance Sheet Date	–
2.	Shares of Associate/Joint Ventures held by the company on the year end	–
No.		
Amount of Investment in Associates/Joint Venture		–
Extend of Holding%		–
3.	Description of how there is significant influence	–
4.	Reason why the associate/joint venture is not consolidated	–
5.	Net worth attributable to shareholding as per latest audited Balance Sheet	–
6.	Profit/Loss for the year	–
	i. Considered in Consolidation	–
	ii. Not Considered in Consolidation	–

1. Names of associates or joint ventures which are yet to commence operations.

2. Names of associates or joint ventures which have been liquidated or sold during the year.

**Note:** This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

For and on behalf of the Board

**For B. K. Khare & Co.**

*Chartered Accountants*

Firm Registration No. 105102W

**Himanshu Chapsey**

*Partner*

**M. No. 105731**

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

**Parag Shah**

*Director*

(DIN – 01536698)

**Basant Kumar Jain**

*Chief Executive Officer*

**Noshir Dastur**

*Director*

(DIN – 00746153)

**Roshan Gandhi**

*Chief Financial Officer*

**Mohammed Statewala**

*Company Secretary*

Place : Mumbai

Date : 28<sup>th</sup> April, 2016



## DIRECTORS' REPORT

Your Directors present their Sixth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

(Rs. in Lakhs)

	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the period ended 31 <sup>st</sup> March, 2015
<b>Income</b>		
Revenue from Operations	–	12.58
Other Income	<b>605.87</b>	0.03
Total Income	<b>605.87</b>	12.61
<b>Expenses</b>		
Cost of Raw Material and Components Consumed	–	10.94
Other Expenses	<b>158.21</b>	8.84
Depreciation and Amortisation Expenses	<b>0.25</b>	–
Finance Costs	<b>80.29</b>	20.16
<b>Total Expenses</b>	<b>238.75</b>	39.94
<b>Profit before Tax</b>	<b>367.12</b>	(27.33)
Provision for Tax	–	–
<b>Profit/(Loss) for the year from Continuing Operations</b>	<b>367.12</b>	(27.33)
Balance of Profit from earlier years	<b>(30.35)</b>	(3.02)
Balance Carried Forward	<b>336.77</b>	(30.35)
<b>Amount carried forward to Reserves</b>	–	–
<b>Net-worth</b>	<b>11,227.77</b>	604.65

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company.

#### OPERATIONS OF THE COMPANY

The Company is exploring various opportunities in the renewable energy space. During the year under review the Company has made investments in its two wholly owned subsidiaries viz., Divine Solren Private Limited, which is setting up a 50 MW AC solar power project in the state of Telangana and Neo Solren Private Limited, which is setting up a 42 MW AC solar power project in the state of Telangana. The Company has also incorporated two new subsidiaries Astra Solren Private Limited and Marvel Solren Private Limited.

#### OPERATIONS OF THE SUBSIDIARY COMPANIES

##### Divine Solren Private Limited (Divine)

During the year the Divine has entered into a power purchase agreement with Northern Power Distribution Company of Telangana Limited for setting up of 50 MW AC solar power plant at Nirmal, Adilabad District in the state of Telangana. The Company is in the process of acquiring land and tying up

sources of project financing. Other project execution related activities are being carried on.

##### Brightsolar Renewable Energy Private Limited (Brightsolar)

During the year the Brightsolar has commissioned its 10 MW AC solar power plant at Anantapur District in the state of Andhra Pradesh. The power generation has commenced and the first billing has been done.

##### Cleansolar Renewable Energy Private Limited (Cleansolar)

During the year the construction work on the 30 MW AC solar power plant at Ranga Reddy District in the state of Telangana is under progress and the plant is expected to be commissioned shortly.

##### Neo Solren Private Limited (Neo)

During the year the Neo has entered into a power purchase agreement with Northern Power Distribution Company of Telangana Limited for setting up of 42 MW AC solar power plant at Wadekothapally, Warangal District, in the state of Telangana. The Company is in the process of acquiring land and tying up sources of project financing. Other project execution related activities are being carried on.

### Marvel Solren Private Limited (Marvel)

During the year the Marvel has been incorporated for setting up solar power projects.

### Astra Solren Private Limited (Astra)

During the year the Astra has been incorporated for setting up solar power projects.

### DIVIDEND

Your Directors do not recommend any dividend for the year under review.

### SUBSIDIARIES

- Divine Solren Private Limited has become wholly owned subsidiary of the Company with effect from on 8th May, 2015.
- Neo Solren Private Limited has become wholly owned subsidiary of the Company with effect from 1st July, 2015.
- Marvel Solren Private Limited has become wholly owned subsidiary of the Company with effect from 10th October, 2015.
- Astra Solren Private Limited has become wholly owned subsidiary of the Company with effect from 14th October, 2015.

A Report on the performance and financial position of each of the subsidiaries is provided in Form AOC-1 and forms part of this Annual Report.

### SHARE CAPITAL

The authorized share capital of your Company has been increased from Rupees Seven Crore to Rupees One Hundred and Fifteen Crore, during the year under review.

During the year under review, your Company made the following allotments to Mahindra Susten Private Limited on Rights Basis –

- Allotment of 3,29,50,000 equity shares face value of Rs. 10/- each at par aggregating to Rs. 32,95,00,000 on 7th August, 2015.
- Allotment of 4,20,10,000 equity shares face value of Rs. 10/- each at par aggregating to Rs. 42,01,00,000 on 28th August, 2015.
- Allotment of 2,76,00,000 equity shares face value of Rs. 10/- each at par 27,60,00,000 on 25th January, 2016.

The paid-up share capital of your Company as on 31st March 2016 stood at Rs. 108,91,00,000/- divided into 10,89,10,000 equity shares face value of Rs. 10/- each.

### CHANGE OF NAME

The name of your Company has been changed from 'Mahindra Offgrid Services Private Limited' to 'Mahindra Renewables Private Limited' with effect from 10th September, 2015.

### BOARD OF DIRECTORS

There was no change in the composition of the Board of Directors of the Company during the year under review.

Name of the Director	DIN	Executive/ Non-Executive	Independent/ Non-Independent	No. of Board Meetings Attended
Mr. Basant Jain	00220395	Non-Executive	Non-Independent	12
Mr. Roshan Gandhi	00010478	Non-Executive	Non-Independent	12

### NUMBER OF BOARD MEETINGS

The Board met Twelve times during the year under review, i.e. on 27th April, 2015, 21st May, 2015, 29th June, 2015, 3rd August, 2015, 7th August, 2015, 14th August, 2015, 28th August, 2015, 9th October, 2015, 30th November, 2015, 13th January, 2016, 25th January, 2016 and 8th March, 2016.

### EVALUATION OF PERFORMANCE:

The Board of Directors has adopted a process for annual evaluation of its own performance and that of its Directors. Questionnaires/Feedback templates for annual evaluation, based on the criteria approved by the Board, were circulated to each Board member and responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation.

### KEY MANAGERIAL PERSON

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Key Managerial Personnel of your Company are as below:

- Ms. Pinky Dutta appointed as Company Secretary of the Company with effect from 1st July, 2015.
- Mr. Sameer Mathur appointed as Chief Executive Officer with effect from 29th December, 2015.
- Mr. Rakesh Khaitan appointed as Chief Financial Officer with effect from 29th December, 2015

Mr. Brijesh Rathod resigned as Company Secretary of the Company with effect from 29th June, 2016.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the year ended 31st March, 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31st March, 2016 and of the profit of the Company for the financial year ended on that date;

- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **FRAUDS REPORTED BY AUDITORS**

During the period under review, the Statutory Auditors and the Secretarial Auditor have not reported any instances of frauds committed in the Company by its officers or employees to the Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if, any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **STATUTORY AUDITORS**

At the Fourth Annual General Meeting, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the Fourth Annual General Meeting till the conclusion of Ninth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if appointment is ratified, and have also confirmed that the said ratification of appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to ratify the appointment of statutory auditors of the Company at the ensuing Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **SECRETARIAL AUDITORS**

Your Company has appointed Mr. Umesh Maskeri (FCS 4831, CP 12704), the practicing Company Secretary as a Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 for the financial year 2015-16.

In terms of provisions of Sub-section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Board Report, a secretarial audit report given by the Secretarial Auditors, and the said secretarial report, in prescribed form MR 3 at Annexure I, forms part of this report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure II and form part of this report.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted Company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013

Particulars of loans given, investments made, and guarantees and securities provided pursuant to Section 186 of the Companies Act, 2013 are given under note no. 9 and 10 of the financial statement and the same form part of this Report.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

There were no material contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013. Hence there are no details as required to be stated in AOC-2.

#### **EXTRACT OF ANNUAL RETURN**

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

Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

#### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

#### **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.

- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

#### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Basant Kumar**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### Form No. MR-3 SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2016

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

To  
The Members,  
Mahindra Renewables Private Limited  
Mahindra Towers Limited, P. K. Kurne Chowk, Worli  
Mumbai-400018

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Renewables Private Limited (hereinafter called the Company) incorporated on August 24, 2007 having CIN U40300MH2010PTC205946 and Registered Office at Mahindra Towers Limited, P. K. Kurne Chowk, Worli, Mumbai-400018. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by Mahindra Renewables Private Limited and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Mahindra Renewables Private Limited ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; Not applicable during the year
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; Not applicable
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; Not applicable during the year

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; Not applicable during the year
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; Not applicable
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; Not applicable
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; Not applicable
- (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; Not applicable
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; Not applicable
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: Not applicable

We have relied on the representation made by the Company and its officers for the systems and the mechanism formed by the Company for the compliances under the applicable Acts/laws and regulations to the Company. The list of major head/groups of Acts/laws and regulations applicable to the Company is enclosed and marked as Annexure A.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India: Applicable with effect from July 1, 2015
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges: Not applicable as the securities of the Company are not listed.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes-All the resolutions were passed unanimously.

I further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the Company has adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period:

- 1) Name of the Company was changed from "Mahindra Offgrid Services Private Limited" to "Mahindra Renewables Private Limited" and the Registrar of Companies, Maharashtra issued the fresh certificate of incorporation on September 10, 2015 in this regard.

- 2) The shareholders of the Company at the Extra Ordinary General Meeting held on March 31, 2016 approved the amendment the following:

- i) Borrowing not exceeding Rs. 500 crore in addition to the aggregate of paid up capital and reserves of the Company and creation of charge on the assets of the Company pursuant to the provisions of Section 180(1)(a) and 180(1)(c) of Companies Act, 2013
- ii) Investments/disinvestments of funds not exceeding Rs. 500 crore in addition to 60% of paid up capital, security premium and free reserves pursuant to the provisions of Section of Companies Act, 2013

**Umesh P. Maskeri**  
Practicing Company Secretary  
FCS No 4831  
COP No. 12704

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

Note: This report is to be read with our letter of even date which is annexed as ANNEXURE B and forms an integral part of this report.

**ANNEXURE A**  
**OTHER LAWS APPLICABLE TO COMPANY**

1	The Income-tax Act, 1961
2	Service Tax Act, 1994
3	The Employees Provident Fund Act, 1952
4	The Payment of Gratuity Act, 1972
5	The Maharashtra Stamp Act (Bom. Act LX 1958)
6	Negotiable Instruments Act, 1881
7	Indian Registration Act, 1908
8	Information Technology Act, 1996
9	Prevention of Sexual Harassment of women at Workplace Act,
10	Motor Vehicle Act, 1988
11	The Minimum Wages Act, 1948
12	Weekly Holidays Act, 1942
13	Maharashtra Shops and Establishment Act, 1948
14	The Employees State Insurance Act, 1948
15	Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975
16	The Workmen's Compensation Act, 1923 & Rules 1924
17	The Maternity Benefit Act, 1961
18	The Environment (Protection) Act, 1986 (Amended 1991)
19	The Contract Labour (Regulation & Abolition) Act, 1971
20	The Equal Remuneration Act, 1976 and Rules 1976
21	The Imports and Exports (Control) Act, 1950
22	The Export and Import Policy of India
23	The Indian Copyright Act, 1957
24	The Patents Act, 1970
25	The Trade Marks Act, 1999

**ANNEXURE B**

To  
The Members  
Mahindra Renewables Private Limited  
Mahindra Towers Limited, P. K. Kurne Chowk, Worli  
Mumbai-400018

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

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

**Umesh P. Maskeri**  
Practicing Company Secretary  
FCS No 4831  
COP No. 12704

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (i) the steps taken or impact on conservation of energy:  
The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- (ii) the steps taken by the Company for utilizing alternate sources of energy: Nil
- (iii) the capital investment on energy conservation equipment: Nil

#### B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption: Nil
- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable
- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable
- (a) the details of technology imported;
- (b) the year of import;

(c) whether the technology been fully absorbed;

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof.

iv) The expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

There were no Foreign Exchange earnings and outgo during the year under review.

For and on behalf of the Board

**Basant Kumar**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016



## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	CIN	U40300MH2010PTC205946
2.	Registration Date	26/07/2010
3.	Name of the Company	Limited by shares/Indian Non Government Company
4.	Category/Sub-Category of the Company	Public Limited Company
5.	Address of Registered office and contact details	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6.	Whether listed Company (Yes/No)	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Trade in electric equipments	46593	0%

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Susten Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U74990MH2010PTC207854	Holding Company	100	2(46)
2.	Cleansolar Renewable Energy Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U40108MH2013PTC250684	Subsidiary Company	100	2(87)(i) and(ii)
3.	Brightsolar Renewable Energy Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U40108MH2013PTC250683	Subsidiary Company	51	2(87)(i) and(ii)
4.	Divine Solren Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U74120MH2015PTC264259	Subsidiary Company	100	2(87)(i) and(ii)
5.	Neo Solren Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U74999MH2015PTC266154	Subsidiary Company	100	2(87)(i) and(ii)
6.	Marvel Solren Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U74120MH2015PTC269074	Subsidiary Company	100	2(87)(i) and(ii)
7.	Astra Solren Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-4000018	U74120MH2015PTC269256	Subsidiary Company	100	2(87)(i) and(ii)

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

**i. Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	63,50,000	63,50,000	100%	-	10,89,10,000	10,89,10,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total A(1)</b>	-	<b>63,50,000</b>	<b>63,50,000</b>	<b>100%</b>	-	<b>10,89,10,000</b>	<b>10,89,10,000</b>	<b>100%</b>	-
<b>2. Foreign</b>									
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total A(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	<b>63,50,000</b>	<b>63,50,000</b>	<b>100%</b>	-	<b>10,89,10,000</b>	<b>10,89,10,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total B(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-

MAHINDRA RENEWABLES PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA OFFGRID SERVICES PRIVATE LIMITED)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
<b>c. Others</b>									
i. NRI (Rep)	-	-	-	-	-	-	-	-	-
ii. NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
iii. Foreign National	-	-	-	-	-	-	-	-	-
iv. OCB	-	-	-	-	-	-	-	-	-
v. Trust	-	-	-	-	-	-	-	-	-
vi. In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total B(2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>63,50,000</b>	<b>63,50,000</b>	<b>100%</b>	-	<b>10,89,10,000</b>	<b>10,89,10,000</b>	<b>100%</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Susten Private Limited	63,45,000	99.92%	-	10,89,05,000	99.92%	-	-
2	Mahindra Susten Private Limited Jointly with Mr. Roshan Gandhi*	5,000	0.08%	-	5,000	0.08%	-	-

\* The joint shareholder with Mahindra Susten Private Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions

**iii. Change in Promoters' Shareholding:**

Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	63,50,000	-	63,50,000	-
Increase :- Allotment of Equity shares on Rights basis on 07/08/2015	3,29,50,000	100%	3,93,00,000	100%
Increase :- Allotment of Equity shares on Rights basis on 28/08/2015	4,20,10,000	100%	8,13,10,000	100%
Increase :- Allotment of Equity shares on Rights basis on 25/01/2016	2,76,00,000	100%	10,89,10,000	100%
At the end of the year	10,89,10,000	100%	1089,10,000	100%

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Nil	Nil	Nil	Nil	Nil

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Nil	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS**

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

(₹ In Lacs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	-	-	-	-
- Reduction	-	-	-	-
Net change	-	-	-	-
<b>Indebtedness at the end of the financial year-31.03.2016</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable**

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission – As % of Profit – Others, specify	-	-	-
5.	Others, please specify Provident Fund & other Funds	-	-	-
6.	Performance Bonus			
	Total (A)			
	Ceiling as per the Act	5% of the net profits of the Company		

**B. Remuneration of other Directors: Not Applicable**

**I. Independent Directors : Not Applicable**

Particulars of Remuneration	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

**II. Other Non-Executive Directors : Nil**

Other Non-Executive Directors						Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD – (Amount in Rupees)**

Sr. No.	Particulars of Remuneration	Pinky Dutta (CS)	Total
1.	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission – As % of Profit – Others, specify	-	-
5.	Others (Professional fees)	2,50,000	2,50,000
6.	Performance Bonus	-	-
	<b>Total (C)</b>	<b>2,50,000</b>	<b>2,50,000</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): Nil**

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)
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board

**Basant Kumar**  
Director (DIN – 00220395)

**Roshan Gandhi**  
Director (DIN – 00010478)

Mumbai, 28<sup>th</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT

### To the Members of Mahindra Renewable Private Limited

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of Mahindra Renewable Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the year ended March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and of its profit and cash flows for the year ended March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors

- is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position.
- ii. The Company has no long-term contract and also did not have any derivatives contracts as at March 31, 2016.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 10 of our report of even date on the financial statements of Mahindra Renewables Private Limited for the year ended March 31, 2016

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(ii) The Company has a rotational programme for verification of its fixed asset Mahindra Renewables Private Limited. A portion of the fixed assets have been physically verified by the management during the period from April 1, 2015 to March 31, 2016 in accordance with the program. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies reported on such verification have been properly dealt in the books of account.
2. (i) The management has conducted physical verification of inventory at reasonable intervals during the period from April 1, 2015 to March 31, 2016.  
(ii) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(iii) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of para 3(iii) of the Order are not applicable to the Company.
4. 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 purchases of inventory, fixed assets and for the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 73 to 76 the Act, and the rules framed thereunder.
6. As informed to us, the maintenance of cost records has been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013, in respect of the activities carried on by the Company. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
7. (i) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it.  
(ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable.  
(iii) According to the information and explanations given to us, there are no cases for which dues of income-tax, sales tax, service tax, excise duty, customs duty and work contract tax not been deposited on account of any dispute.
8. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
9. The Company does not have any accumulated losses at the end of the financial year and it has not incurred any cash losses in the current year and in the immediately preceding financial year.
10. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not defaulted in repayment of dues to a financial institution, banks or debenture holders.
11. In our opinion, and according to the information and explanation given to us, there is no outstanding guarantee for loans taken by others from banks and financial institutions at balance sheet date.
12. In our opinion and according to the information and explanations given to us the term loans were applied for the purposes for which they were obtained.
13. Based on the audit procedures performed and as per the information and explanations given to us by management, no fraud on or by the Company has been noticed or reported during the period ended April 31, 2015 to March 31, 2015.

**For B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number: 105102W

**Himanshu Chapsey**

Partner

Membership Number: 105731

Place: Mumbai

Date: 28<sup>th</sup> April, 2016



## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MAHINDRA RENEWABLES PRIVATE LIMITED**

### **Report 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 Mahindra Renewables Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital.....	3	1,089,100,000	63,500,000
(b) Reserves and surplus.....	4	33,676,551	(3,035,131)
		<u>1,122,776,551</u>	<u>60,464,869</u>
<b>(2) Current liabilities</b>			
(a) Short-term borrowings .....	5	–	185,500,000
(b) Trade payables .....	6	2,031,843	1,203,764
(c) Other current liabilities .....	7	3,668,313	2,018,648
		<u>5,700,156</u>	<u>188,722,412</u>
<b>TOTAL</b> .....		<u><u>1,128,476,707</u></u>	<u><u>249,187,281</u></u>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets.....	8	13,216,648	–
		<u>13,216,648</u>	<u>–</u>
(b) Non-current Investments.....	9	989,071,880	247,235,000
		<u>989,071,880</u>	<u>247,235,000</u>
<b>(2) Current assets</b>			
(a) Current Investments.....	10	123,000,000	–
(b) Trade receivables .....	11	–	1,257,871
(c) Short-term loans and advances.....	12	46,712	331
(d) Cash and cash equivalents .....	13	3,141,467	694,079
		<u>126,188,179</u>	<u>1,952,281</u>
<b>TOTAL</b> .....		<u><u>1,128,476,707</u></u>	<u><u>249,187,281</u></u>

**See accompanying notes forming part of the financial statements**

In terms of our report attached.

For and on behalf of the Board of Directors

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Sameer Mathur**  
Chief Executive Officer

**Rakesh Khaitan**  
Chief Financial Officer

**Pinky Dutta**  
Company Secretary

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

Particulars	Note	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
<b>I. Income</b>			
(a) Revenue from operations.....	14	-	1,257,571
(b) Other income.....	15	60,586,776	3,310
<b>Total Revenue (a + b) .....</b>		<b>60,586,776</b>	<b>1,260,881</b>
<b>II. Expenses</b>			
(a) Purchases of stock-in-trade .....	16	-	1,093,540
(b) Finance cost .....	17	8,029,098	2,016,740
(c) Depreciation.....	8	25,312	-
(d) Other expenses .....	18	15,820,684	883,853
<b>Total expenses (a + b + c + d) .....</b>		<b>23,875,094</b>	<b>3,994,133</b>
<b>III. Profit/(loss) before tax (I - II) .....</b>		<b>36,711,682</b>	<b>(2,733,252)</b>
<b>VI. Tax expense:</b>			
(a) Current tax .....		-	-
(b) Deferred tax .....		-	-
		-	-
<b>V. Profit/(loss) for the year (III - IV) .....</b>		<b>36,711,682</b>	<b>(2,733,252)</b>
<b>VI. Earnings per share (Face value of Rs. 10/- each):</b>			
Basic and Diluted .....	19	<b>0.70</b>	<b>(1.23)</b>

See accompanying notes forming part of the financial statements

See accompanying notes forming part of the financial statements

In terms of our report attached.

For and on behalf of the Board of Directors

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Basant Jain**  
Director

**Sameer Mathur**  
Chief Executive Officer

**Pinky Dutta**  
Company Secretary

**Roshan Gandhi**  
Director

**Rakesh Khaitan**  
Chief Financial Officer

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

Particulars	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash flow from operating activities</b>				
Profit/(loss) before tax .....	36,711,682		(2,733,252)	
<b>Adjustments for:</b>				
Finance costs.....	8,029,098		2,016,740	
Interest income .....	(383,818)		(3,310)	
Depreciation.....	25,312		-	
Dividend from mutual fund.....	(948,238)		-	
Profit on sales of equity shares .....	59,254,720		-	
<b>Operating profit/(loss) before working capital changes ...</b>	<b>102,688,756</b>		<b>(719,822)</b>	
<b>Changes in working capital:</b>				
Trade payables .....	828,079			
Trade receivable .....	1,257,871			
Other current liabilities.....	(1,660,826)		3,170,729	
Short term loans advance.....	(8,000)	417,124	(1,231,729)	1,939,000
Cash generated from operations.....		103,105,880		1,219,178
Net income tax (paid)/refunds .....		(38,381)		331
<b>Net cash flow from operating activities (A) .....</b>		<b>103,067,499</b>		<b>1,218,847</b>
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances.....	(9,931,469)		(247,035,000)	
Purchase of investments.....	(123,000,000)			
Purchase of non-current investment.....	(642,421,760)		-	
Interest received .....	383,818		3,310	
Dividend received .....	948,238		-	
Proceed from sale of non-current investment.....	(158,669,840)		-	
<b>Net cash flow used in investing activities (B) .....</b>		<b>(932,691,013)</b>		<b>(247,031,690)</b>
<b>C. Cash flow from financing activities</b>				
Short term borrowings.....	155,000,000		185,500,000	
Short term borrowings repayment.....	(11,000,000)			
Interest paid.....	(8,029,098)		(2,016,740)	
Proceeds from issuance of share capital .....	696,100,000		63,000,000	
<b>Net cash flow from financing activities (C).....</b>		<b>832,070,902</b>		<b>246,483,260</b>
<b>Net increase in Cash and cash equivalents (A+B+C) .....</b>		<b>2,447,388</b>		<b>670,417</b>
Cash and cash equivalents at the beginning of the year..		694,079		23,662
<b>Cash and cash equivalents at the end of the year (Refer Note 13).....</b>		<b>3,141,467</b>		<b>694,079</b>

### See accompanying notes forming part of the financial statements

In terms of our report attached.

For and on behalf of the Board of Directors

**For B. K. Khare & Co.**

Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**

Partner  
M. No. 105731

**Basant Jain**  
Director

**Sameer Mathur**  
Chief Executive Officer

**Pinky Dutta**  
Company Secretary

**Roshan Gandhi**  
Director

**Rakesh Khaitan**  
Chief Financial Officer

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 1. Company Information

**Mahindra Renewables Private Limited** ('the Company') was incorporated in India on 26th July, 2010, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Susten Private Limited.

### 2. Significant Accounting Policies

#### a) Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Tangible fixed assets

Fixed assets, are stated at their historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present location and condition. The expenditure incurred on start-up and commissioning of project, test runs and experimental production is treated as an indirect element of the construction cost.

#### d) Depreciation

Depreciation on Plant & Machinery is provided on straight line method considering the rates as provided in the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2012.

#### e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

#### f) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred

tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

#### g) Investments

Investments are classified under Non-current and Current categories.

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis..

#### h) Cash and Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### i) Earnings Per Share

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

#### j) Revenue Recognition:

##### Service Income

Services are recognized when the services are rendered.

##### Interest income

Interest income is recognized on time proportion basis.

##### Dividend Income

Dividend income is recognized when the right to receive dividend is established.

#### k) Provisions and Contingent Liabilities :

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

Particulars	31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>Note 3 : Share capital</b>		
<b>Authorised:</b>		
11,50,00,000 (Previous Year 70,00,000 equity shares of 10/- each) Equity Shares of Rs. 10 each	1,150,000,000	70,000,000
<b>Total</b>	<b>1,150,000,000</b>	<b>70,000,000</b>
<b>Issued and Subscribed:</b>		
10,89,10,000 (Previous Year 63,50,000 equity shares of 10/- each) Equity Shares of Rs. 10 each, fully paid up	1,089,100,000	63,500,000
<b>Total</b>	<b>1,089,100,000</b>	<b>63,500,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

**a. Reconciliation of the shares outstanding at the beginning and at the end of the year:**

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	No. of Shares	Rupees	No. of Shares	Rupees
<b>Equity Shares:</b>				
At the beginning of the year	6,350,000	63,500,000	50,000	500,000
Issued during the year	102,560,000	1,025,600,000	6,300,000	63,000,000
<b>Outstanding at the end of the year</b>	<b>108,910,000</b>	<b>1,089,100,000</b>	<b>6,350,000</b>	<b>63,500,000</b>

**b. Terms/rights attached to equity shares:**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**c. Details of shareholders holding more than 5% shares in the company:**

	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	No. of Shares	% holding	No. of Shares	Rupees
Equity Shares:				
Mahindra Susten Private Limited (Holding Company)*	108,910,000	100%	6,350,000	100%
<b>Total</b>	<b>108,910,000</b>	<b>100%</b>	<b>6,350,000</b>	<b>100%</b>

\* This includes 5,000 equity shares held as nominee by an individual on behalf of the holding company.

(Mahindra Susten Private Limited jointly with Mr. Roshan Gandhi - 5000 equity shares)

**Note 4 : Reserves and surplus**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
(a) Balance in the Statement of Profit and Loss		
Opening balance	(3,035,131)	(301,879)
Add: Profit/(Loss) for the year	36,711,682	(2,733,252)
<b>Total</b>	<b>33,676,551</b>	<b>(3,035,131)</b>

**Note 8 : Fixed assets**

Particulars	Gross block (At Cost)			Accumulated depreciation				Net block		
	Balance as at 1 <sup>st</sup> April, 2015 Rupees	Additions Rupees	Disposal Rupees	Balance as at 31 <sup>st</sup> March, 2016 Rupees	Balance as at 1 <sup>st</sup> April, 2015 Rupees	Depreciation expense for the year Rupees	On disposal of assets Rupees	Balance as at 31 <sup>st</sup> March, 2016 Rupees	Balance as at 31 <sup>st</sup> March, 2016 Rupees	Balance as at 31 <sup>st</sup> March, 2015 Rupees
<b>Tangible assets</b>										
Plant & Machinery	-	13,241,960	-	13,241,960	-	25,312	-	25,312	13,216,648	-
<b>Total</b>	-	13,241,960	-	13,241,960	-	25,312	-	25,312	13,216,648	-
Previous year	-	-	-	-	-	-	-	-	-	-

**Note 9 : Non-current investments**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
<b>Others Investments (valued at costs unless stated otherwise):</b>		
<b>A. Unquoted</b>		
<b>Investment in subsidiaries:</b>		
48,57,240 shares (P.Y. 61,60,000 shares) of Rs. 10 each fully paid up in Brightsolar Renewable Energy Private Limited	103,472,880	61,600,000
96,23,000 shares (P.Y. 29,55,000 shares) of Rs. 10 each fully paid up in Cleansolar Renewable Energy Private Limited	605,719,000	185,635,000
24,20,000 shares of Rs. 10 each fully paid up in Divine Solren Private Limited	151,930,000	
18,60,000 shares of Rs. 10 each fully paid up in Neo Solren Private Limited	127,750,000	
10,000 shares of Rs. 10 each fully paid up in Astra Solren Private Limited	100,000	
10,000 shares of Rs. 10 each fully paid up in Marvel Solren Private Limited		
	100,000	
<b>Total</b>	<b>989,071,880</b>	<b>247,235,000</b>

**Note 5 : Short-term borrowings**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
(a) Unsecured - from related parties		
Inter Corporate Deposits	-	185,500,000
<b>Total</b>	<b>-</b>	<b>185,500,000</b>

**Note 6 : Trade payables**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
Payables other than to micro, small and medium enterprises	2,031,843	1,203,764
<b>Total</b>	<b>2,031,843</b>	<b>1,203,764</b>

**Note 7 : Other current liabilities**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
Interest accrued but not due on borrowings	-	1,815,066
Statutory liabilities	357,822	203,582
Payables for capital expenditure	3,310,491	-
<b>Total</b>	<b>3,668,313</b>	<b>2,018,648</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### Note 10 : Note 10 Current Investment

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
Investment in Mutual Fund (Unquoted)		
UTI Money Market Fund Institutional Plan - Growth - 72,716.261 units	123,000,000	-
<b>Total</b>	<b>123,000,000</b>	<b>-</b>

### Note 11 : Trade receivables

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
Trade receivables	-	1,257,571
Others	-	300
<b>Total</b>	<b>-</b>	<b>1,257,871</b>

### Note 12 : Short-term loans and advances

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
TDS on FD Interest	38,712	331
Prepaid expenses - Company Profession Tax	8,000	-
<b>Total</b>	<b>46,712</b>	<b>331</b>

### Note 13 : Cash and Bank Balances

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
Balances with banks		
(i) In current accounts	3,141,467	694,079
<b>Total</b>	<b>3,141,467</b>	<b>694,079</b>

### Note 14 : Revenue from operations

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
<b>Sale of Products</b>		
Traded goods	-	1,257,571
<b>Total</b>	<b>-</b>	<b>1,257,571</b>

### Note 15 : Other income

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
Interest income:		
- on bank deposits	383,818	-
- on ICD	-	3,310
Dividend income from mutual fund	948,238	-
From others		
- profit on sale of equity shares	59,254,720	-
<b>Total</b>	<b>60,586,776</b>	<b>3,310</b>

### Note 16 : Purchase of Stock in trade

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
Purchase of Stock in trade	-	1,093,540
<b>Total</b>	<b>-</b>	<b>1,093,540</b>

### Note 17 : Finance costs

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
Interest on short term borrowing	8,028,863	2,016,740
Interest on delayed payment of taxes	235	-
<b>Total</b>	<b>8,029,098</b>	<b>2,016,740</b>

### Note 18 : Other expenses

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
Registration and Documentation Charges	11,719,125	112,200
Legal and professional Charges	3,985,526	32,007
Auditors' remuneration [Refer Note]	97,325	16,854
Miscellaneous Expenses	18,708	19,638
<b>Total</b>	<b>15,820,684</b>	<b>180,699</b>

### Notes:

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
Remuneration to the auditors comprises:		
For audit	97,325	28,090
<b>Total</b>	<b>97,325</b>	<b>28,090</b>

### Note 19 : Earnings per share

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Profit/(loss) attributable to equity shareholders	36,711,682	(2,733,252)
Weighted average number of equity shares outstanding during the year	52,256,230	2,224,795
Par value per share	10	10
<b>Basic and diluted earnings per share</b>	<b>0.70</b>	<b>(1.23)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### Note 20 : Related Party Disclosures:

Sr. No.	Names of related party	Nature of relationship
1.	Mahindra & Mahindra Limited	Ultimate Holding Company
2.	Mahindra Holdings Limited	Intermediate Holding Company
3.	Mahindra Susten Private Limited	Holding Company
4.	Brightsolar Renewable Energy Private Limited	Subsidiary Company
5.	Cleansolar Renewable Energy Private Limited	Subsidiary Company
6.	Neo Solren Private Limited	Subsidiary Company
7.	Divine Solren Private Limited	Subsidiary Company
8.	Astra Solren Private Limited	Subsidiary Company
9.	Marvel Solren Private Limited	Subsidiary Company

### Transaction with related parties

Sr. No.	Party Name	Nature of Relationship	Nature of transactions	Amount	
				2015-2016	2014-2015
1.	Mahindra Susten Private Limited	Holding Company	Issue of equity shares	1,025,600,000	63,500,000
2.	Mahindra Susten Private Limited	Holding Company	Sale of Solar Home Lighting System	-	1,257,571
3.	Mahindra Susten Private Limited	Holding Company	Interest payable on ICD taken	8,028,863	2,016,740
4.	Mahindra Susten Private Limited	Holding Company	Inter Corporate Deposit (ICD) taken	263,000,000	185,500,000
5.	Mahindra Susten Private Limited	Holding Company	Inter Corporate Deposit (ICD) Repaid	448,500,000	-
6.	Mahindra Susten Private Limited	Holding Company	EPC Cost	13,241,960	-
7.	Brightsolar Renewable Energy Private Limited	Subsidiary Company	Reimbursement of expenses received	-	-
8.	Brightsolar Renewable Energy Private Limited	Subsidiary Company	Interest received	-	3,330
9.	Brightsolar Renewable Energy Private Limited	Subsidiary Company	Inter Corporate Deposit (ICD) given	-	1,507,500
10.	Brightsolar Renewable Energy Private Limited	Subsidiary Company	Inter Corporate Deposit (ICD) Repaid	-	1,507,500
11.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	286,250	-
12.	Brijesh Rathod	Key Management Personal: Company Secretary	Professional fees	75,000	-
<b>Balance outstanding at the end of the year</b>					
<b>Receivables</b>					
1.	Mahindra Susten Private Limited	Holding Company	Sales of Solar Home Lighting System	-	1,257,571
<b>Payables</b>					
1.	Mahindra Susten Private Limited	Holding Company	Inter Corporate Deposit (ICD) taken	-	185,500,000
2.	Mahindra Susten Private Limited	Holding Company	Interest Payable on ICD taken	-	1,815,066
3.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	249,955	-

### Note 21:

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said Act are not applicable.

The Companies operations only in India, hence there is no reportable geographical segment.

### Note 23:

Previous year figures have been regrouped/reclassified wherever necessary to conform to current year's classification.

### Note 22: Segment Information

The company operates only in one business segment viz. generation and supply of electricity from solar power plant.

### See accompanying notes forming part of the financial statements

In terms of our report attached.

For and on behalf of the Board of Directors

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

**Himanshu Chapsey**  
Partner

**Sameer Mathur**  
Chief Executive Officer

**Rakesh Khaitan**  
Chief Financial Officer

M. No. 105731

**Pinky Dutta**  
Company Secretary

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016



## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)  
**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**

### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Brightsolar Renewables Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	95,240,000
5.	Reserves & surplus	112,160,388
6.	Total assets	207,400,388
7.	Total Liabilities	207,400,388
8.	Investments	-
9.	Turnover	33,028,606
10.	Profit before taxation	6,098,054
11.	Provision for taxation	632,149
12.	Profit after taxation	5,461,909
13.	Proposed Dividend	-
14.	% of shareholding	51%

**Notes:** The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations: **N.A**
2. Names of subsidiaries which have been liquidated or sold during the year: **N.A**

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### **Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Cleansolar Renewables Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	96,230,000
5.	Reserves & surplus	503,916,337
6.	Total assets	2,193,362,725
7.	Total Liabilities	2,193,362,725
8.	Investments	15,000,000
9.	Turnover	10,162,338
10.	Profit before taxation	(5430,579)
11.	Provision for taxation	89,409
12.	Profit after taxation	5,519,988
13.	Proposed Dividend	–
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations: **N.A**
- Names of subsidiaries which have been liquidated or sold during the year: **N.A**

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### **Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Astra Solren Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	14 <sup>th</sup> October 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	100,000
5.	Reserves & surplus	(143,459)
6.	Total assets	77,241
7.	Total Liabilities	77,241
8.	Investments	-
9.	Turnover	-
10.	Profit before taxation	(143,459)
11.	Provision for taxation	-
12.	Profit after taxation	(143,459)
13.	Proposed Dividend	-
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations: **N.A**
2. Names of subsidiaries which have been liquidated or sold during the year: **N.A**

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Divine Solren Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	8 <sup>th</sup> May 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	24,200,000
5.	Reserves & surplus	120,374,201
6.	Total assets	176,691,100
7.	Total Liabilities	176,691,100
8.	Investments	14,000,000
9.	Turnover	217,220
10.	Profit before taxation	(7,203,969)
11.	Provision for taxation	-
12.	Profit after taxation	(7,203,969)
13.	Proposed Dividend	-
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations: **N.A**
- Names of subsidiaries which have been liquidated or sold during the year: **N.A**

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Marvel Solren Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	10 <sup>th</sup> October 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	100,000
5.	Reserves & surplus	(174,167)
6.	Total assets	45,733
7.	Total Liabilities	45,733
8.	Investments	-
9.	Turnover	-
10.	Profit before taxation	(174,167)
11.	Provision for taxation	-
12.	Profit after taxation	(174,167)
13.	Proposed Dividend	-
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations: **N.A**
2. Names of subsidiaries which have been liquidated or sold during the year: **N.A**

## Form AOC-1

(Pursuant to first proviso to Sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

#### **Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sr. No.	Particulars	Details
1.	Name of the subsidiary	Neo Solren Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 <sup>st</sup> July 2015 to 31 <sup>st</sup> March 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A
4.	Share capital	18,600,000
5.	Reserves & surplus	103,905,421
6.	Total assets	122,674,390
7.	Total Liabilities	122,674,390
8.	Investments	120,000,000
9.	Turnover	1,328,254
10.	Profit before taxation	(4,917,929)
11.	Provision for taxation	-
12.	Profit after taxation	(4,917,929)
13.	Proposed Dividend	-
14.	% of shareholding	100%

**Notes:** The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations: **N.A**
- Names of subsidiaries which have been liquidated or sold during the year: **N.A**

**Part “B”: Associates and Joint Ventures**

**Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures: -  
“Not Applicable”**

Name of associates/Joint Ventures	Name
1. Latest audited Balance Sheet Date	–
2. Shares of Associate/Joint Ventures held by the company on the year end	–
No.	
Amount of Investment in Associates/Joint Venture	–
Extend of Holding %	–
3. Description of how there is significant influence	–
4. Reason why the associate/joint venture is not consolidated	–
5. Net worth attributable to shareholding as per latest audited Balance Sheet	–
6. Profit/Loss for the year	–
i. Considered in Consolidation	–
ii. Not Considered in Consolidation	–

- Names of associates or joint ventures which are yet to commence operations: **N.A**
- Names of associates or joint ventures which have been liquidated or sold during the year: **N.A**

**Note:** This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

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For and on behalf of the Board of Directors

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
M. No. 105731

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

**Basant Jain**  
Director

**Sameer Mathur**  
Chief Executive Officer

**Pinky Dutta**  
Company Secretary

Place: Mumbai  
Date: 28<sup>th</sup> April, 2016

**Roshan Gandhi**  
Director

**Rakesh Khaitan**  
Chief Financial Officer

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their First Report together with the audited financial statements of your Company for the period ended 31<sup>st</sup> March, 2016. The Company was incorporated on 10<sup>th</sup> October, 2015 to carry on business of generation of electric power using solar energy.

### Financial Highlights and State of Company's Affairs

	<b>(Rs. in Lakhs)</b>
	For the Period ended 31 <sup>st</sup> March, 2016
<b>Income</b>	
Revenue from Operations	–
Other Income	–
Total Income	–
<b>Expenses</b>	
Other Expenses	1.74
Depreciation and Amortization Expenses	–
Finance Costs	–
<b>Total Expenses</b>	<b>1.74</b>
<b>Loss before Tax</b>	<b>(1.74)</b>
Provision for Tax	–
<b>Loss for the period from Continuing Operations</b>	<b>(1.74)</b>
Balance of Loss from earlier year	–
Balance Carried Forward	<b>(1.74)</b>
<b>Amount carried forward to Reserves</b>	<b>–</b>
<b>Net worth</b>	<b>(0.74)</b>

No material changes and commitments have occurred after the closure of the period under review till the date of this report which would affect the financial position of the Company.

### Operations

The Company is exploring various opportunities to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

### DIVIDEND

Your Directors do not recommend any dividend for the period under review.

### SHARE CAPITAL

The authorized share capital of your Company was Rupees Five Lakh for the period under review.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 1,00,000 divided into 10,000 equity shares face value of Rs. 10/- each.

### HOLDING COMPANY

Your Company has been incorporated as wholly owned subsidiary Company of Mahindra Renewables Private Limited with effect from 10<sup>th</sup> October, 2015.

### BOARD OF DIRECTORS

Mr. Roshan Gandhi (DIN – 00010478) and Mr. Basant Kumar Jain (DIN – 00220395) have been appointed as the First Director of the Company. They shall hold office up to the date of the ensuing Annual General Meeting. The Company

has received the notices in writing from a member proposing their candidature for the office of Directors, liable to retire by rotation.

### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Basant Jain	00220395	Non Executive	Non Independent	2
Mr. Roshan Gandhi	00010478	Non Executive	Non Independent	2

### NUMBER OF BOARD MEETINGS:

The Board met Two times during the period under review, i.e. on 27<sup>th</sup> October, 2015 and 25<sup>th</sup> January, 2016.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the period ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end



of the financial period on 31<sup>st</sup> March, 2016 and of the loss of the Company for the period ended on that date;

- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **FRAUDS REPORTED BY AUDITORS**

During the year under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **STATUTORY AUDITORS**

At the first Board Meeting held on 27<sup>th</sup> October, 2015, the Board of Directors has appointed M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the first auditors of your Company to hold office till the conclusion of the First Annual General Meeting at the remuneration mutually agreed between Board of Directors and the Auditors.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if re-appointed for the tenure of five years and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the statutory auditors of your Company for a period of 5 years commencing from the conclusion of First Annual General Meeting till the conclusion of Sixth Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as

required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the period. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the period, during the period and at the end of the period. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC – 2 as Annexure II and forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

#### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial

controls with reference to the Financial Statements and these controls are adequate.

**THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the period under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment at the workplace.

**GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.

- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

**ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT****PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016****A. CONSERVATION OF ENERGY**

- (i) the steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

- (ii) the steps taken by the company for utilizing alternate sources of energy: Nil

- (iii) the capital investment on energy conservation equipment: Nil

**B. TECHNOLOGY ABSORPTION**

- i) The efforts made towards technology absorption: Nil.

- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable

- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial period) – Not applicable

- (a) the details of technology imported:  
 (b) the year of import  
 (c) whether the technology been fully absorbed:  
 (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:
- iv) the expenditure incurred on Research and Development : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

There were no Foreign Exchange earnings and outgo during the period under review.

For and on behalf of the Board

<b>Basant Kumar Jain</b>	<b>Roshan Gandhi</b>
Director	Director
(DIN – 00220395)	(DIN – 00010478)

Place: Mumbai  
 Date: 15<sup>th</sup> April, 2016.

**ANNEXURE II TO THE DIRECTORS' REPORT**

FORM NO. AOC -2

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2)  
of the Companies (Accounts) Rules, 2014.)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

- 1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL**
- 2. Details of Material contracts or arrangements or transactions at Arm's length basis –**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited (Ultimate Holding Company)
b)	Nature of contracts/arrangements/transaction	Business Support Services
c)	Duration of the contracts/arrangements/transaction	Ongoing Contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Not Applicable
e)	Amount	Rs. 0.86 lacs
f)	Date of approval by the Board	15 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Not Applicable

Note:

Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

<b>Basant Kumar Jain</b> Director (DIN – 00220395)	<b>Roshan Gandhi</b> Director (DIN – 00010478)
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Place: Mumbai

Date: 15<sup>th</sup> April, 2016.

## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1	<b>CIN</b>	U74120MH2015PTC269074
2	<b>Registration Date</b>	10/10/2015
3	<b>Name of the Company</b>	Marvel Solren Private Limited
4	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6	<b>Whether listed Company (Yes/No)</b>	No
7	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	NA

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

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
	Electric power generation using solar energy	35105	0%

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

	Name and Address of the Company	CIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Renewables Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 0018	U40300MH2010PTC205946	Holding Company	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 time of incorporation				No. of Shares held at the end of the period				% Change during the Period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	10,000	10,000	100%	-	10,000	10,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the time of incorporation				No. of Shares held at the end of the period				% Change during the Period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/Fl	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total-A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholder of Promoters (1+2)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/Fl	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
NRI (Rep)	-	-	-	-	-	-	-	-	-
NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-	-	-
OCB	-	-	-	-	-	-	-	-	-
Trust	-	-	-	-	-	-	-	-	-
In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the time of incorporation			Shareholding at the end of the period			% change In shareholding during the period
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra & Mahindra Limited	99,999	99.99%	-	99,999	99.99%	-	-
2.	Mahindra Renewables Private Limited Jointly with Roshan Gandhi*	1	0.01%	-	1	0.01%	-	-

\* The joint shareholder with Mahindra Renewables Private Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

**iii. Change in Promoters' Shareholding:**

Particular Promoter Mahindra Renewables Private Limited	Shareholding at the time of incorporation		Cumulative Shareholding during the period	
	No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
<b>At the beginning of the period</b>	<b>10,000</b>	<b>100%</b>	<b>10,000</b>	<b>100%</b>
Increase / Decrease	-	-	-	-
<b>At the end of the period</b>	-	-	<b>10,000</b>	<b>100%</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the time of incorporation		Shareholding at the end of the period	
	Name of the Director/KMP	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS:**

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

(₹ In Lacs)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 10.10.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
Total of (1+2+3)	-	-	-	-
<b>Change in Indebtedness during the financial period</b>	-	-	-	-
+ Addition	-	-	-	-
- Reduction	-	-	-	-
Net Change	-	-	-	-
<b>Indebtedness at the end of the financial year-31.03.2016</b>	-	-	-	-

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable:

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of Profit	-	-	-
	- Others, specify			
5.	Others, please specify Provident Fund & other Funds	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	5% of the net profits of the Company		

### B. Remuneration to other directors:

#### I. Independent Directors:- Not Applicable

Particulars of Remuneration	Name of Directors						Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-	-

#### II. Other Non-Executive Directors:- Nil

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-

### C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD: Nil

Sr. No	Particulars of Remuneration	KMP
1.	Gross Salary	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-
2.	Stock option	-
3.	Sweat Equity	-



Sr. No	Particulars of Remuneration	KMP
4.	Commission	
	– As % of profit	–
	– others, specify	–
5.	Others (Professional Fees)	–
	Performance Bonus	–
	<b>Total (C)</b>	–

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):- None**

Particulars	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)
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN: 00220395)

**Roshan Gandhi**  
Director  
(DIN: 00010478)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MARVEL SOLREN PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Marvel Solren Private Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from incorporation on October 10, 2015 to March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and cash flows for the period from incorporation on October 10, 2015 to March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors

- is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
  - 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position.
    - ii. The Company has no long term contracts including derivatives contracts as at March 31, 2016.
    - iii. There are no amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number 105102W

**Himanshu Chapsey**

Partner

Membership Number 105731

Place: Mumbai

Date: 15<sup>th</sup> April, 2016

**ANNEXURE I TO THE AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 9 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MARVEL SOLREN PRIVATE LIMITED FOR THE PERIOD FROM INCORPORATION ON OCTOBER 10, 2015 TO MARCH 31, 2016**

1. The Company was incorporated during the year and other than infusion of incorporation capital by the parent company and certain administrative expenses did not have any transactions during the period covered by the financial statements. Accordingly, the provisions of paras 3(i)-(ix), (xi), and (xiv) are not applicable to the Company.
2. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues relating to taxes deducted at source, with the appropriate authorities. We are informed that the provisions of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs and value added tax are presently not applicable to the Company. According to the information and explanations given to us, no undisputed amounts in respect of the taxes deducted at source were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.  
(ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
3. 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, we have noticed any instance of material fraud by the Company or by the officers on the Company nor has any such instance been reported.
4. According to the information and explanations given to us the Company is not a nidhi company and accordingly the provisions of para 3(xii) of the Order are not applicable.
5. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
6. The Company has not entered into any non cash transactions with directors or persons connected with them and accordingly the provisions of para 3(xv) are not applicable to the Company.
7. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xvi) are not applicable to the Company.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number 105731

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MARVEL SOLREN PRIVATE LIMITED**

### **Report 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 Marvel Solren Private Limited ("the Company") as of December 31, 2015 in conjunction with our audit of the standalone financial statements of the Company for period from incorporation on October 10, 2015 to March 31, 2016.

### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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 March 31, 2016, based on the internal control over financial reporting criteria

established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

According to the information and explanations given to us, the Company was incorporated during the year and other than infusion of incorporation capital by the parent company and certain administrative expenses did not have any transactions during the year. Accordingly, as at March 31, 2016, the internal financial controls over financial reporting have been directly supervised by the Board of Directors for the purposes of preparation of the financial statements for the year ended 31 March 2016.

We have considered the matter reported above in determining the nature, timing, and extent of audit tests applied in our audit of the internal controls over financial reporting of the Company, and this does not affect our opinion on the financial statements of the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number 105731

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	As at 31 <sup>st</sup> March, 2016 Rupees
<b>I. EQUITY AND LIABILITIES</b>		
<b>(1) Shareholders' funds:</b>		
(a) Share capital .....	3	100,000
(b) Reserves and surplus .....	4	(174,167)
		<u>(74,167)</u>
<b>(2) Current liabilities:</b>		
(a) Trade payables .....	5	109,900
(b) Other current liabilities.....	6	10,000
		<u>119,900</u>
	<b>TOTAL</b>	<u><u>45,733</u></u>
<b>II. ASSETS</b>		
<b>(1) Current assets:</b>		
(a) Cash and cash equivalents.....	7	45,733
	<b>TOTAL</b>	<u><u>45,733</u></u>

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No.: 105102W

**Himanshu Chapsey**  
Partner

M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 10<sup>TH</sup> OCTOBER, 2015 TO 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	For the period from 10 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016  Rupees
<b>I. Expenses</b>		
(a) Other expenses.....	8	174,167
<b>Total expenses</b> .....		<u>174,167</u>
<b>II. Loss before tax</b>		(174,167)
<b>III. Tax expense:</b>		
(a) Current tax.....		-
(b) Deferred tax.....		-
		<u>-</u>
<b>IV. Loss for the year (II - III)</b> .....		<u>(174,167)</u>
<b>V. Earnings per share (Face value of Rs. 10/- each):</b>		
Basic and Diluted .....	9	(36.54)
<b>See accompanying notes forming part of the financial statements</b>		

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No.: 105102W

**Himanshu Chapsey**  
Partner

M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016



**CASH FLOW STATEMENT FOR THE PERIOD FROM 10<sup>TH</sup> OCTOBER, 2015 TO 31<sup>ST</sup> MARCH, 2016**

Particulars	For the period from 10 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	Rupees
<b>A. Cash flow from operating activities</b>		
Loss before tax.....		(174,167)
<b>Operating loss before working capital changes ....</b>		<b>(174,167)</b>
<b><u>Changes in working capital:</u></b>		
Increase in trade payables.....	109,900	
Increase in other current liabilities.....	10,000	<b>119,900</b>
Cash generated from operations.....		<b>(54,267)</b>
Net income tax paid.....		-
<b>Net cash flow used in operating activities (A) .....</b>		<b>(54,267)</b>
<b>B. Cash flow from investing activities</b>		
<b>Net cash flow from investing activities (B).....</b>		-
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares.....	100,000	
<b>Net cash flow from financing activities (C) .....</b>		<b>100,000</b>
<b>Net increase in Cash and cash equivalents (A+B+C) .....</b>		<b>45,733</b>
<b>Cash and cash equivalents at the beginning of the year.....</b>		-
<b>Cash and cash equivalents at the end of the year.....</b>		<b>45,733</b>
<b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>		
Cash and cash equivalents (Refer Note 7)		
- Balances with Bank.....		<b>45,733</b>
<b>Cash and cash equivalents at the end of the year .....</b>		<b>45,733</b>

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No.: 105102W

**Himanshu Chapsey**  
Partner

M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

## NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### Note 1. Company Information:

Marvel Solren Private Limited ('the Company') was incorporated in India on 10<sup>th</sup> October, 2015, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Renewables Private Limited.

### Note 2. Significant Accounting Policies:

#### a) Basis of Preparation of Financial Statements:

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### b) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

#### d) Cash and Cash Equivalents:

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### e) Earnings Per Share:

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

#### f) Provisions and Contingent Liabilities:

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

### Note 3. Share capital: As at 31<sup>st</sup> March, 2016 Rupees

<b>Authorised:</b>		
50,000 (Previous Year Nil) Equity Shares of Rs. 10 each		500,000
<b>Total</b> .....		<u>500,000</u>
<b>Issued and Subscribed:</b>		
10,000 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid up .....		100,000
<b>Total</b> .....		<u>100,000</u>

#### a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

	As at 31 <sup>st</sup> March, 2016	
Equity Shares:	No. of Shares	Rupees
At the beginning of the period		
Issued during the period.....	100,000	1,000,000
<b>Outstanding at the end of the period.....</b>	<u>100,000</u>	<u>1,000,000</u>

#### b. Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

#### c. Details of shareholders holding more than 5% shares in the company:

	As at 31 <sup>st</sup> March, 2016	
Equity Shares:	No. of Shares	% holding
Mahindra Renewables Private Limited (Holding Company)* .....	10,000	100%
<b>Outstanding at the end of the period.....</b>	<u>10,000</u>	<u>100%</u>

\* This includes 1 equity share held as nominee by an individual on behalf of the holding company.

(Mahindra Renewables Private Limited jointly with Mr. Roshan Gandhi - 1 equity share)

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 <sup>st</sup> March, 2016
Particulars	Rupees
Deficit in the statement of Profit and Loss for the period	
Opening balance .....	0
Add: Loss for the period .....	(174,167)
<b>Total</b> .....	<b>(174,167)</b>

	As at 31 <sup>st</sup> March, 2016
Particulars	Rupees
Payables other than to micro, small and medium enterprises .....	109,900
<b>Total</b> .....	<b>109,900</b>

	As at 31 <sup>st</sup> March, 2016
Particulars	Rupees
Statutory liabilities .....	10,000
<b>Total</b> .....	<b>10,000</b>

	As at 31 <sup>st</sup> March, 2016
Particulars	Rupees
Balances with bankss.....	
In current accounts.....	45,733
<b>Total</b> .....	<b>45,733</b>

	As at 31 <sup>st</sup> March, 2016
Particulars	Rupees
Legal and professional .....	107,663
Registration and documentation charges .....	35,740
Remuneration to auditors (refer note below) .....	28,625
Printing and stationery .....	2,139
<b>Total</b> .....	<b>174,167</b>

Notes:

	For the period from 10 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016
Particulars	Rupees
Payments to the auditors comprise.....	
To statutory auditors.....	28,625
<b>Total</b> .....	<b>28,625</b>

	As at 31 <sup>st</sup> March 2016
Particulars	Rupees
<b>Basic and Diluted</b>	
Loss attributable to equity shareholders .....	(174,167)
Weighted average number of equity shares outstanding during the year .....	4,767
Par value per share .....	10
<b>Basic and diluted earnings per share</b> .....	<b>(36.54)</b>

## Note 10. Related Party Disclosures:

	Description of relationship	Names of related party
1.	Ultimate Holding Company	Mahindra & Mahindra Limited
2.	Intermediate Holding Company	Mahindra Holding Limited
3.	Intermediate Holding Company	Mahindra Susten Private Limited
4.	Holding Company	Mahindra Renewables Private Limited

## Transaction with related parties:

Sr. No.	Party Name	Nature of Relationship	Nature of transactions	Amount For the period 10 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016
1.	Mahindra Renewables Private Limited	Holding Company	Issue of equity shares	100,000
2.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	85,875
	Balance outstanding at the year end			
	<b>Trade Payable</b>			
1.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	78,375

## Note 11.

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said under the said Act are not applicable.

## Note 12.

The Company is at the initial stage of its business and in view of the net loss for the period, provision for tax is not required and there are no deferred tax assets or liabilities to be recognised.

For and on behalf of the Board of Directors

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their First Report together with the audited financial statements of your Company for the period ended 31<sup>st</sup> March, 2016. The Company was incorporated on 1<sup>st</sup> July, 2015 to carry on business of generation of electric power using solar energy.

### 1) FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	(Rs. in lakhs)
	For the period ended 31 <sup>st</sup> March, 2016
<b>Income</b>	
Revenue from Operations	–
Other Income	13.28
Total Income	13.28
<b>Expenses</b>	
Other Expenses	61.86
Depreciation and Amortization Expenses	–
Finance Costs	0.60
<b>Total Expenses</b>	<b>62.46</b>
<b>Loss before Tax</b>	<b>(49.18)</b>
Provision for Tax	–
<b>Loss for the period from Continuing Operations</b>	<b>(49.18)</b>
Balance of Loss from earlier year	–
Balance Carried Forward	<b>(49.18)</b>
<b>Amount carried forward to Reserves</b>	–
<b>Net worth</b>	<b>1,225.05</b>

No material changes and commitments have occurred after the closure of the period under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS

The Company has entered into a Power Purchase Agreement (PPA) with Northern Power Distribution Company of Telangana Limited for supply of 42 MW Solar Power in the month of February 2016. The Capital commitment relating to setting up of power generation facility is not quantifiable at this stage.

### DIVIDEND

Your Directors do not recommend any dividend for the period under review.

### SHARE CAPITAL

The authorized share capital of your Company has increased from Rupees Five Lakh to Rupees Ten crore during the period under review.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 1,86,00,000/- divided into 18,60,000 equity shares face value of Rs. 10/- each.

### HOLDING COMPANY

Your Company has been incorporated as wholly owned subsidiary Company of Mahindra Renewables Private Limited with effect from 1<sup>st</sup> July, 2015.

### BOARD OF DIRECTORS

Mr. Roshan Gandhi (DIN – 00010478) and Mr. Basant Kumar Jain (DIN – 00220395) have been appointed as the First Directors of the Company. They shall hold office up to the date of the ensuing Annual General Meeting. The Company has received the notices in writing from a member proposing their candidature for the office of Director, liable to retire by rotation.

#### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Basant Jain	00220395	Non Executive	Non Independent	5
Mr. Roshan Gandhi	00010478	Non Executive	Non Independent	5

### NUMBER OF BOARD MEETINGS

The Board met Five times during the period under review, i.e., on 10<sup>th</sup> July, 2015, 3<sup>rd</sup> August, 2015, 30<sup>th</sup> November, 2015, 15<sup>th</sup> January, 2016 and 25<sup>th</sup> January, 2016

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- (a) in the preparation of the annual financial statements for the period ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period on 31<sup>st</sup> March, 2016 and of the profit/loss of the Company for the period ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **FRAUDS REPORTED BY AUDITORS**

During the period under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **STATUTORY AUDITORS**

At the First Board Meeting held on 10<sup>th</sup> July, 2015, the Board of Directors has appointed M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the first auditors of your Company to hold office till the conclusion of the First Annual General Meeting at the remuneration mutually agreed between Board of Directors and the Auditors.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if re-appointed for the tenure of five years and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the statutory auditors of your Company for a period of 5 years commencing from the conclusion of First Annual General Meeting till the conclusion of Sixth Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the period. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the period, during the period and at the end of the period. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC – 2 as Annexure II and forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

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

Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

#### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the period under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment at the workplace.

#### **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.

- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

#### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016

#### A. CONSERVATION OF ENERGY

- (i) the steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

- (ii) the steps taken by the company for utilizing alternate sources of energy: Nil

- (iii) the capital investment on energy conservation equipment: Nil

#### B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption: Nil.

- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable

- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial period) – Not applicable

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

- iv) the expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

There were no Foreign Exchange earnings and outgo during the period under review.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place: Mumbai

Date: 15<sup>th</sup> April, 2016.

**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. AOC -2****(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL****2. Details of Material contracts or arrangements or transactions at Arm's length basis –**

<b>Sr. No</b>	<b>Particulars</b>	<b>Details of Related Party 1</b>	<b>Details of Related Party 2</b>
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited (Ultimate Holding Company)	Mahindra Susten Private Limited (Intermediate Holding Company)
b)	Nature of contracts/arrangements/transaction	Business Support Services	Business Support Services and Inter Corporate Deposit (ICD)
c)	Duration of the contracts/arrangements/transaction	Ongoing Contract	Ongoing Contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Not Applicable	Not Applicable
e)	Amount	Rs. 0.86 Lacs	Rs. 62.40 Lacs
f)	Date of approval by the Board	15 <sup>th</sup> April, 2016	15 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Not Applicable	Not Applicable

Note:

Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place: Mumbai

Date: 15<sup>th</sup> April, 2016.



## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U74999MH2015PTC266154
2.	<b>Registration Date</b>	01/07/2015
3.	<b>Name of the Company</b>	Neo Solren Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	NA

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Electric power generation using solar energy	35105	0%

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

Sr. No.	Name and Address of the Company	CIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Renewables Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 0018	U40300MH2010PTC205946	Holding Company	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 time of incorporation				No. of Shares held at the end of the period				% Change during the Period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	10,000	10,000	100%	-	18,60,000	18,60,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total - A(1)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>18,60,000</b>	<b>18,60,000</b>	<b>100%</b>	-

Category of Shareholders	No. of Shares held at the time of incorporation				No. of Shares held at the end of the period				% Change during the period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - A(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>18,60,000</b>	<b>18,60,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Banks/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate									
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - B(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual									
i. Individual shareholders holding nominal share capital upto ₹. 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹. 1 lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total - (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the time of incorporation				No. of Shares held at the end of the period				% Change during the period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>18,60,000</b>	<b>18,60,000</b>	<b>100%</b>	-

## ii. Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the time of incorporation			Shareholding at the end of the period			% change in shareholding during the period
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra and Mahindra Limited	99,999	99.99%	-	18,59,999	99.99%	-	-
2	Mahindra Renewables Private Limited Jointly with Roshan Gandhi*	1	0.01%	-	1	0.01%	-	-

\* The joint shareholder with Mahindra Renewables Private Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

## iii. Change in Promoters' Shareholding

Particulars Promoter Mahindra Renewables Private Limited	Shareholding at the time of incorporation		Cumulative Shareholding during the period	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>At the beginning of the period</b>	<b>10,000</b>	<b>100%</b>	<b>10,000</b>	<b>100%</b>
Increase : Allotment of equity shares on Rights basis on 25 <sup>th</sup> January, 2016	-	-	18,50,000	100%
<b>At the end of the period</b>	-	-	<b>18,60,000</b>	<b>100%</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

## v. Shareholding of Directors and Key Managerial Personnel

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS**

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

(Rs. in Lacs)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the time of incorporation 01.07.2015</b>	–	–	–	–
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total of (1+2+3)	–	–	–	–
<b>Change in Indebtedness during the financial period</b>	–	–	–	–
+ Addition	–	–	–	–
– Reduction	–	–	–	–
Net change	–	–	–	–
<b>Indebtedness at the end of the financial period-31.03.2016</b>	–	–	–	–
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable**

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs In Lacs)
1.	Gross Salary	–	–	–
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	–	–	–
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–	–
	c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission			
	– As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify Provident Fund & other Funds	–	–	–
	<b>Total (A)</b>	–	–	–
	Ceiling as per the Act	5% of the net profits of the Company		

**B. Remuneration of other directors:****I. Independent Directors: Not Applicable**

Particulars of Remuneration	Name of Directors		Total Amount (Rs. in Lacs)
Fee for attending board committee meetings	–	–	–
Commission	–	–	–
Others	–	–	–
<b>Total (1)</b>	–	–	–

**II. Other Non-Executive Directors: Nil**

<b>Other Non-Executive Directors</b>							<b>Total Amount</b>
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD : Nil**

<b>Sr. No.</b>	<b>Particulars of Remuneration</b>	<b>KMP</b>
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	-
	- As % of Profit	-
	- Others, specify	-
5.	Others (Professional Fees)	-
6.	Performance Bonus	-
	<b>Total (C)</b>	-

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None**

	<b>Type</b>	<b>Section of the Companies Act</b>	<b>Brief Description</b>	<b>Details of Penalty/ Punishment/ Compounding fees imposed</b>	<b>Authority (RD/ NCLT/COURT)</b>	<b>Appeal made, if any (give details)</b>
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place: Mumbai

Date: 15<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF NEO SOLREN PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **NEO SOLREN PRIVATE LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the related statements of profit and loss and cash flow for the period from incorporation on July 1, 2015 to March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and cash flows for the period from incorporation on July 1, 2015 to March 31, 2016

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - (e) On the basis of written representations received from the directors as on March 31, 2016 taken on record

by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- (f) With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **Annexure II**.
- (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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position.

- ii. There were no material foreseeable losses in respect of the long term contract entered into by the Company. According to the information and explanations given to us the Company does not have any derivative contracts.
- iii. There are no amounts required to be transferred required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
(Firm's Registration No.: 105102W)

**Himanshu Chapsey**  
Partner  
(Membership No.: 105731)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

### REFERRED TO IN PARAGRAPH 9 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF NEO SOLREN PRIVATE LIMITED FOR THE PERIOD FROM INCORPORATION ON JULY 1, 2015 TO MARCH 31, 2016.

1. The Company was incorporated during the year and other than funds infused by the parent company as share capital, which, pending commencement of operations has temporarily been invested and certain administrative expenses incurred, did not have any transactions during the period covered by the financial statements. Accordingly, the provisions of paras 3(i) - (vi), (viii), (ix), (xi), and (xiv) are not applicable to the Company.
2. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues relating to taxes deducted at source, with the appropriate authorities. We are informed that the provisions of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs and value added tax are presently not applicable to the Company. According to the information and explanations given to us, no undisputed amounts in respect of the taxes deducted at source were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.  
  
(ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
3. 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, we have noticed any instance of material fraud by the Company or by the officers on the Company nor has any such instance been reported.
4. According to the information and explanations given to us the Company is not a nidhi company and accordingly the provisions of para 3(xii) of the Order are not applicable.
5. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
6. The Company has not entered into any non cash transactions with directors or persons connected with them and accordingly the provisions of para 3(xv) are not applicable to the Company.
7. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xvi) are not applicable to the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
(Firm's Registration No.: 105102W)

**Himanshu Chapsey**  
Partner  
(Membership No.: 105731)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016



## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF NEO SOLREN PRIVATE LIMITED**

### **Report 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 Neo Solren Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for period from incorporation on July 1, 2015 to March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

According to the information and explanations given to us, the Company was incorporated during the year and other than infusion of incorporation capital by the parent company and certain administrative expenses did not have any transactions during the year. Accordingly, as at March 31, 2016, the internal financial controls over financial reporting have been directly supervised by the Board of Directors for the purposes of preparation of the financial statements for the year ended 31 March 2016.

We have considered the matter reported above in determining the nature, timing, and extent of audit tests applied in our audit of the internal controls over financial reporting of the Company, and this does not affect our opinion on the financial statements of the Company.

**For B. K. Khare & Co.**  
**Chartered Accountants**  
**(Firm's Registration No.: 105102W)**

**Himanshu Chapsey**  
Partner  
(Membership No.: 105731)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	As at 31 <sup>st</sup> March, 2016 Rupees
<b>I. EQUITY AND LIABILITIES</b>		
<b>(1) Shareholders' funds:</b>		
(a) Share capital .....	<b>3</b>	18,600,000
(b) Reserves and surplus .....	<b>4</b>	103,905,421
		<b>122,505,421</b>
<b>(2) Current liabilities:</b>		
(a) Trade payables .....	<b>5</b>	155,420
(b) Other current liabilities.....	<b>6</b>	13,549
		168,969
<b>TOTAL</b> .....		<b>122,674,390</b>
<b>II. ASSETS</b>		
<b>(1) Non-current assets:</b>		
(a) Fixed assets		
(i) Capital work-in-progress .....		28,625
		28,625
<b>(2) Current assets:</b>		
(a) Current investment .....	<b>7</b>	120,000,000
(b) Cash and cash equivalents.....	<b>8</b>	2,558,170
(c) Short-term loans and advances.....	<b>9</b>	87,595
		<b>122,645,765</b>
<b>TOTAL</b> .....		<b>122,674,390</b>

See accompanying notes forming part of the financial statements

In terms of our report attached.  
For **B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.: 105102W

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

**Basant Jain**  
Director

**Himanshu Chapsey**  
Partner  
M. No.: 105731

**Roshan Gandhi**  
Director

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 1<sup>ST</sup> JULY, 2015 TO 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	For the period from 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016 Rupees
<b>I. Other income</b> .....	<b>10</b>	1,328,254
<b>Total revenue</b> .....		<u>1,328,254</u>
<b>II. Expenses:</b>		
(a) Finance costs .....	<b>11</b>	60,492
(b) Other expenses .....	<b>12</b>	6,185,691
<b>Total expenses</b> .....		<u>6,246,183</u>
<b>III. Loss before tax (I - II)</b> .....		<b>(4,917,929)</b>
<b>IV. Tax expense:</b>		
(a) Current tax .....		-
(b) Deferred tax .....		-
		<u>-</u>
<b>V. Loss for the year (III - IV)</b> .....		<b>(4,917,929)</b>
<b>VI. Earnings per share (Face value of Rs. 10/- each):</b>		
Basic and Diluted .....	<b>13</b>	(11.34)

See accompanying notes forming part of the financial statements

In terms of our report attached.  
For **B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.: 105102W

**Himanshu Chapsey**  
Partner  
M. No.: 105731

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

**CASH FLOW STATEMENT FOR THE PERIOD FROM 1<sup>ST</sup> JULY, 2015 TO 31<sup>ST</sup> MARCH, 2016**

Particulars	For the period 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	Rupees
<b>A. Cash flow from operating activities</b>		
Loss before tax .....		(4,917,929)
<b>Adjustments for:</b>		
Finance costs.....	60,492	
Interest income .....	(475,943)	
Dividend income from mutual fund .....	(852,311)	(1,267,762)
Operating loss before working capital changes .....		<b>(6,185,691)</b>
<b>Changes in working capital:</b>		
Increase in Trade Payables .....	155,420	
Increase in Other current liabilities .....	13,549	168,969
Cash used in operations .....		(6,016,722)
Net income tax paid .....		(87,595)
<b>Net cash flow used in operating activities (A) .....</b>		<b>(6,104,317)</b>
<b>B. Cash flow from investing activities</b>		
Capital expenditure on fixed assets.....	(28,625)	
Purchase of investments .....	(120,000,000)	
Interest income .....	475,943	
Dividend income from mutual fund .....	852,311	(118,700,371)
<b>Net cash flow from investing activities (B) .....</b>		<b>(118,700,371)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares.....	127,423,350	
Interest Paid .....	(60,492)	
<b>Net cash flow from financing activities (C).....</b>		<b>127,362,858</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C).....</b>		<b>2,558,170</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the year (Refer Note 8).....</b>		<b>2,558,170</b>

In terms of our report attached.  
For **B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.: 105102W

**Himanshu Chapsey**  
Partner  
M. No.: 105731

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

## NOTES ON ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 1. Company Information:

**Neo Solren Private Limited** ('the Company') was incorporated in India on 1<sup>st</sup> July, 2015, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Renewables Private Limited.

### 2. Significant Accounting Policies:

#### a) Basis of Preparation of Financial Statements:

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act, 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### b) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Tangible fixed assets:

Fixed assets, are stated at their historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present location and condition. The expenditure incurred on start-up and commissioning of project, test runs and experimental production is treated as an indirect element of the construction cost.

#### d) Impairment:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

#### e) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to

consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

#### f) Investments:

Investments are classified under Non-current and Current categories.

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

#### g) Cash and Cash Equivalents:

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### h) Earnings Per Share:

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

#### i) Revenue Recognition:

##### Interest income

Interest income is recognised on time proportion basis.

##### Dividend Income:

Dividend income is recognised when the right to receive dividend is established.

#### j) Provisions and Contingent Liabilities:

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>ST</sup> JULY 2015 TO 31<sup>ST</sup> MARCH, 2016

## Note 3. Share Capital:

	As at 31 <sup>st</sup> March, 2016 Rupees
<b>Authorised:</b>	
1,00,00,000 Equity Shares of Rs. 10 each .....	100,000,000
<b>Total</b> .....	<u>100,000,000</u>
<b>Issued and Subscribed:</b>	
18,60,000/- Equity Shares of Rs. 10 each, fully paid up	18,600,000
<b>Total</b> .....	<u>18,600,000</u>

## a. Reconciliation of the shares outstanding at the beginning and at the end of the period:

	As at 31 <sup>st</sup> March, 2016	
Equity Shares:	No. of Shares	Rupees
At the beginning of the period		
Issued during the period .....	1,860,000	18,600,000
<b>Outstanding at the end of the period</b> .....	<u>1,860,000</u>	<u>18,600,000</u>

## b. Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

## c. Details of shareholders holding more than 5% shares in the company:

	As at 31 <sup>st</sup> March, 2016	
Equity Shares:	No. of Shares	% holding
Mahindra Renewables Private Limited (Holding Company)* .....	1,860,000	100%
<b>Total</b> .....	<u>1,860,000</u>	<u>100%</u>

\* This includes 1 equity share held as nominee by an individual on behalf of the holding company (Mahindra Renewables Private Limited jointly with Mr. Roshan Gandhi – 1 equity share).

## Note 4. Reserves and surplus:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
<b>(a) Securities premium:</b>	
Opening balance .....	-
Add: Premium on shares issued during the year .....	109,150,000
Less: Utilised during the year for writing off share issues expenses .....	(326,650)
Closing balance .....	<u>108,823,350</u>
<b>(b) Deficit in the statement of Profit and Loss for the period:</b>	
Opening balance .....	-
Add: Loss for the period .....	(4,917,929)
Closing balance .....	<u>(4,917,929)</u>
<b>Total</b> .....	<u>103,905,421</u>

## Note 5. Trade payables:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
Payables other than to micro, small and medium enterprises .....	155,420
<b>Total</b> .....	<u>155,420</u>

## Note 6. Other current liabilities:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
Statutory liabilities .....	13,549
<b>Total</b> .....	<u>13,549</u>

## Note 7. Current Investments:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
UTI – Money Market Fund Institutional Plan – Growth ...	120,000,000
<b>Total</b> .....	<u>120,000,000</u>

## Note 8. Cash and Bank Balances:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
Balances with banks – in current accounts .....	2,558,170
<b>Total</b> .....	<u>2,558,170</u>

## Note 9. Short-term loans and advances:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees
Loans and advances .....	87,595
<b>Total</b> .....	<u>87,595</u>

## Note 10. Other income:

Particulars	For the period from 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016 Rupees
Interest on bank deposits .....	475,943
Dividend income from mutual fund .....	852,311
<b>Total</b> .....	<u>1,328,254</u>

## Note 11. Finance costs:

Particulars	For the period from 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016 Rupees
Interest on short term borrowing .....	60,492
<b>Total</b> .....	<u>60,492</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>ST</sup> JULY 2015 TO 31<sup>ST</sup> MARCH, 2016

### Note 12. Other expenses:

Particulars	For the period from 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	
Legal and professional .....	5,264,445	
Registration and documentation charges .....	886,840	
Remuneration to auditors (refer note below) .....	28,625	
Miscellaneous expenses .....	5,781	
<b>Total .....</b>	<b>6,185,691</b>	

### Notes:

Particulars	For the period from 1 <sup>st</sup> July, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	
Remuneration to the auditors comprises,		
(a) To statutory auditors		
For audit .....	28,625	
<b>Total .....</b>	<b>28,625</b>	

### Note 13 Earning per share:

Particulars	As at
	31 <sup>st</sup> March, 2016
Rupees	
<b>Basic and Diluted</b>	
Loss attributable to equity shareholders .....	(4,917,929)
Weighted average number of equity shares outstanding during the year .....	433,818
Par value per share .....	10
<b>Basic and diluted earnings per share.....</b>	<b>(11.34)</b>

### Note 14.

Mahindra Susten Private Limited (Intermediate Holding Company) has provided a Performance Bank Guarantee (PBG) to the Northern Power Distribution Company of Telangana Limited on behalf of the Company amounting to Rs. 8.40 crores based on Rs. 20 lacs per MW.

### Note 15.

The Company has entered into a Power Purchase Agreement (PPA) with Northern Power Distribution Company of Telangana Limited for supply of 42 MW Solar Power in the month of February 2016. The Capital commitment relating to setting up of power generation facility is not quantifiable at this stage.

### Note 16. Related Party Disclosures:

	Description of relationship	Names of related party
1	Ultimate Holding Company	Mahindra & Mahindra Limited
2	Intermediate Holding Company	Mahindra Holding Limited
3	Intermediate Holding Company	Mahindra Susten Private Limited
4	Holding Company	Mahindra Renewables Private Limited

### Transaction with related parties:

S. No.	Party Name	Nature of Relationship	Nature of transactions	Amount
				2015-16
1	Mahindra Susten Private Limited	Intermediate Holding Company	Business support services	5,040,000
2	Mahindra Susten Private Limited	Intermediate Holding Company	Inter Corporate Deposit (ICD) taken	1,200,000
3	Mahindra Susten Private Limited	Intermediate Holding Company	ICD Paid	1,200,000
4	Mahindra Susten Private Limited	Intermediate Holding Company	Interest on ICD	60,492
5	Mahindra Susten Private Limited	Intermediate Holding Company	Issue of equity shares	18,600,000
6	Mahindra Susten Private Limited	Intermediate Holding Company	Securities premium	109,150,000
7	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	85,875
<b>Balance outstanding at the end of the period</b>				
	Trade Payable			
1	Mahindra Susten Private Limited	Intermediate Holding Company	Business support services	4,599,825
2	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	78,375

### Note 17.

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said Act are not applicable.

### Note 18. Segment Information:

The company operates only in one business segment viz. generation and supply of electricity from solar power projects.

The Company operates only in India, hence there is no reportable geographical segment.

## DIRECTORS' REPORT

Your Directors present their First Report together with the audited financial statements of your Company for the period ended 31<sup>st</sup> March, 2016. The Company was incorporated on 14<sup>th</sup> October, 2015 to carry on business of generation of electric power using solar energy.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	(Rs. in Lakhs) For the period ended 31 <sup>st</sup> March, 2016
<b>Income</b>	
Revenue from Operations	–
Other Income	–
Total Income	–
<b>Expenses</b>	–
Other Expenses	1.43
Depreciation and Amortization Expenses	–
Finance Costs	–
<b>Total Expenses</b>	1.43
<b>Loss before Tax</b>	(1.43)
Provision for Tax	–
<b>Loss for the period from Continuing Operations</b>	(1.43)
Balance of Loss from earlier year	
Balance Carried Forward	(1.43)
<b>Amount carried forward to Reserves</b>	–
<b>Net worth</b>	(0.43)

No material changes and commitments have occurred after the closure of the period under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS

The Company is exploring various opportunities to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

### DIVIDEND

Your Directors do not recommend any dividend for the period under review.

### SHARE CAPITAL

The authorized share capital of your Company was Rupees Five Lakh for the period under review.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs.1,00,000 divided into 10,000 equity shares face value of Rs.10/- each

### HOLDING COMPANY

Your Company has been incorporated as wholly owned subsidiary Company of Mahindra Renewables Private Limited with effect from 14<sup>th</sup> October, 2015.

### BOARD OF DIRECTORS

Mr. Roshan Gandhi (DIN – 00010478) and Mr. Basant Kumar Jain (DIN – 00220395) have been appointed as the First Directors of the Company. They shall hold office up to the date of the ensuing Annual General Meeting. The Company has received the notices in writing from a member proposing their candidature for the office of Director, liable to retire by rotation.

### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Basant Jain	00220395	Non Executive	Non Independent	2
Mr. Roshan Gandhi	00010478	Non Executive	Non Independent	2

### NUMBER OF BOARD MEETINGS:

The Board met Two times during the period under review, i.e. on 27<sup>th</sup> October, 2015 and 25<sup>th</sup> January, 2016.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the period ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;



- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period on 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial period ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **FRAUDS REPORTED BY AUDITORS**

During the year under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **STATUTORY AUDITORS**

At the First Board Meeting held on 27<sup>th</sup> October, 2015, the Board of Directors has appointed M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the first auditors of your Company to hold office till the conclusion of the first Annual General Meeting at the remuneration mutually agreed between Board of Directors and the Auditors.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if re-appointed for the tenure of five years and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the statutory auditors of your Company for a period of 5 years commencing from the conclusion of First Annual General Meeting till the conclusion of Sixth Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the period. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the period, during the period and at the end of the period. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC – 2 as Annexure II and forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the period under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment at the workplace.

### **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.

- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

**For and on behalf of the Board**

**Basant Kumar Jain**  
Director  
(DIN: 00220395)

**Roshan Gandhi**  
Director  
(DIN: 00010478)

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT****PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016****A. CONSERVATION OF ENERGY**

- (i) the steps taken or impact on conservation of energy:  
The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- (ii) the steps taken by the company for utilizing alternate sources of energy: Nil
- (iii) the capital investment on energy conservation equipment: Nil

**B. TECHNOLOGY ABSORPTION**

- i) The efforts made towards technology absorption: Nil.
- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable
- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial period) – Not applicable
  - (a) the details of technology imported:

- (b) the year of import:
- (c) whether the technology been fully absorbed:
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:
- iv) the expenditure incurred on Research and Development : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:  
(in terms of actual inflow and outflow)**

There were no Foreign Exchange earnings and outgo during the period under review.

**For and on behalf of the Board**

**Basant Kumar Jain**

Director

(DIN: 00220395)

**Roshan Gandhi**

Director

(DIN: 00010478)

Place : Mumbai

Date : 15<sup>th</sup> April, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT****Form No. AOC-2****(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL**

**2. Details of Material contracts or arrangements or transactions at Arm's length basis –**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited (Ultimate Holding Company)
b)	Nature of contracts/arrangements/transaction	Business Support Services
c)	Duration of the contracts/arrangements/transaction	Ongoing Contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Not Applicable
e)	Amount	Rs. 0.86 lacs
f)	Date of approval by the Board	15 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Not Applicable

Note:

Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Basant Kumar Jain**

Director

(DIN – 00220395)

**Roshan Gandhi**

Director

(DIN – 00010478)

Place : Mumbai

Date : 15<sup>th</sup> April, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial period ended on 31<sup>st</sup> March, 2016

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

## I. REGISTRATION AND OTHER DETAILS:

1	<b>CIN</b>	U74120MH2015PTC269256
2	<b>Registration Date</b>	14/10/2015
3	<b>Name of the Company</b>	Astra Solren Private Limited
4	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6	<b>Whether listed Company (Yes/No)</b>	No
7	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	NA

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Electric power generation using solar energy	35105	0%

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

	Name and Address of the Company	CIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
2.	Mahindra Renewables Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai 400018	U40300MH2010PTC205946	Holding Company	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 time of incorporation				No. of Shares held at the end of the period				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	10,000	10,000	100%	-	10,000	10,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the time of incorporation				No. of Shares held at the end of the period				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total-A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoters (1+2)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual									
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-

## ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the time of incorporation			Shareholding at the end of the period			% change In shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra & Mahindra Limited	99,999	99.99%	–	99,999	99.99%	–	–
2.	Mahindra Renewables Private Limited Jointly with Roshan Gandhi*	1	0.01%	–	1	0.01%	–	–
3.	Mahindra & Mahindra Limited jointly with Mr. Girish Patkar*	1	–	–	1	–	–	–

\* The joint shareholder with Mahindra Renewables Private Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

## iii. Change in Promoters' Shareholding:

Particular Promoter Mahindra Renewables Private Limited	Shareholding at the time of incorporation		Shareholding at the end of the period	
	No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
At the beginning of the period	10,000	100%	10,000	100%
Increase/Decrease				
At the end of the period	–	–	10,000	100%

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

Sr. No.	Top Ten Shareholders	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Nil	Nil	Nil	Nil	Nil

## v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Nil	Nil	Nil	Nil	Nil

## V. INDEBTEDNESS

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

(₹ In Lacs)

PARTICULARS	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the period	–	–	–	–
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
Total of (1+2+3)	–	–	–	–
Change in Indebtedness during the financial year	–	–	–	–
+ Addition	–	–	–	–
– Reduction	–	–	–	–
Net Change	–	–	–	–

<b>Indebtedness at the end of the financial year-31.03.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable**

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of Profit	-	-	-
	- Others, specify			
5.	Others, please specify Provident Fund & other Funds	-	-	-
6.	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	5% of the net profits of the Company		

**B. Remuneration of other directors:****I. Independent Directors:- Not applicable**

Particulars of Remuneration	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

**II. Other Non-Executive Directors: Nil**

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:- Nil**

Sr. No	Particulars of Remuneration	KMP
1.	Gross Salary	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-
2.	Stock option	-



Sr. No	Particulars of Remuneration	KMP
3.	Sweat Equity	–
4.	Commission – As % of profit – others, specify	– –
5.	Others, please specify	–
6.	Performance Bonus	–
	<b>Total (C)</b>	–

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None**

	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)
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–

**For and on behalf of the Board**

**Basant Kumar Jain**  
Director  
(DIN: 00220395)

**Roshan Gandhi**  
Director  
(DIN: 00010478)

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF

### ASTRA SOLREN PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of Astra Solren Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from incorporation on October 14, 2015 to March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and cash flows for the period from incorporation on October 14, 2015 to March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

- e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position.
- ii. The Company has no long term contracts including derivatives contracts as at March 31, 2016.
- iii. There are no amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

**ANNEXURE I TO THE AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 9 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ASTRA SOLREN PRIVATE LIMITED FOR THE PERIOD FROM INCORPORATION ON OCTOBER 14, 2015 TO MARCH 31, 2016**

1. The Company was incorporated during the year and other than infusion of incorporation capital by the parent company and certain administrative expenses did not have any transactions during the period covered by the financial statements. Accordingly, the provisions of paras 3(i)-(vi), (viii), (ix), (xi), and (xiv) are not applicable to the Company.
2. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues relating to taxes deducted at source, with the appropriate authorities. We are informed that the provisions of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs and value added tax are presently not applicable to the Company. According to the information and explanations given to us, no undisputed amounts in respect of the taxes deducted at source were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.  
  
(ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
3. 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, we have noticed any instance of material fraud by the Company or by the officers on the Company nor has any such instance been reported.
4. According to the information and explanations given to us the Company is not a nidhi company and accordingly the provisions of para 3(xii) of the Order are not applicable.
5. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
6. The Company has not entered into any non cash transactions with directors or persons connected with them and accordingly the provisions of para 3(xv) are not applicable to the Company.
7. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xvi) are not applicable to the Company.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Place: Mumbai  
Date: 15<sup>th</sup> April, 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF ASTRA SOLREN PRIVATE LIMITED**

### **Report 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 Astra Solren Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for period from incorporation on October 14, 2015 to March 31, 2016.

### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

According to the information and explanations given to us, the Company was incorporated during the year and other than infusion of incorporation capital by the parent company and certain administrative expenses did not have any transactions during the year. Accordingly, as at March 31, 2016, the internal financial controls over financial reporting have been directly supervised by the Board of Directors for the purposes of preparation of the financial statements for the year ended March 31, 2016.

We have considered the matter reported above in determining the nature, timing, and extent of audit tests applied in our audit of the internal controls over financial reporting of the Company, and this does not affect our opinion on the financial statements of the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Mumbai  
15<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	As at 31 <sup>st</sup> March, 2016 Rupees
<b>I. Equity and liabilities</b>		
<b>(1) Shareholders' funds:</b>		
(a) Share capital	3	100,000
(b) Reserves and surplus	4	(143,459)
		<u>(43,459)</u>
<b>(2) Current Liabilities:</b>		
(a) Trade payables	5	110,700
(b) Other current liabilities	6	10,000
		<u>120,700</u>
<b>Total</b>		<u><u>77,241</u></u>
<b>II. Assets</b>		
<b>(1) Current Assets:</b>		
(a) Cash and cash equivalents	7	77,241
<b>Total</b>		<u><u>77,241</u></u>

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. : 105102W

**Himanshu Chapsey**  
Partner  
M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 14<sup>TH</sup> OCTOBER, 2015  
TO 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	For the period from 14 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016 <u>Rupees</u>
<b>I. Expenses:</b>		
(a) Other expenses	8	143,459
<b>Total expenses</b>		<u>143,459</u>
<b>II. Loss before tax:</b>		(143,459)
<b>III. Tax expense:</b>		
(a) Current tax		-
(b) Deferred tax		-
		<u>-</u>
<b>IV. Loss for the year (II - III)</b>		<u>(143,459)</u>
<b>V. Earnings per share (Face value of Rs. 10/- each):</b>		
Basic and Diluted	9	(30.89)
<b>See accompanying notes forming part of the financial statements</b>		

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. : 105102W

**Himanshu Chapsey**  
Partner  
M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016



**CASH FLOW STATEMENT FOR THE PERIOD FROM 14<sup>TH</sup> OCTOBER, 2015  
TO 31<sup>ST</sup> MARCH, 2016**

Particulars	For the period from 14 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	Rupees
<b>A. Cash flow from operating activities:</b>		
Loss before tax		(143,459)
Operating loss before working capital changes		(143,459)
<b><u>Changes in working capital:</u></b>		
Increase in Trade Payables	110,700	
Increase in Other current liabilities	10,000	120,700
Cash generated from operations		(22,759)
Net income tax paid		–
<b>Net cash flow used in operating activities (A)</b>		<b>(22,759)</b>
<b>B. Cash flow from investing activities</b>		
<b>Net cash flow from investing activities (B)</b>		–
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares	100,000	
<b>Net cash flow from financing activities (C)</b>		<b>100,000</b>
<b>Net increase in Cash and cash equivalents (A+B+C)</b>		<b>77,241</b>
<b>Cash and cash equivalents at the beginning of the year</b>		–
<b>Cash and cash equivalents at the end of the year</b>		<b>77,241</b>
<b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>		
Cash and cash equivalents (Refer Note 7)		
– Balances with Bank		77,241
<b>Cash and cash equivalents at the end of the year</b>		<b>77,241</b>

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. : 105102W

**Himanshu Chapsey**  
Partner  
M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 14<sup>TH</sup> OCTOBER, 2015 TO 31<sup>ST</sup> MARCH, 2016

### 1. Company Information:

Astra Solren Private Limited ('the Company') was incorporated in India on 14<sup>th</sup> October, 2015, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Renewables Private Limited.

### 2. Significant Accounting Policies:

#### a) Basis of Preparation of Financial Statements:

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### b) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes unrecognised deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

#### d) Cash and Cash Equivalents:

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### e) Earnings Per Share:

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

#### f) Provisions and Contingent Liabilities:

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

### Note 3. Share capital:

	As at 31 <sup>st</sup> March, 2016
	Rupees
<b>Authorised:</b>	
50,000 (Previous Year Nil) Equity Shares of Rs. 10 each	500,000
<b>Total.....</b>	<b>500,000</b>
<b>Issued and Subscribed:</b>	
10,000 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid up	100,000
<b>Total.....</b>	<b>100,000</b>

#### a. Reconciliation of the shares outstanding at the beginning and at the end of the period:

	As at 31 <sup>st</sup> March, 2016	
	No. of Shares	Rupees
<b>Equity Shares:</b>		
At the beginning of the period..	-	-
Issued during the period.....	10,000	100,000
Outstanding at the end of the period.....	10,000	100,000

#### b. Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 14<sup>TH</sup> OCTOBER, 2015 TO 31<sup>ST</sup> MARCH, 2016

### c. Details of shareholders holding more than 5% shares in the company:

Equity Shares:	As at 31 <sup>st</sup> March, 2016	
	No. of Shares	% holding
Mahindra Renewables Private Limited (Holding Company)* ....	10,000	100%
<b>Total</b> .....	<b>10,000</b>	<b>100%</b>

\* This includes 1 equity share held as nominee by an individual on behalf of the holding company.

(Mahindra Renewables Private Limited jointly with Mr. Roshan Gandhi - 1 equity share)

### Note 4. Reserves and surplus:

Particulars	As at 31 <sup>st</sup> March, 2016	
	Rupees	
Deficit in the statement of Profit and Loss for the period		
Opening balance .....		0
Add: Loss for the period .....		(143,459)
<b>Total</b> .....		<b>(143,459)</b>

### Note 5. Trade payables:

Particulars	As at 31 <sup>st</sup> March, 2016	
	Rupees	
Payables other than to micro, small and medium enterprises .....		110,700
<b>Total</b> .....		<b>110,700</b>

### Note 6. Others current liabilities:

Particulars	As at 31 <sup>st</sup> March, 2016	
	Rupees	
Statutory liabilities.....		10,000
<b>Total</b> .....		<b>10,000</b>

### Note 7. Cash and bank balance:

Particulars	As at 31 <sup>st</sup> March, 2016	
	Rupees	
Balances with banks		
In current accounts.....		77,241
<b>Total</b> .....		<b>77,241</b>

### Note 8. Other expenses:

Particulars	For the period from 14 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	
Legal and professional .....		106,863
Remuneration to auditors (refer note below) .....		28,625
Registration and documentation charges .....		5,840
Miscellaneous expenses .....		2,131
<b>Total</b> .....		<b>143,459</b>

Notes:

Particulars	For the period from 14 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	
(i) Remuneration to the auditors comprises		
(a) To statutory auditors		
For audit.....		28,625
<b>Total</b> .....		<b>28,625</b>

### Note 9. Earning per share:

Particulars	As at 31 <sup>st</sup> March, 2016	
	Rupees	
<b>Basic and Diluted</b>		
Loss attributable to equity shareholders .....		(143,459)
Weighted average number of equity shares outstanding during the year .....		4,645
Par value per share .....		10
<b>Basic and diluted earnings per share</b> .....		<b>(30.89)</b>

### Note 10. Related Party Disclosures:

	Description of relationship	Names of related party
1.	Ultimate Holding Company	Mahindra & Mahindra Limited
2.	Intermediate Holding Company	Mahindra Holdings Limited
3.	Intermediate Holding Company	Mahindra Susten Private Limited
4.	Holding Company	Mahindra Renewables Private Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 14<sup>TH</sup> OCTOBER, 2015 TO 31<sup>ST</sup> MARCH, 2016

### Transaction with related parties:

Sr. No.	Party Name	Nature of Relationship	Nature of transactions	Amount "For the period from 14 <sup>th</sup> October, 2015 to 31 <sup>st</sup> March, 2016"
1.	Mahindra Renewables Private Limited	Holding Company	Issue of equity shares	100,000
2.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	85,875
	Balance outstanding at the year end			
	<b>Trade Payable</b>			
1.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial support services	78,375

### Note 11.

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said Act are not applicable.

### Note 12.

The Company is at the initial stage of its business and in view of the net loss for the period, provision for tax is not required and there are no deferred tax assets or liabilities to be recognised.

In terms of our report attached.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. : 105102W

**Himanshu Chapsey**  
Partner  
M. No. : 105731

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April, 2016

## DIRECTORS' REPORT

Your Directors present their Third Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

(Rs. in Lakhs)

	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
<b>Income</b>		
Revenue from Operations	<b>274.73</b>	–
Other Income	<b>55.56</b>	14.97
Total Income	<b>330.29</b>	14.97
<b>Expenses</b>	–	–
Other Expenses	<b>21.44</b>	21.55
Depreciation and Amortization Expenses	<b>107.52</b>	–
Finance Costs	<b>140.39</b>	0.03
<b>Total Expenses</b>	<b>269.35</b>	21.58
<b>Profit/(Loss) before Tax</b>	<b>60.94</b>	(6.61)
Provision for Tax	<b>6.32</b>	–
<b>Profit/(Loss) for the year from Continuing Operations</b>	<b>54.62</b>	(6.61)
Balance of Loss from earlier year	<b>(8.08)</b>	(1.46)
Balance Carried Forward	<b>46.54</b>	(8.07)
<b>Amount carried forward to Reserves</b>	–	–
<b>Net worth</b>	<b>2,074</b>	607.92

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS

During the year, the Company has successfully commissioned the 10 MW AC solar power plant at Anantapur, District in the state of Andhra Pradesh. The Company has earned Rs. 274.73 lacs from the sale of power post commissioning. The foreign exchange exposure has been fully hedged to protect against adverse currency movements.

### DIVIDEND

Your Directors do not recommend any dividend for the year under review.

### SHARE CAPITAL

The authorized share capital of your Company has been increased from Rupees Seven Crore to Rupees Ten crore during the year under review.

During the year under review, your Company has allotted 33,64,000 equity shares of the face value of Rs.10/- each at a Security Premium of Rs. 32/- per share aggregating to Rs. 14,12,88,000/- to Mahindra Renewables Private Limited.

The paid-up share capital of your Company as on 31<sup>st</sup> March 2016 stood at Rs. 9,52,40,000/- divided into 95,24,000 equity shares face value of Rs.10/- each.

### BOARD OF DIRECTORS

Mr. Rajesh Sehgal (DIN – 06805663), Mr. Biswajit Dutta (DIN – 07124934) and Mr. Sriram Ramachandran (DIN – 07319032) were appointed as an Additional Directors on the Board. They shall hold office up to the date of the ensuing Annual General Meeting. The Company has received the notices in writing from a member proposing their candidature for the office of Directors, liable to retire by rotation.

Mr. Roshan Gandhi (DIN - 00010478) has resigned from the Directorship of your Company with effect from 3<sup>rd</sup> February, 2016.

Mr. Basant Kumar Jain (DIN - 00220395) retires by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Biswajit Dutta	07124934	Non-Executive	Non Independent	NA
Mr. Basant Jain	00220395	Non-Executive	Non Independent	9

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Rajesh Shegal	06805663	Non-Executive	Non Independent	NA
Mr. Sriram Ramchandran	07319032	Non-Executive	Non Independent	NA
Mr. Roshan Gandhi	00010478	Non-Executive	Non Independent	9

### NUMBER OF BOARD MEETINGS

The Board met Nine times during the year under review, i.e. on 14<sup>th</sup> April, 2015, 27<sup>th</sup> April, 2015, 21<sup>st</sup> May, 2015, 5<sup>th</sup> June, 2015, 29<sup>th</sup> June, 2015, 3<sup>rd</sup> August, 2015, 2<sup>nd</sup> September, 2015, 18<sup>th</sup> December, 2015 and 29<sup>th</sup> January, 2016.

### KEY MANAGERIAL PERSON

Mr. Brijesh Rathod resigned from the post of Company Secretary with effect from 29<sup>th</sup> June, 2015. Ms. Pinky Dutta (ACS Number – 40095) has been appointed as the Company Secretary of the Company, with effect from 1<sup>st</sup> July, 2015.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the profit of the Company for the financial year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### FRAUDS REPORTED BY AUDITORS

During the period under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

### RISK MANAGEMENT POLICY

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

### VIGIL MECHANISM

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed is implemented through the Company's Whistleblower Policy to enable the Directors and employees of the Company to report genuine concerns, to provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Board of Directors.

### STATUTORY AUDITORS

At the First Annual General Meeting, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the First Annual General Meeting till the conclusion of Sixth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if appointment is ratified, and have also confirmed that the said ratification of appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to ratify the appointment of statutory auditors of the Company at the ensuing Annual General Meeting and to fix their remuneration. The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

### PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Being unlisted Company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

### CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC – 2 as Annexure II and forms part of this report.

### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

### **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

### **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

<b>Basant Kumar Jain</b>	<b>Rajesh Sehgal</b>
Director	Director
(DIN – 00220395)	(DIN – 06805663)

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016.

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (i) the steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

- (ii) the steps taken by the Company for utilizing alternate sources of energy: Nil

- (iii) the capital investment on energy conservation equipment: Nil

#### B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption: Nil.

- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable

- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not applicable

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

- iv) the expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

Buyers Credit facility of USD 63.19 Lakhs was availed towards payment for project cost.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Rajesh Sehgal**  
Director  
(DIN – 06805663)

Place : Mumbai

Date : 28<sup>th</sup> April, 2016.



**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. AOC - 2**

**(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2)  
of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL**

**2. Details of Material contracts or arrangements or transactions at Arm's length basis –**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited (Ultimate Holding Company)
b)	Nature of contracts/arrangements/transaction	a) Project Cost b) Business Support Services
c)	Duration of the contracts/arrangements/transaction	a) Project Completed b) Ongoing business support
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	NA
e)	Amount	a) Rs. 7495.86 Lakhs b) Rs. 4.16 Lakhs
f)	Date of approval by the Board	28 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Rs. 273.97 Lakhs paid as advance against project cost

Note:

Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Rajesh Sehgal**  
Director  
(DIN – 06805663)

Place : Mumbai

Date : 28<sup>th</sup> April, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT**

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	CIN	U40108MH2013PTC250683
2.	Registration Date	3/12/2013
3.	Name of the Company	Brightsolar Renewable Energy Private Limited
4.	Category/Sub-Category of the Company	Limited by shares/Indian Non Government Company
5.	Address of Registered office and contact details	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6.	Whether listed Company (Yes/No)	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Sharepro Services India Private Limited 13 AB Samitha Warehousing Complex, 2 <sup>nd</sup> Floor, Saki Naka Telephone Exchange Lane, Sakinaka, Andheri East Mumbai - 400 072 Tel : 022 - 67720400/300 Email:sharepro@shareproservices.com

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

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

Sr. No	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Electric power generation using solar energy	35105	83.18%

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

Sr. No	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Renewables Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018	U40300MH2010PTC205946	Holding Company	51	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>	-	-	-	-	-	-	-	-	-
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	61,60,000	61,60,000	100%	-	95,24,000	95,24,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	<b>61,60,000</b>	<b>61,60,000</b>	-	-	<b>95,24,000</b>	<b>95,24,000</b>	<b>100%</b>	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total- A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	<b>61,60,000</b>	<b>61,60,000</b>	<b>100%</b>	-	<b>95,24,000</b>	<b>95,24,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
<b>c. Others</b>									
i. NRI (Rep)	-	-	-	-	-	-	-	-	-
ii. NRI (Non-Rep)	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
iii. Foreign National	-	-	-	-	-	-	-	-	-
iv. OCB	-	-	-	-	-	-	-	-	-
v. Trust	-	-	-	-	-	-	-	-	-
vi. In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>61,60,000</b>	<b>61,60,000</b>	<b>100 %</b>	-	<b>95,24,000</b>	<b>95,24,000</b>	<b>100 %</b>	-

ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Renewables Private Limited	61,59,999	100%	-	48,57,240	51%	30%	(49%)
2	Mahindra Renewables Private Limited Jointly with Roshan Gandhi*	1	-	-	-	-	-	-
2	Trina Solar (Singapore) Third Pte. Limited	0	0	0	46,66,760	49%	-	49%

\* The joint shareholder with Mahindra Renewables Private Limited (Formerly known as Mahindra Offgrid Services Private Limited) is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

iii. Change in Promoters' Shareholding:

Particular Promoter 1 Mahindra Renewables Private Limited	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	61,60,000	100%	61,60,000	100%
Increase : Allotment of Equity Share on Rights basis on 29 <sup>th</sup> June, 2015	-	-	33,64,000	49%
Decrease : Transfer of Equity Share on 29 <sup>th</sup> January, 2016	-	-	46,66,760	49%
At the end of the year	61,50,000	100%	48,57,240	51%

Particular Promoter 2 Trina Solar (Singapore) Third Pte. Limited	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	-	-	-	-
Increase : Transfer of Equity Shares on 29 <sup>th</sup> January, 2016	-	-	46,66,760	49%
At the end of the year	-	-	46,66,760	49%

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS**

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

(₹ In Lacs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	–	–	–	–
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>	–	–	–	–
+ Addition	6051.78	–	–	6051.78
– Reduction	–	–	–	–
Net change	6051.78	–	–	6051.78
<b>Indebtedness at the end of the financial year-31.03.2016</b>	–	–	–	–
1) Principal Amount	5960.68	–	–	5960.68
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	91.10	–	–	91.10
<b>Total of (1+2+3)</b>	<b>6051.78</b>	–	–	<b>6051.78</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable**

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount (₹ In Lacs)
1.	Gross Salary	–	–
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	–	–
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	–
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission – As % of Profit – Others, specify	–	–
5.	Others, please specify Provident Fund & other Funds	–	–
	Performance Bonus	–	–
	<b>Total (A)</b>	–	–
	Ceiling as per the Act	5% of the net profits of the Company	

**B. Remuneration of other directors:****I. Independent Directors : Not Applicable**

Particulars of Remuneration	Name of Directors						Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-	-

**II. Other Non-Executive Directors : Nil**

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>							
<b>Total B = (1+2)</b>							

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD= (Amount in Rs)**

Sr. No	Particulars of Remuneration	Mr. Brijesh Rathod (CS)	Ms. Pinky Dutta (CS)	Total
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission – As % of Profit – Others, specify	-	-	-
5.	Others (Professional Fees)	15,000	2,50,000	2,65,000
	Performance Bonus	-	-	-
	<b>Total (C)</b>	15,000	2,50,000	2,65,000

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None**

	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)
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

For and on behalf of the Board

**Basant Kumar Jain**  
Director (DIN – 00220395)

**Rajesh Sehgal**  
Director (DIN – 06805663)

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016.

## INDEPENDENT AUDITORS' REPORT

### To the Members of Brightsolar Renewable Energy Private Limited

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Brightsolar Renewable Energy Private Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the related statements of profit and loss and cash flow for the year ended March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-Section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors

is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. According to the information and explanations given to us and to the best of our knowledge and belief, the Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position;

- ii. The Company has a long term contract as at March 31, 2016. According to the information and explanations given to us and in our opinion there were no material foreseeable losses in respect of this contract. According to the information and explanations given to us the Company does not have any derivative contracts;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number 105102W

**Himanshu Chapsey**

Partner

Membership Number: 105731

**Place:** Mumbai

**Date:** April 28, 2016



**ANNEXURE I TO THE AUDITOR'S REPORT**

Referred to in paragraph 10 of our report of even date on the financial statements of Brightsolar Renewable Energy Private Limited for the year ended March 31, 2016.

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) The Company has verified its fixed assets at the time of their acquisition and capitalization during the year which in our view is reasonable and no discrepancies were noticed on such verification.
- (iii) The title deeds of the immovable property of the Company are in the name of the Company.
2. The Company does not have any inventory, has not granted any loans to parties covered in the register maintained under Section 189 of the Act and has not granted any loans, made any other investments or issued guarantees and hence the provisions of paras 3(ii)-(iv) are not applicable.
3. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Section 73 to 76 the Act, and the rules framed thereunder and hence the provisions of para 3(v) of the Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, the Central Government of India has not specified the maintenance of cost records under Sub-Section (1) of Section 148 of the Act for any of the products of the Company.
5. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the applicable undisputed statutory dues, including inter alia provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts in respect of the above were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.
- (ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
6. According to the information and explanations given to us and to the best of our knowledge and belief, the Company has not defaulted in repayment of loans to its bankers. The Company has not taken any loans from a financial institution or from the Government and has not borrowed money by way of debentures.
7. The Company has neither raised any money by way of initial public offer, further public offer (including debt instruments) nor has it availed of any term loan during the year and hence the provisions of para 3 (ix) of the Order are not applicable to the Company.
8. 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, we have neither noticed any instance of material fraud by the Company or by the officers or employees on the Company nor has any such instance been reported.
9. According to the information and explanations given to us the Company has not paid any remuneration to managerial personnel as defined in the Act and accordingly the provisions of para 3(xi) of the Order are not applicable to the Company.
10. According to the information and explanations given to us the Company is not a nidhi company and hence the provisions of para 3(xii) of the Order are not applicable to the Company.
11. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
12. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or of fully or partly convertible debentures during the year and hence the provisions of para 3(xiv) of the Order are not applicable.
13. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them and accordingly, the provisions of para 3(xv) of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xiv) of the Order are not applicable.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

**Place:** Mumbai  
**Date:** April 28, 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF BRIGHTSOLAR RENEWABLE ENERGY PRIVATE LIMITED**

### **Report 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 Brightsolar Renewable Energy Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended March 31, 2016

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

**Place:** Mumbai  
**Date:** April 28, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	As at	As at
		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
		Rupees	Rupees
<b>I. Equity and liabilities</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital.....	3	95,240,000	61,600,000
(b) Reserves and surplus .....	4	112,160,388	(807,521)
		<b>207,400,388</b>	<b>60,792,479</b>
<b>(2) Non-current liabilities</b>			
(a) Long-term borrowings.....	5	596,068,314	–
(b) Defferred tax liabilities.....	18	632,149	–
		<b>596,700,463</b>	<b>–</b>
<b>(3) Current liabilities</b>			
(a) Trade payables.....	6	309,516	133,160
(b) Other current liabilities .....	7	74,559,597	177,258
		<b>74,869,113</b>	<b>310,418</b>
<b>Total .....</b>		<b>878,969,964</b>	<b>61,102,897</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets .....	9	811,777,200	–
(ii) Capital work-in-progress.....		–	755,777
<b>Total .....</b>		<b>811,777,200</b>	<b>755,777</b>
<b>(2) Current assets:</b>			
(a) Current Investement .....	8	–	59,904,881
(b) Trade receivables .....	10	22,289,988	–
(c) Cash and cash equivalents .....	11	35,288,094	33,008
(d) Short-term loans and advances .....	12	801,515	409,231
(e) Other current assets .....	13	8,813,167	–
		<b>67,192,764</b>	<b>60,347,120</b>
<b>Total .....</b>		<b>878,969,964</b>	<b>61,102,897</b>

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For B K Khare & Co.**  
Chartered Accountants

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

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Basant Jain**  
Director

**Rajesh Sehgal**  
Director

**Pinky Dutta**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

Place : Mumbai  
Date : April 28, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016**

	Note	For the year ended 31 <sup>st</sup> March, 2016 <u>Rupees</u>	For the year ended 31 <sup>st</sup> March, 2015 <u>Rupees</u>
<b>I. Income</b>			
i. Revenue from operations .....	14	27,472,988	–
ii. Other income.....	15	5,555,618	1,497,183
<b>I. Total Revenue.....</b>		<b>33,028,606</b>	<b>1,497,183</b>
<b>II. Expenses</b>			
i. Depreciation .....	9	10,752,328	–
ii. Finance costs .....	16	14,038,660	3,310
iii. Other expenses.....	17	2,143,560	2,155,149
<b>II. Total Expenses.....</b>		<b>26,934,548</b>	<b>2,158,459</b>
<b>III. Profit/(Loss) before tax ( I - II ).....</b>		<b>6,094,058</b>	<b>(661,276)</b>
<b>IV. Tax expense</b>			
(a) Current tax.....		–	–
(b) Deferred tax.....	18	632,149	–
		<b>632,149</b>	<b>–</b>
<b>V. Profit/(Loss) for the year ( III - IV ).....</b>		<b>5,461,909</b>	<b>(661,276)</b>
<b>VI. Earnings per share ( Face value of Rs. 10/- each):</b>			
Basic and Diluted .....	19	0.63	(0.29)

In terms of our report attached.

**For B K Khare & Co.**  
Chartered Accountants

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

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Basant Jain**  
Director

**Rajesh Sehgal**  
Director

**Pinky Dutta**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

Place : Mumbai  
Date : April 28, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

Particulars	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash flow from operating activities</b>				
Profit/(Loss) before extraordinary items and tax.....		6,094,058		(661,276)
Add: Depreciation.....		10,752,328		—
<b>Operating profit/(loss) before working capital changes.....</b>		<b>16,846,386</b>		<b>(661,276)</b>
Changes in working capital changes.....				
Increase in other current assets.....	(9,517,417)		—	
Increase in trade receivables.....	(22,289,988)		—	
Increase in trade payable.....	176,356		—	
Increase in other current liabilities.....	9,096,019		262,322	
		<b>(22,535,030)</b>		<b>262,322</b>
Cash generated from operations.....		(5,688,644)		(398,954)
Net income tax (paid)/refunds.....		311,965		(409,230)
<b>Net cash flow used in operating activities (A).....</b>		<b>(5,376,679)</b>		<b>(808,185)</b>
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances.....	(756,487,430)		(755,777)	
Sale/(Purchase) of Investments.....	59,904,881		(59,904,881)	
<b>Net cash flow from used in investing activities (B)....</b>		<b>(696,582,549)</b>		<b>(60,660,658)</b>
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares.....	141,146,000		61,500,000	
Proceeds from long-term borrowings.....	596,068,314			
<b>Net cash flow from financing activities (C).....</b>		<b>737,214,314</b>		<b>61,500,000</b>
<b>Net increase/(decrease) in cash and cash equivalents ..... (A+B+C).....</b>		<b>35,255,087</b>		<b>31,157</b>
<b>Cash and cash equivalents at the beginning of the year.....</b>		<b>33,008</b>		<b>1,851</b>
<b>Cash and cash equivalents at the end of the year (Refer Note 10).....</b>		<b>35,288,094</b>		<b>33,008</b>

In terms of our report attached.

**For B K Khare & Co.**  
Chartered Accountants

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

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Basant Jain**  
Director

**Rajesh Sehgal**  
Director

**Pinky Dutta**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

Place : Mumbai  
Date : April 28, 2016

## Notes on Accounts for the year ended 31<sup>st</sup> March, 2016

### 1. Company Information

**Brightsolar Renewable Energy Private Limited** (‘the Company’) was incorporated in India on 3rd December, 2013, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Renewables Private Limited.

### 2. Significant Accounting Policies

#### (a) Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (“the Act”) read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company’s operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### (b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of financial statements, which in management’s opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### (c) Tangible fixed assets

Fixed assets, are stated at their historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present location and condition. The expenditure incurred on start-up and commissioning of project, test runs and experimental production is treated as an indirect element of the construction cost.

#### (d) Depreciation

Depreciation on Plant & Machinery is provided on straight line method considering the rates as provided in the Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2012.

#### (e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

#### (f) Foreign Exchange Transactions

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the

date of settlement as also on translation of monetary items at the end of the year is recognized as income or expense, as the case may be.

The Company uses foreign currency forward contracts to hedge its risk associated with the foreign currency fluctuations relating to firm commitments. In respect of forward exchange contracts covered under AS 11, “The effect of changes in foreign exchange rates”, any premium or discount rising at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding “Accounting for Derivatives”, provision for losses in respect of forward exchange contracts classified as derivatives is made on mark to market valuation of such contracts. Gains on mark to market valuation, if any, on such derivatives are not recognised in financial statements.

#### g) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, 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 that sufficient future taxable income will be available.

#### h) Investments

Investments are classified under Non-current and Current categories. ‘Non-current Investments’ are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

‘Current Investments’ are carried at the lower of cost or fair value on an individual basis.

#### i) Cash and Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### j) Earnings Per Share

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

#### k) Revenue Recognition:

##### Service Income

Services are recognized when the services are rendered.

##### Interest income

Interest income is recognized on time proportion basis.

##### Dividend Income

Dividend income is recognized when the right to receive dividend is established.

**l) Provisions and Contingent Liabilities:**

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

**Note no. 3 : Share Capital:**

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Authorised:</b>		
1,00,00,000 (Previous Year 70,00,000 equity shares of 10/- each) Equity Shares of Rs. 10 each	100,000,000	70,000,000
<b>Total</b>	<b>100,000,000</b>	<b>70,000,000</b>
<b>Issued and Subscribed:</b>		
95,24,000 (Previous Year 61,60,000 equity shares of 10/- each) Equity Shares of Rs. 10 each, fully paid up	95,240,000	61,600,000
<b>Total</b>	<b>95,240,000</b>	<b>61,600,000</b>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the period:**

	2015-16		2014-15	
	No. of Shares	Rupees	No. of Shares	Rupees
Equity Shares:				
<b>At the beginning of the period</b>	6,160,000	61,600,000	10,000	100,000
Issued during the period	3,364,000	33,640,000	6,150,000	61,500,000
<b>Outstanding at the end of the period</b>	<b>9,524,000</b>	<b>95,240,000</b>	<b>6,160,000</b>	<b>61,600,000</b>

**b. Terms/rights attached to equity shares:**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**c. Details of shareholders holding more than 5% shares in the company:**

Equity Shares:	2015-16		2014-15	
	No. of Shares	% holding	No. of Shares	% holding
Mahindra Renewables Private Limited	4,857,240	51%	6,160,000	100%
Trina Solar (Singapore) Third Pte. Limited	4,666,760	49%	-	-
<b>Total</b>	<b>9,524,000</b>	<b>100%</b>	<b>6,160,000</b>	<b>100%</b>

**Note no. 4 : Reserves and Surplus**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
(a) Opening balance		
Add : Premium on shares issued during the year	107,648,000	-
Less : Utilised for w/off share issues expenses	142,000	-
Closing balance	<b>107,506,000</b>	-
(b) Balance in the Statement of Profit and Loss	(807,521)	(146,245)
Add: Profit/(Loss) for the year	5,461,909	(661,276)
Closing balance	<b>4,654,388</b>	<b>(807,521)</b>
<b>Total</b>	<b>112,160,388</b>	<b>(807,521)</b>

**Note no. 5 : Long-term borrowings**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Term loans (Secured)		
From Bank (Refer note below)	596,068,314	-
<b>Total</b>	<b>596,068,314</b>	-

Loan particulars	Rate of interest	Repayment Schedule	Outstanding as on 31 <sup>st</sup> March, 2016 Rupees	Current maturities of long-term borrowings as on 31 <sup>st</sup> March, 2016 Rupees	Outstanding as on 31 <sup>st</sup> March, 2015 Rupees	Current maturities of long-term borrowings as on 31 <sup>st</sup> March, 2015 Rupees
(a) Loan from Yes Bank	Base Rate of Yes Bank + 0.40%	To be repaid in 55 unequated quarterly installments starting from 04-12-2016	92,250,000	2,859,750	-	-
(b) Loan from United Bank of India	Base Rate of Yes Bank + 0.40%	To be repaid in 55 unequated quarterly installments starting from 04-12-2016	92,250,000	2,859,750	-	-
(c) Buyers Credit from Yes Bank - Fully Hedged	7.95%	To be repaid on 05-09-2018	411,568,314	-	-	-

**Secured by**

- i) a first mortgage and charge of all the immovable properties (owned/leased) together with all structures and appurtenances thereon and thereunder, both present and future;
- ii) a first charge by way of hypothecation of all the movable assets, including movable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, both present and future;
- iii) a first charge on all intangible assets including but not limited to goodwill, undertaking and uncalled capital of the Borrower, both present and future;
- iv) a first charge on all Accounts, all Receivables, operating cash flows, commissions, reserves, book debts and DSR including without limitation, the Accounts (or any account in substitution thereof) and in all funds from time to time deposited therein and in all Permitted Investments or other securities representing all amounts credited to the Accounts, present and future;
- v) a first charge by way of assignment, both present and future, of:
  - (a) all rights, title, interest, benefits, claims and demands to and under all of the Project Documents as may be amended, varied and supplemented from time to time, including EPC Contract, O&M Contracts, Power Purchase Agreement, duly acknowledged/consented in writing
  - (b) all rights, title and interest, claims and demands to and under all the permits, approvals, Clearance(s)
  - (c) all rights, title, interest benefits, claims and demands to and under all the guarantees/letter of credit other performance bonds/warranties, corporate guarantee, bank guarantee, indemnities and securities that may be furnished in favour of the Borrower by the various contractors, module supplier and any party under the Project Documents
  - (d) all rights, title, benefits, claims, demands and interest to and under all the Insurance Contracts/Insurance Proceeds pertaining to the Project.
- vi) pledge of 30% of the paid up and voting equity share capital

**Note no. 6 : Trade payables**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
Payables other than to micro, small and medium enterprises	309,516	133,160
<b>Total</b>	<b>309,516</b>	<b>133,160</b>

**Note no. 7 : Other current liabilities**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
Interest accrued on payables	9,110,438	-
(b) Other payables		
(i) Statutory remittances	162,839	126,914
(ii) Others	-	50,344
(iii) Payables for capital expenditure	65,286,320	-
<b>Total</b>	<b>74,559,597</b>	<b>177,258</b>

**Note no. 9 : Fixed assets**

Particulars	Gross block (At Cost)				Accumulated depreciation			Net block		
	Balance as at 1 <sup>st</sup> April, 2015	Additions	Disposal	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 1 <sup>st</sup> April, 2015	Depreciation expense for the year	On disposal of assets	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible assets</b>										
Land	-	37,625,477	-	37,625,477	-	-	-	-	37,625,477	-
Plant & Machinery	-	784,904,051	-	784,904,051	-	10,752,328	-	10,752,328	774,151,723	-
<b>Total</b>	-	<b>822,529,528</b>	-	<b>822,529,528</b>	-	<b>10,752,328</b>	-	<b>10,752,328</b>	<b>811,777,200</b>	-
<b>Previous year</b>	-	-	-	-	-	-	-	-	-	-

**Note no. 10 : Cash and cash equivalents**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
Balances with banks		
(i) In current accounts	4,281,573	33,008
(ii) In deposit accounts	26,000,000	-
(ii) In earmarked accounts - Trust and Retention Account	5,006,521	-
<b>Total</b>	<b>35,288,094</b>	<b>33,008</b>

**Note no. 11 : Trade receivables**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
Trade receivables outstanding for less than six months	22,289,988	-
<b>Total</b>	<b>22,289,988</b>	<b>-</b>

**Note no. 8 : Current Investment**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Unquoted investments</b>		
(a) Investment in Mutual Funds (Unquoted) (at lower of cost or NAV)		
ICICI Prudential Money Market Fund - Regular Plan - Daily Dividend (CY: Nil units, PY: 95,939.89 units)	-	9,606,413
Taurus Liquid Fund - Existing Plan - Super Insti Daily Dividend Reinvestment (CY: Nil units, PY: 50,285.29 units)	-	50,298,468
<b>Total</b>	<b>-</b>	<b>59,904,881</b>

**Note no. 12 : Short-term loans and advances**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
(a) Advance income tax	-	300,000
(b) TDS receivable	97,265	109,230
(c) Other trade advances	5,000	-
(d) Prepaid expenses	699,250	-
<b>Total</b>	<b>801,515</b>	<b>409,230</b>

**Note no. 13 : Other current assets**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rupees	Rupees
Unbilled revenue	5,183,000	-
Forward contract receivable	3,630,166	-
<b>Total</b>	<b>8,813,166</b>	<b>-</b>



**Note no. 14 : Revenue from operations**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Sale of electricity	27,472,988	–
<b>Total</b>	<b>27,472,988</b>	<b>–</b>

**Note no. 15 : Other income**

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Interest from banks on deposits	703,940	1,092,302
Dividend income	4,333,268	404,881
Interest from income tax refund	18,410	–
Others	500,000	–
<b>Total</b>	<b>5,555,618</b>	<b>1,497,183</b>

**Note no. 16 : Finance costs**

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Interest on loan	14,038,660	3,310
<b>Total</b>	<b>14,038,660</b>	<b>3,310</b>

**Note no. 17 : Other expenses**

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the period ended 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Registration and documentation charges	927,130	738,374
Legal and professional	727,962	1,382,232
Insurance charges	299,281	–
Remuneration to auditors (refer Note below)	171,750	28,090
Travelling Expenses	10,810	–
Miscellaneous expenses	6,627	6,453
<b>Total</b>	<b>2,143,560</b>	<b>2,155,149</b>

**Notes:**

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the period ended 31 <sup>st</sup> March, 2015
	Rupees	Rupees
(i) Remuneration to the auditors:		
(a) To statutory auditors		
For statutory audit	171,750	28,090
<b>Total</b>	<b>171,750</b>	<b>28,090</b>

**Note no. 18 : Deferred tax liability (net)**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Deferred tax asset</b>		
Taxable loss of current year carried forward	5,370,866	–
<b>Deferred tax liability</b>		
Difference between book and tax depreciation	6,003,015	–
<b>Deferred tax liability (Net)</b>	<b>632,149</b>	<b>–</b>

**Note no. 19 : Earnings per share**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
<b>Basic and Diluted</b>		
Profit/(loss) attributable to equity shareholders	5,461,909	(661,276)
Weighted average number of equity shares outstanding during the year	8,705,978	2,267,808
Par value per share	10	10
<b>Basic and diluted earnings per share</b>	<b>0.63</b>	<b>(0.29)</b>

**Note no. 20 : Borrowing cost capitalised**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Borrowing cost capitalised	11,367,788	–
<b>Total</b>	<b>11,367,788</b>	<b>–</b>

**Note no. 21 : Contigent liabilities and commitments**

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Rupees	Rupees
Outstanding Bank Guarantees *	2,500,000	–
<b>Total</b>	<b>2,500,000</b>	<b>–</b>

\* Mahindra Susten Private Limited (Intermediate Holding Company) has provided a Performance Bank Guarantee (PBG) to the Southern Power Distribution Company of Andhra Pradesh Limited on behalf of the Company amounting to Rs. 250 lacs based on Rs. 25 lacs per MW.

**Note no. 22 : Related Party Disclosures**

Description of relationship	Names of related party
1. Ultimate Holding Company	Mahindra & Mahindra Limited
2. Intermediate Holding Company	Mahindra Holdings Limited
3. Intermediate Holding Company	Mahindra Susten Private Limited
4. Holding Company	Mahindra Renewables Private Limited

**Transaction with related parties**

Sr. No.	Party Name	Nature of Relationship	Nature of transactions	Amount	
				2015-16	2014-15
1.	Mahindra Susten Private Limited	Intermediate Holding Company	Business Support Services	–	1,352,402
2.	Mahindra Susten Private Limited	Intermediate Holding Company	Reimbursement of expenses Paid	–	394,893
3.	Mahindra Renewables Private Limited	Holding Company	Interest on ICD	–	3,310
4.	Mahindra Renewables Private Limited	Holding Company	Inter Corporate Deposit (ICD) taken	–	1,507,500
5.	Mahindra Renewables Private Limited	Holding Company	Inter Corporate Deposit (ICD) taken repayment	–	1,507,500
6.	Mahindra Renewables Private Limited	Holding Company	Issue of Equity Shares	33,640,000	61,600,000
7.	Mahindra Renewables Private Limited	Holding Company	Securities Premium	107,648,000	–
8.	Mahindra Susten Private Limited	Intermediate Holding Company	Project Cost	749,586,100	–
9.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	415,568	–
<b>Balance outstanding at the end of the year</b>					
<b>Payables</b>					
1.	Mahindra Susten Private Limited	Intermediate Holding Company	Project Cost	62,979,336	–
2.	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	135,456	–

**Note no. 23**

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said Act are not applicable.

**Note no. 24 : Segment Information**

The company operates only in one business segment viz. generation and supply of electricity from solar power plant.

The Companies operations only in India, hence there is no reportable geographical segment.

**Note no. 25**

Previous year figures have been regrouped/reclassified wherever necessary to conform to current year's classification.

**For B. K. Khare & Co.**  
Chartered Accountants

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

**Himanshu Chapsey**  
Partner  
M. No. 105731

**Basant Jain**  
Director

**Rajesh Sehgal**  
Director

**Pinky Dutta**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

Place : Mumbai  
Date : April 28, 2016

## DIRECTORS' REPORT

Your Directors present their Third Report together with the audited financial statements of your Company for the year 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>Income</b>		
Revenue from Operations	-	-
Other Income	101.62	14.43
<b>Total Income</b>	<b>101.62</b>	<b>14.43</b>
<b>Expenses</b>		
Other Expenses	155.93	13.92
<b>Depreciation and Amortization Expenses</b>	-	-
Finance Costs	-	-
<b>Total Expenses</b>	<b>155.93</b>	<b>13.92</b>
<b>Profit/(Loss) before Tax</b>	<b>(54.31)</b>	<b>0.51</b>
Provision for Tax	0.89	-
<b>Profit/(Loss) for the year from Continuing Operations</b>	<b>(55.2)</b>	<b>0.51</b>
Balance of Loss from earlier year	(0.39)	(0.9)
Balance Carried Forward	(55.59)	(0.39)
<b>Amount carried forward to Reserves</b>	-	-
Networth	<b>6,001.46</b>	<b>1,855.96</b>

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company

### OPERATIONS

During the year the Company acquired land for the 30 MW power plant project and secured debt financing. The project construction work is in progress and the plant is expected to be commissioned shortly.

### DIVIDEND

Your Directors do not recommend any dividend for the year under review.

### SHARE CAPITAL

The authorized share capital of your Company has increased from Rupees Nine Crore to Rupees Nine Crore and Seventy Lakhs during the year under review.

During the year under review, your Company allotted 66,68,000 equity shares of face value of Rs. 10/- each at a security premium of Rs. 53/- per share aggregating to Rs. 42,00,84,000 to Mahindra Renewables Private Limited.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 9,62,30,000 divided into 96,23,000 equity shares of face value of Rs. 10/- each.

### BOARD OF DIRECTORS

Mr. Sriram Ramachandran (DIN – 07319032) was appointed as an Additional Director on the Board with effect from 18<sup>th</sup> December, 2015. He shall hold office up to the date of the ensuing Annual General Meeting. The Company has received the notices in writing from a member proposing his candidature for the office of Director, liable to retire by rotation.

Mr. Basant Kumar Jain (DIN – 00220395) retire by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Basant Jain	00220395	Non Executive	Non Independent	5
Mr. Roshan Gandhi	00010478	Non Executive	Non Independent	6
Mr. Sriram Ramachandran	07319032	Non Executive	Non Independent	2

### NUMBER OF BOARD MEETINGS

The Board met Six times during the year under review, i.e. on 27<sup>th</sup> April, 2015, 7<sup>th</sup> August, 2015, 28<sup>th</sup> August, 2015, 7<sup>th</sup> September, 2015, 18<sup>th</sup> December, 2015 and 21<sup>st</sup> March, 2016.

## KEY MANAGERIAL PERSON

Mr. Mohammed Satewala (ACS Number – 30888) has been appointed as the Company Secretary of the Company, with effect from 18<sup>th</sup> December, 2015.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- (a) in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## FRAUDS REPORTED BY AUDITORS

During the period under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

## RISK MANAGEMENT POLICY

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

## STATUTORY AUDITORS

At the First Annual General Meeting, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the First Annual General Meeting till the conclusion of Sixth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if appointment is ratified, and have also confirmed that the said ratification of appointment would be in conformity with the provisions of Sections 139

and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to ratify the appointment of statutory auditors of the Company at the ensuing Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

## PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Being unlisted Company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

## PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

## PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC – 2 as Annexure II and forms part of this report.

**EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

**INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

**THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

**GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.

- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

**ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Basant Jain**

Director

(DIN : 00220395)

**Roshan Gandhi**

Director

(DIN : 00010478)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (i) the steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

- (ii) the steps taken by the Company for utilizing alternate sources of energy: Nil

- (iii) the capital investment on energy conservation equipment: Nil

#### B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption: Nil

- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

- iv) the expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

Buyers Credit facility of USD 53.49 Lakhs was availed towards payment for project cost.

For and on behalf of the Board

**Basant Jain**

Director

(DIN : 00220395)

**Roshan Gandhi**

Director

(DIN : 00010478)

Mumbai, 28<sup>th</sup> April, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT**  
**FORM NO. AOC-2**

**Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL**

**2. Details of Material contracts or arrangements or transactions at Arm's length basis**

Sl. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mahindra Susten Private Limited (Holding Company)
b)	Nature of contracts/arrangements/transaction	a) Project Cost b) Business Support Services
c)	Duration of the contracts/arrangements/transaction	a) Project is under execution b) Ongoing support services
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	NA
e)	Amount	a) Rs. 17,627.39 Lakhs b) Rs. 146.40 Lakhs
f)	Date of approval by the Board	28 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Rs. 1020.25 Lakhs paid as advance against project cost

**Note:**

Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Basant Jain**  
Director  
(DIN : 00220395)

**Roshan Gandhi**  
Director  
(DIN : 00010478)

Mumbai, 28<sup>th</sup> April, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT****Form No. MGT-9****Extract of Annual Return****As on the Financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	CIN	U40108MH2013PTC250684
2.	Registration Date	3/12/2013
3.	Name of the Company	Cleansolar Renewable Energy Private Limited
4.	Category/Sub-Category of the Company	Limited by shares/Indian Non Government Company
5.	Address of Registered office and contact details	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24906683
6.	Whether listed Company (Yes/No)	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Sharepro Services India Private Limited 13 AB Samitha Warehousing Complex, 2nd Floor, Saki Naka Telephone Exchange Lane, Sakinaka, Andheri East Mumbai – 400072 Tel : 022-67720400/300 Email:sharepro@shareproservices.com

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

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

Sr. No	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1.	Electric power generation using solar energy	35105	0%

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

Sr. No	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Renewables Private Limited Address: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018	U40300MH2010PTC205946	Holding Company	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	29,55,000	29,55,000	100%	-	96,23,000	96,23,000	100%	-



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	29,55,000	29,55,000	100 %	-	96,23,000	96,23,000	100 %	-
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total- A (2)</b>	-	-	-	-	-	-	-	-	-
Total Share Holder of Promoters (1+2)	-	29,55,000	29,55,000	100 %	-	96,23,000	96,23,000	100 %	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non- Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>29,55,000</b>	<b>29,55,000</b>	<b>100 %</b>	-	<b>96,23,000</b>	<b>96,23,000</b>	<b>100 %</b>	-

#### ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra Renewables Private Limited	29,54,999	100%	-	96,23,000	100%	-	-
2.	Mahindra Renewables Private Limited Jointly with Mr Roshan Gandhi*	1	-	-	1	-	-	-

\* The joint shareholder with Mahindra Renewables Private Limited (Formerly known as Mahindra Offgrid Services Private Limited) is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

#### iii. Change in Promoters' Shareholding: As above

Particular	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
<b>At the beginning of the year</b>	<b>29,55,000</b>	<b>100%</b>	<b>29,55,000</b>	<b>100%</b>
Increase:- Allotment of Equity shares on Rights basis on 28 <sup>th</sup> August, 2015	66,68,000	-	96,23,000	-
<b>At the end of the year</b>	-	-	<b>96,23,000</b>	<b>100%</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

#### v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**vi. Indebtedness**

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

(₹ In Lacs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	3587.63	-	-	3587.63
- Reduction	-	-	-	-
Net change	3587.63	-	-	3587.63
<b>Indebtedness at the end of the financial year- 31.03.2016</b>	-	-	-	-
1) Principal Amount	3571.79	-	-	3571.79
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	15.84	-	-	15.84
<b>Total of (1+2+3)</b>	3587.63	-	-	3587.63

**vii. Remuneration of Directors and Key Managerial Personnel:****A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not Applicable**

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount (₹ In Lacs)
1.	Gross Salary	-	-
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission		
	- As % of Profit	-	-
	- Others, specify	-	-
5.	Others, please specify Provident Fund & other Funds	-	-
6.	Performance Bonus	-	-
	Total (A)	-	-
	Ceiling as per the Act	5% of the net profits of the Company	

**B. Remuneration of other directors : Not Applicable****I. Independent Directors : Not Applicable**

Particulars of Remuneration	Name of Directors		Total Amount (Rs.)
Fee for attending board committee meetings	-	-	-
Commission	-	-	-
Others	-	-	-
<b>Total (1)</b>	-	-	-

**II. Other Non-Executive Directors : Nil**

Other Non-Executive Directors								Total Amount (Rs.)
Fee for attending board committee meetings	-	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Total (2)</b>								
<b>Total B = (1+2)</b>								

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:****(Rupees in Lakhs)**

Sr. No	Particulars of Remuneration	Mohammed Statewala (CS)
		-
1.	Gross Salary	
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	
	- As % of Profit	
	- Others, specify	-
5.	Others, please specify (Professional fees)	0.24
	Performance Bonus	-
	<b>Total (C)</b>	0.24

**viii. Penalties/Punishment/Compounding of Offences (Under the Companies Act): Nil**

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)
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board

**Basant Jain**  
Director  
(DIN : 00220395)

**Roshan Gandhi**  
Director  
(DIN : 00010478)

Mumbai, 28<sup>th</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CLEANSOLAR RENEWABLE ENERGY PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of Clean Solar Renewable Energy Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the related statements of profit and loss and cash flow for the year ended March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and cash flows for the year ended March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. With respect to the adequacy of internal financial controls over financial reporting of the Company and

the operating effectiveness of such controls, refer to our separate report in Annexure II.

- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations as at March 31, 2016 which would have an impact on its financial position.
- ii. There were no material foreseeable losses as at March 31, 2016 in respect of the long term contract entered into by the company in respect of this contract. According to the information and explanations given to us the Company does not have any derivative contracts.

- iii. There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: April 28, 2016

**ANNEXURE I TO THE AUDITOR'S REPORT**

Referred to in paragraph 9 of our report of even date on the financial statements of Clean solar Renewable Energy Private Limited for the year ended March 31, 2016

1. The Company is in the process of constructing its plant to produce and distribute solar power which is disclosed as capital work-in-progress at March 31, 2016. The Company does not have any other fixed assets and accordingly the provisions of para 3(i) of the Order are not applicable.
2. The Company does not have any inventory, has not granted any loans to parties covered in the register maintained under Section 189 of the Act and has not granted any loans, made any other investments or issued guarantees and hence the provisions of paras 3(ii)-(iv) are not applicable.
3. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Section 73 to 76 the Act, and the rules framed thereunder and hence the provisions of para 3(v) of the Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, the Central Government of India has not specified the maintenance of cost records under Sub-Section (1) of Section 148 of the Act for any of the products of the Company.
5. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the applicable undisputed statutory dues, including inter alia provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts in respect of the above were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.  
(ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
6. According to the information and explanations given to us and to the best of our knowledge and belief, the Company has not defaulted in repayment of loans to its bankers. The Company has not taken any loans from a financial institution or from the Government and has not borrowed money by way of debentures.
7. The Company has neither raised any money by way of initial public offer, further public offer (including debt instruments) nor has it availed of any term loan during the year and hence the provisions of para 3 (ix) of the Order are not applicable to the Company.
8. 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, we have neither noticed any instance of material fraud by the Company or by the officers or employees on the Company nor has any such instance been reported.
9. According to the information and explanations given to us the Company has not paid any remuneration to managerial personnel as defined in the Act and accordingly the provisions of para 3(xi) of the Order are not applicable to the Company.
10. According to the information and explanations given to us the Company is not a nidhi company and hence the provisions of para 3(xii) of the Order are not applicable to the Company.
11. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
12. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or of fully or partly convertible debentures during the year and hence the provisions of para 3(xiv) of the Order are not applicable.
13. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them and accordingly, the provisions of para 3(xv) of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xiv) of the Order are not applicable.

**For B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Place: Mumbai  
Date: April 28, 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF CLEANSOLAR RENEWABLE ENERGY PRIVATE LIMITED**

### **Report 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 Cleansolar Renewable Energy Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Place: Mumbai  
Date: April 28, 2016



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

	Note	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital .....	3	96,230,000	29,550,000
(b) Reserves and surplus .....	4	503,916,337	156,046,325
		<b>600,146,337</b>	<b>185,596,325</b>
<b>(2) Non-current liabilities</b>			
(a) Long-term borrowings .....	5	357,178,770	–
		<b>357,178,770</b>	–
<b>(3) Current liabilities</b>			
(a) Trade payables .....	6	299,386	–
(b) Other current liabilities.....	7	1,235,738,232	168,826
		<b>1,236,037,618</b>	<b>168,826</b>
<b>Total .....</b>		<b>2,193,362,725</b>	<b>185,765,151</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Capital work-in-progress .....		1,892,436,148	1,213,024
		<b>1,892,436,148</b>	<b>1,213,024</b>
<b>(2) Current assets</b>			
(a) Current Investment .....	8	15,000,000	180,898,229
(b) Other current assets .....	9	12,511,273	–
(c) Cash and cash equivalents.....	10	271,880,613	3,449,394
(d) Short-term loans and advances.....	11	1,534,691	204,504
		<b>300,926,577</b>	<b>184,552,127</b>
<b>Total .....</b>		<b>2,193,362,725</b>	<b>185,765,151</b>

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants

**Himanshu Chapsey**  
Partner  
M. No. 105731

Place : Mumbai  
Date : April 28, 2016

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

**Basant Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

**Mohammed Statewala**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

	Note	For the year ended 31st March, 2016 Rupees	For the year ended 31st March, 2015 Rupees
<b>I. Income</b>			
Other income.....	12	10,162,338	1,443,270
<b>Total Revenue</b> .....		<b>10,162,338</b>	<b>1,443,270</b>
<b>II. Expenses</b>			
Other expenses .....	13	15,592,917	1,391,812
<b>Total expenses</b> .....		<b>15,592,917</b>	<b>1,391,812</b>
<b>III. Profit/(loss) before tax (I - II)</b> .....		<b>(5,430,579)</b>	51,458
<b>IV. Tax expense:</b>			
(a) Current tax expense.....		-	-
(b) Deferred tax .....		-	-
(c) Short tax provision.....		89,409	-
		<b>89,409</b>	-
<b>V. Profit/(loss) for the year (III - IV)</b> .....		<b>(5,519,988)</b>	<b>51,458</b>
<b>VI. Earnings per share (Face value of Rs. 10/- each):</b>			
Basic and Diluted .....	14	<b>(0.80)</b>	0.15

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants

**Himanshu Chapsey**  
Partner  
M. No. 105731

Place : Mumbai  
Date : April 28, 2016

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

**Basant Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

**Mohammed Satewala**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	For the year ended 31st March, 2016		For the year ended 31st March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash flow from operating activities</b>				
Profit/(loss) before tax .....	(5,430,579)			51,458
Operating profit/(loss) before working capital changes .....		(5,430,579)		51,458
Other current assets .....	(12,646,043)		(204,504)	
Trade Payable.....	299,386			
Other current liabilities.....	5,549,135	(6,797,522)	146,572	(57,932)
Net income tax paid.....		(1,284,826)		-
<b>Net cash flow used in operating activities (A) .....</b>		<b>(13,512,927)</b>		<b>(6,474)</b>
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances .....	(661,202,853)		(1,213,024)	
Sale/(Purchase) of investments .....	165,898,229		(180,898,229)	
<b>Net cash flow used in investing activities (B).....</b>		<b>(495,304,624)</b>		<b>(182,111,253)</b>
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares.....	420,070,000		185,535,000	
Proceeds from long-term borrowings .....	357,178,770		-	
<b>Net cash flow from financing activities (C) .....</b>		<b>777,248,770</b>		<b>185,535,000</b>
<b>Net increase in Cash and cash equivalents (A+B+C) .....</b>		<b>268,431,219</b>		<b>3,417,273</b>
Cash and cash equivalents at the beginning of the year .....		3,449,394		32,121
<b>Cash and cash equivalents at the end of the year (Refer Note 10) .....</b>		<b>271,880,613</b>		<b>3,449,394</b>

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants

**Himanshu Chapsey**  
Partner  
M. No. 105731

Place : Mumbai  
Date : April 28, 2016

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

**Basant Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

**Mohammed Satewala**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016

## Notes on Accounts for the year ended 31st March, 2016

### 1. Company Information

**Cleansolar Renewable Energy Private Limited** ('the Company') was incorporated in India on 3rd December, 2013, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services.

The holding company is Mahindra Renewables Private Limited.

### 2. Significant Accounting Policies

#### a) Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

#### b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### c) Tangible fixed assets

Fixed assets, are stated at their historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present location and condition. The expenditure incurred on start-up and commissioning of project, test runs and experimental production is treated as an indirect element of the construction cost.

#### d) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

#### e) Foreign Exchange Transactions

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year is recognized as income or expense, as the case may be.

The Company uses foreign currency forward contracts to hedge its risk associated with the foreign currency fluctuations relating to firm

commitments. In respect of forward exchange contracts covered under AS 11, "The effect of changes in foreign exchange rates", any premium or discount rising at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of such forward exchange contract is recognised as income or expense for the year.

Pursuant to the announcement made by the Institute of Chartered Accountants of India (ICAI) regarding "Accounting for Derivatives", provision for losses in respect of forward exchange contracts classified as derivatives is made on mark to market valuation of such contracts. Gains on mark to market valuation, if any, on such derivatives are not recognised in financial statements.

#### f) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

#### g) Investments

Investments are classified under Non-current and Current categories.

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

#### h) Cash and Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### i) Earnings Per Share

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

#### j) Revenue Recognition:

##### Interest income

Interest income is recognized on time proportion basis.

##### Dividend income

Dividend income is recognized when the right to receive dividend is established.

#### k) Provisions and Contingent Liabilities

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

Note 3 : Share capital	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
<b>Authorised:</b>		
97,00,000 (Previous Year 90,00,000 equity shares of 10/- each) Equity Shares of Rs. 10 each, fully paid up	97,000,000	90,000,000
<b>Total</b>	<b>97,000,000</b>	<b>90,000,000</b>
<b>Issued and Subscribed:</b>		
96,23,000 (Previous Year 29,55,000 equity shares of 10/- each) equity Shares of Rs. 10 each, fully paid up	96,230,000	29,550,000
<b>Total</b>	<b>96,230,000</b>	<b>29,550,000</b>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the period:**

	2015-16		2014-15	
	No. of Shares	Rupees	No. of Shares	Rupees
<b>Equity Shares:</b>				
<b>At the beginning of the period</b>	2,955,000	29,550,000	10,000	100,000
Issued during the period	6,668,000	66,680,000	2,945,000	29,450,000
<b>Outstanding at the end of the period</b>	<b>9,623,000</b>	<b>96,230,000</b>	<b>2,955,000</b>	<b>29,550,000</b>

**b. Terms/rights attached to equity shares:**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**c. Details of shareholders holding more than 5% shares in the company:**

	2015-16		2014-15	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity Shares:</b>				
Mahindra Renewables Private Limited (Holding Company)*	9,623,000	100%	2,955,000	100%
<b>Total</b>	<b>9,623,000</b>	<b>100%</b>	<b>2,955,000</b>	<b>100%</b>

\* This includes 1 equity share held as nominee by an individual on behalf of the holding company.  
(Mahindra Renewables Private Limited jointly with Mr. Roshan Gandhi - 1 equity share)

Note 4 : Reserves and surplus	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
(a) Securities premium		
Opening balance	156,085,000	–
Add : Premium on shares issued during the year	353,404,000	156,085,000
Less : Utilised for writing off share issues expenses	(14,000)	–
Closing balance	<b>509,475,000</b>	<b>156,085,000</b>
(b) Balance in the Statement of Profit and Loss	(38,675)	(90,133)
Add: Profit/(Loss) for the year	(5,519,988)	51,458
Closing balance	<b>(5,558,663)</b>	<b>(38,675)</b>
<b>Total</b>	<b>503,916,337</b>	<b>156,046,325</b>

Note 5 : Long-term borrowings	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Term loans (Secured)*		
(a) From bank (Refer note below)	357,178,770	–
<b>Total</b>	<b>357,178,770</b>	<b>–</b>

Loan particulars	Rate of interest	Repayment Schedule	Outstanding as on 31st March, 2016 Rupees	Current maturities of long-term borrowings as on 31st March, 2016 Rupees	Outstanding as on 31st March, 2015 Rupees	Current maturities of long-term borrowings as on 31st March, 2015 Rupees
(a) Buyers Credit from Yes Bank - Fully Hedged	8.50%	To be repaid on 28-05-2018	171,932,082	–	–	–
(b) Buyers Credit from Yes Bank - Fully Hedged	8.32%	To be repaid on 01-06-2018	171,932,082	–	–	–
(c) Buyers Credit from Yes Bank - Fully Hedged	8.32%	To be repaid on 04-06-2018	13,314,605	–	–	–

\* Secured by deposit with bank of Rs. 27,00,00,000/- (refer note 10)

CLEANSOLAR RENEWABLE ENERGY PRIVATE LIMITED

Note 6 : Trade payables	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Payables other than to micro, small and medium enterprises	299,386	161,026
<b>Total</b>	<b>299,386</b>	<b>161,026</b>

Note 7 : Other current liabilities	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Interest accrued but not due on borrowings	1,583,958	-
Payables for capital expenditure	1,230,020,271	-
Statutory remittances	4,134,003	7,800
<b>Total</b>	<b>1,235,738,232</b>	<b>7,800</b>

Note 8 : Current Investment	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
(a) Investment in Mutual Fund (Unquoted)		
Birla Sunlife Life Cash Plus - Daily Dividend - Regular Plan - Reinvestment (CY: Nil units, PY: 3,00,920.44 units)	-	30,150,724
Franklin India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment (CY: Nil units, PY: 30,138.52 units)	-	30,160,109
ICICI Prudential Money Market Fund- Regular Plan - Dividend income (CY: Nil units, PY: 3,01,064.65 units)	-	30,145,453
IDFC Cash Fund- Daily Dividend - Regular Plan (CY: Nil units, PY: 10,046.14 units)	-	10,050,757
Sundaram Money Fund Regular Daily Dividend Dividend Reinvestment (CY: Nil units, PY: 19,90,882.95 units)	-	20,098,561
Taurus Liquid Fund - Existing Plan - Super Insti Daily Dividend Reinvestment - Reinvestment (CY: Nil units, PY: 30,137.99 units)	-	30,145,883
UTI Money Market Fund -Institutional Plan - Daily Dividend Reinvestment (CY: Nil units, PY: 30,045.03 units)	-	30,146,742
UTI Money Market Fund - Institutional plan - Growth (CY: 94,044.563 units, PY: Nil units)	15,000,000	-
<b>Total</b>	<b>15,000,000</b>	<b>180,898,229</b>

Note 9 : Other current assets	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Interest accrued on deposits	10,499,746	-
Forward contract receivable	2,011,527	-
<b>Total</b>	<b>12,511,273</b>	<b>-</b>

Note 10 : Cash and cash equivalents	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Balances with banks		
- In current accounts	1,880,613	3,449,394
- In deposit accounts*	270,000,000	-
<b>Total</b>	<b>271,880,613</b>	<b>3,449,394</b>

\* Lein marked against buyers credit from Yes Bank (refer note 5)

Note 11 : Short-term loans and advances	As at	As at
	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Advance income tax	-	150,000
TDS receivable	1,195,417	54,504
Prepaid expenses	112,775	-
Other advances	226,500	-
<b>Total</b>	<b>1,534,692</b>	<b>204,504</b>

Note 12 : Other Income	For the year ended	For the year ended
	31st March 2016	31st March 2015
Particulars	Rupees	Rupees
Interest income:		
- on bank deposits	287,787	545,041
- on income tax refund	6,325	-
Dividend income	9,868,226	898,229
<b>Total</b>	<b>10,162,338</b>	<b>1,443,270</b>

Note 13 : Other expenses	For the year ended	For the year ended
	31st March 2016	31st March 2015
Particulars	Rupees	Rupees
Legal and professional fees	14,976,140	223,802
Registration and documentation charges	506,584	1,133,605
Auditors remuneration (refer Note below)	97,325	28,090
Miscellaneous expenses	12,868	6,315
<b>Total</b>	<b>15,592,917</b>	<b>1,391,812</b>

Notes:	For the year ended	For the year ended	Note 15 : Borrowing Cost Capitalised	As at	As at
	31st March 2016	31st March 2015		31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees	Particulars	Rupees	Rupees
Auditors remuneration includes:			Borrowing cost capitalised	35,290,900	-
- Audit fees	97,325	28,090	<b>Total</b>	<b>35,290,900</b>	<b>-</b>
<b>Total</b>	<b>97,325</b>	<b>28,090</b>			

Notes:	As at	As at
Note 14 : Earning per share	31st March, 2016	31st March, 2015
Particulars	Rupees	Rupees
Basic and Diluted		
Profit/(loss) attributable to equity shareholders	(5,519,988)	51,458
Weighted average number of equity shares outstanding during the year	6,908,432	348,877
Par value per share	10	10
Basic and diluted earnings per share	(0.80)	0.15

**Note 16 :**

Mahindra Susten Private Limited (Intermediate Holding Company) has provided a Performance Bank Guarantee (PBG) to the Southern Power Distribution Company of Telangana Limited on behalf of the Company amounting to Rs. 600 lacs based on Rs. 20 lacs per MW.

**Note 17 : Related Party Disclosures**

Description of relationship	Names of related party
1. Ultimate Holding Company	Mahindra & Mahindra Limited
2. Intermediate Holding Company	Mahindra Holding Limited
3. Intermediate Holding Company	Mahindra Susten Private Limited
4. Holding Company	Mahindra Renewables Private Limited

**Transaction with related parties**

Sr.No.	Party Name	Nature of Relationship	Nature of transactions	Amount	
				2015-16	2014-15
1	Mahindra Susten Private Limited	Intermediate Holding Company	Reimbursement of Expenses	-	1,997,243
2	Mahindra Susten Private Limited	Intermediate Holding Company	Business Support Services	14,640,000	224,410
3	Mahindra Susten Private Limited	Intermediate Holding Company	Project cost	1,762,739,002	-
4	Mahindra Renewables Private Limited	Holding Company	Issue of Equity Shares	66,680,000	29,450,000
5	Mahindra Renewables Private Limited	Holding Company	Securities Premium	353,404,000	-
6	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	181,818	-
	Balance outstanding at the end of the period				
	Payables				
1	Mahindra & Mahindra Limited	Ultimate Holding Company	Secretarial Support Services	162,486	-
2	Mahindra Susten Private Limited	Parent Holding Company	Project cost	1,230,020,271	-

**Note 18 :**

The Company does not have any dues outstanding to Micro, Small and Medium Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. Hence the disclosures related to amount paid as at the end of the year together with interest paid/payable as required under the said Act are not applicable.

**Note 19 : Segment Information**

The company operates only in one business segment viz. generation and supply of electricity from solar power plant.

The Companies operations only in India, hence there is no reportable geographical segment.

**Note 20 :**

Previous year figures have been regrouped/reclassified wherever necessary to conform to current year's classification.

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In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants

**Himanshu Chapsey**  
Partner  
M. No. 105731

Place : Mumbai  
Date : April 28, 2016

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

**Basant Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

**Mohammed Satewala**  
Company Secretary

Place : Mumbai  
Date : April 28, 2016



## DIRECTORS' REPORT

Your Directors present their First Report together with the audited financial statements of your Company for the period ended 31<sup>st</sup> March, 2016. The Company was incorporated on 8<sup>th</sup> May, 2015 to carry on business of generation of electric power using solar energy.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	(Rs. in Lakhs)
	For the Period ended 31 <sup>st</sup> March, 2016
<b>Income</b>	
Revenue from Operations	–
Other Income	2.17
<b>Total Income</b>	<b>2.17</b>
<b>Expenses</b>	
Other Expenses	73.61
Depreciation and Amortization Expenses	–
Finance Costs	0.60
<b>Total Expenses</b>	<b>74.21</b>
<b>Loss before Tax</b>	<b>(72.04)</b>
Provision for Tax	–
<b>Loss for the period from Continuing Operations</b>	<b>(72.04)</b>
Balance of Loss from earlier year	–
Balance Carried Forward	(72.04)
<b>Amount carried forward to Reserves</b>	<b>–</b>
<b>Net worth</b>	<b>1445.74</b>

No material changes and commitments have occurred after the closure of the period under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS

The Company has entered into a Power Purchase Agreement (PPA) with Northern Power Distribution Company of Telangana Limited for supply of 50 MW AC Solar Power in the month of February, 2016. The capital commitment relating to setting up of power generation facility is not quantifiable at this stage.

### DIVIDEND

Your Directors do not recommend any dividend for the period under review.

### SHARE CAPITAL

The authorized share capital of your Company has been increased from rupees Five Lakh to rupees Ten Crore during the period under review.

During the period under review, your Company has allotted 24,10,000 equity shares of the face value of Rs.10/- each at a security premium of Rs. 53/- per share aggregating to Rs. 15,18,30,000/- to Mahindra Renewables Private Limited.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 2,42,00,000/- divided into 24,20,000 equity shares face value of Rs. 10/- each.

### HOLDING COMPANY

Your Company has been incorporated as wholly owned subsidiary Company of Mahindra Renewables Private Limited with effect from 8<sup>th</sup> May, 2015.

### BOARD OF DIRECTORS

Mr. Roshan Gandhi (DIN – 00010478) and Mr. Basant Kumar Jain (DIN – 00220395) have been appointed as the First Directors of the Company. They shall hold office up to the date of the ensuing Annual General Meeting. The Company has received the notices in writing from a member proposing their candidature for the office of Directors, liable to retire by rotation.

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Basant Jain	00220395	Non Executive	Non Independent	5
Mr. Roshan Gandhi	00010478	Non Executive	Non Independent	5

### NUMBER OF BOARD MEETINGS

The Board met Five times during the period under review, i.e. on 1<sup>st</sup> June, 2015, 3<sup>rd</sup> August, 2015, 30<sup>th</sup> November, 2015, 15<sup>th</sup> January, 2016 and 25<sup>th</sup> January, 2016.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- (a) in the preparation of the annual financial statements for the period ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period on 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial period ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **FRAUDS REPORTED BY AUDITORS**

During the year under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **RISK MANAGEMENT POLICY**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **STATUTORY AUDITORS**

At the First Board Meeting held on 1<sup>st</sup> June, 2015, the Board of Directors has appointed M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the first auditors of your Company to hold office till the conclusion of the First Annual General Meeting at the remuneration mutually agreed between Board of Directors and the Auditors.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) have given a written consent to act as Auditors of your Company, if re-appointed for the tenure of five years and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration Number 105102W) as the statutory auditors of your Company for a period of 5 years commencing from the conclusion of First Annual General Meeting till the conclusion of Sixth Annual General Meeting and to fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and form part of this report.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the period. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the period, during the period and at the end of the period. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

#### **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC - 2 as Annexure II and forms part of this report.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

#### **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal

financial controls with reference to the Financial Statements and these controls are adequate.

**THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the period under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment at the workplace.

**GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

**ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

**For and on behalf of the Board**

<b>Basant Kumar Jain</b> Director (DIN – 00220395)	<b>Roshan Gandhi</b> Director (DIN – 00010478)
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Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

(i) The steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

(ii) The steps taken by the company for utilizing alternate sources of energy: Nil

(iii) The capital investment on energy conservation equipment: Nil

#### B. TECHNOLOGY ABSORPTION

i) The efforts made towards technology absorption: Nil.

ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial period) – Not applicable

(a) The details of technology imported:

(b) The year of import

(c) Whether the technology been fully absorbed:

(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

iv. The expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

There were no Foreign Exchange earnings and outgo during the period under review.

**For and on behalf of the Board**

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place : Mumbai

Date : 15<sup>th</sup> April, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. AOC -2**

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in Sub section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL****2. Details of Material contracts or arrangements or transactions at Arm's length basis –**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details of related party - 1</b>	<b>Details of related party - 2</b>
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited (Ultimate Holding Company)	Mahindra Susten Private Limited (Intermediate Holding Company )
b)	Nature of contracts/arrangements/transaction	Business Support Services	Business Support Services and Inter Corporate Deposit (ICD)
c)	Duration of the contracts/arrangements/transaction	Ongoing Contract	Ongoing Contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Not Applicable	Not Applicable
e)	Amount	Rs. 0.86 Lacs	125.32 Lacs
f)	Date of approval by the Board	15 <sup>th</sup> April, 2016	15 <sup>th</sup> April, 2016
g)	Amount paid as advances, if any	Not Applicable	Not Applicable

**Note:** Arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure

**For and on behalf of the Board**

**Basant Kumar Jain**  
Director  
(DIN – 00220395)

**Roshan Gandhi**  
Director  
(DIN – 00010478)

Place : Mumbai

Date : 15<sup>th</sup> April, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT**

**Form No. MGT-9**  
**Extract of Annual Return**  
**As on the financial period ended on 31<sup>st</sup> March, 2016**  
**[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies**  
**(Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS:**

1	<b>CIN</b>	U74120MH2015PTC264259
2	<b>Registration Date</b>	08/05/2015
3	<b>Name of the Company</b>	Divine Solren Private Limited
4	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018. Tel.: 022-24906683
6	<b>Whether listed Company (Yes/No)</b>	No
7	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	NA

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

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Electric power generation using solar energy	35105	0%

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

	Name and Address of the Company	CIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Renewables Private Limited Address : Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 0018	U40300MH2010PTC205946	Holding Company	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 time of incorporation				No. of Shares held at the end of the period				% Change during the period
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	-	-	-	-	-	-	-	-	-
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	10,000	10,000	100%	-	24,20,000	24,20,000	100%	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>24,20,000</b>	<b>24,20,000</b>	<b>100%</b>	-
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the time of incorporation				No. of Shares held at the end of the period				% Change during the period
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub. Total-A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>24,20,000</b>	<b>24,20,000</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual									
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>10,000</b>	<b>10,000</b>	<b>100%</b>	-	<b>24,20,000</b>	<b>24,20,000</b>	<b>100%</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the time of incorporation			Shareholding at the end of the period			% change in shareholding during the period
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra Renewables Private Limited	99,999	99.99%	–	24,19,999	99.99%	–	–
2.	Mahindra Renewables Private Limited Jointly with Roshan Gandhi*	1	0.01%	–	1	0.01%	–	–

\* The joint shareholder with Mahindra Renewables Private Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

**iii. Change in Promoters' Shareholding:**

Particulars Promoter 1 Mahindra Renewables Private Limited	Shareholding at the time of incorporation		Cumulative Shareholding during the period	
	No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
<b>At the beginning of the period</b>	<b>10,000</b>	<b>100%</b>	<b>10,000</b>	<b>100%</b>
Increase: Allotment of equity shares on Rights basis on 25 <sup>th</sup> January, 2016	–	–	24,10,000	–
<b>At the end of the period</b>	–	–	<b>24,20,000</b>	<b>100%</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the time of incorporation		Shareholding at the end of the period	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS:**

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

(₹ In Crores)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the time of incorporation 08.05.2015</b>	–	–	–	–
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
Total of (1+2+3)	–	–	–	–
<b>Change in Indebtedness during the financial period</b>	–	–	–	–
+ Addition	–	–	–	–
– Reduction	–	–	–	–
Net Change	–	–	–	–



PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the end of the financial period-31.03.2016</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

### A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of Profit	-	-	-
	- Others, specify			
5.	Others, please specify Provident Fund & other Funds	-	-	-
6.	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	5% of the net profits of the Company		

### B. Remuneration to other directors:

#### I. Independent Directors: Not Applicable

Particulars of Remuneration	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

#### II. Other Non-Executive Directors: Nil

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-

### C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD : Nil

Sr. No.	Particulars of Remuneration	KMP
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-

Sr. No	Particulars of Remuneration	KMP
2.	Stock option	–
3.	Sweat Equity	–
4.	Commission	
	– As % of profit	–
	– Others, specify	–
5.	Others (Professional Fees)	–
	Performance Bonus	–
	<b>Total (C)</b>	–

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None**

Particulars	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)
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	–	–	–	–
Punishment	–	–	–	–	–	–
Compounding	–	–	–	–	–	–

**For and on behalf of the Board**

**Basant Kumar Jain**  
Director  
(DIN: 00220395)

**Roshan Gandhi**  
Director  
(DIN: 00010478)

Place : Mumbai  
Date : 15<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DIVINE SOLREN PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **DIVINE SOLERN PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statements of Profit and Loss and Cash Flow for the period from incorporation on May 8, 2015 to March 31, 2016 and a summary of significant accounting policies and other explanatory information thereon.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and cash flows for the period from incorporation on May 8, 2015 to March 31, 2016.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the

Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations as at March 31, 2016 which would have impact on financial position.
  - ii. There were no material foreseeable losses as at March 31, 2016 in respect of this contract entered into by the Company. According to the

information and explanations given to us the Company does not have any derivative contracts.

- iii. There are no amounts required to be transferring required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
(Firm's Registration No.: 105102W)

**Himanshu Chapsey**  
Partner  
Membership No.: 105731

Place: Mumbai,  
Date: 15<sup>th</sup> April 2016

**ANNEXURE I TO THE AUDITOR'S REPORT**

Referred to in paragraph 9 of our report of even date on the financial statements of Divine Solren Private Limited for the period from incorporation on May 8, 2015 to March 31, 2016

1. The Company is in the process of constructing its plant to produce and distribute solar power which is disclosed as capital work-in-progress at March 31, 2016. The Company does have any other fixed assets and accordingly the provisions of para 3(i) of the Order are not applicable.
2. The Company does not have any inventory, has not granted any loans to parties covered in the register maintained under Section 189 of the Act and has not granted any loans, made any other investments or issued guarantees and hence the provisions of paras 3(ii)-(iv) are not applicable.
3. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Sections 73 to 76 the Act, and the rules framed thereunder and hence the provisions of para 3(v) of the Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, the Central Government of India has not specified the maintenance of cost records under Sub-section (1) of Section 148 of the Act for any of the products of the Company.
5. (i) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the applicable undisputed statutory dues, including inter alia provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts in respect of the above were outstanding, as on March 31, 2016 for a period of more than 6 months from the date they became payable.  
(ii) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, and duty of excise or value added tax or cess which have not been deposited on account of any dispute.
6. According to the information and explanations given to us the Company did not have any borrowings from any financial institution, bank or Government nor has it issued any debentures during the year and hence the provisions of para 3(viii) of the Order are not applicable to the Company.
7. The Company has neither raised any money by way of initial public offer, further public offer (including debt instruments) nor has it availed of any term loan during the year and hence the provisions of para 3 (ix) of the Order are not applicable to the Company.
8. 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, we have neither noticed any instance of material fraud by the Company or by the officers or employees on the Company nor has any such instance been reported.
9. According to the information and explanations given to us the Company has not paid any remuneration to managerial personnel as defined in the Act and accordingly the provisions of para 3(xi) of the Order are not applicable to the Company.
10. According to the information and explanations given to us the Company is not a nidhi company and hence the provisions of para 3(xii) of the Order are not applicable to the Company.
11. According to the information and explanations given to us, the related party transactions entered into by the Company are in accordance with the provisions of 177 and 188 of the Act. The details of the related party transactions as defined under Accounting Standard 18 Related Party Transactions issued by the Institute of Chartered Accountants of India have been disclosed in the financial statements.
12. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or of fully or partly convertible debentures during the year and hence the provisions of para 3(xiv) of the Order are not applicable.
13. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them and accordingly, the provisions of para 3(xv) of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of para 3(xiv) of the Order are not applicable.

**For B. K. Khare & Co.**  
Chartered Accountants  
(Firm's Registration No.: 105102W)

**Himanshu Chapsey**  
Partner  
Membership No.: 105731

Place: Mumbai,  
Date: 15<sup>th</sup> April 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF DIVINE SOLREN PRIVATE LIMITED**

### **Report 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 Divine Solren Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for period from incorporation on May 8, 2015 to March 31, 2016

### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
(Firm's Registration No.: 105102W)

**Himanshu Chapsey**  
Partner  
Membership No.: 105731

Place: Mumbai,  
Date: 15<sup>th</sup> April 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	Note	As at 31 <sup>st</sup> March, 2016 Rupees
<b>I. Equity and Liabilities</b>		
<b>(1) Shareholders' funds</b>		
(a) Share capital	3	24,200,000
(b) Reserves and surplus	4	120,374,201
		<u>144,574,201</u>
<b>(2) Non-Current Liabilities</b>		
(a) Trade payables	5	5,633,652
(b) Other current liabilities	6	26,483,247
		<u>32,116,899</u>
<b>TOTAL</b>		<u><u>176,691,100</u></u>
<b>II. Assets</b>		
<b>(1) Non-current assets</b>		
(a) Fixed assets		
(i) Capital work-in-progress		159,180,279
		<u>159,180,279</u>
<b>(2) Current assets</b>		
(a) Current Investments	7	14,000,000
(b) Cash and cash equivalents	8	3,500,084
(c) Short-term loans and advances	9	10,737
		<u>17,510,821</u>
<b>TOTAL</b>		<u><u>176,691,100</u></u>

**See accompanying notes forming part of the financial statements**

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration NO: 105102W

**Himanshu Chapsey**  
Partner  
M.No: 105731

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 8<sup>TH</sup> MAY, 2015 TO 31<sup>ST</sup> MARCH, 2016**

	Note	For the period from 8 <sup>th</sup> May, 2015 to 31 <sup>st</sup> March, 2016  Rupees
<b>I. Income</b>		
Other income	10	217,220
<b>Total income</b>		<u>217,220</u>
<b>II. Expenses</b>		
(a) Finance cost	11	60,492
(b) Other expenses	12	7,360,697
<b>Total expenses</b>		<u>7,421,189</u>
<b>III. Loss before tax (I - II)</b>		<b>(7,203,969)</b>
<b>IV. Tax expense:</b>		
(a) Current tax		-
(b) Deferred tax		-
		<u>-</u>
<b>V. Loss for the period (III - IV)</b>		<b>(7,203,969)</b>
<b>VI. Earnings per share (Face value of Rs. 10/- each):</b>		
Basic and Diluted	13	(14.39)

**See accompanying notes forming part of the financial statements**

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration NO: 105102W

**Himanshu Chapsey**  
Partner  
M.No: 105731

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April 2016



**CASH FLOW STATEMENT FOR THE PERIOD FROM 8<sup>TH</sup> MAY, 2015 TO 31<sup>ST</sup> MARCH, 2016**

Particulars	For the period from 8 <sup>th</sup> May, 2015 to 31 <sup>st</sup> March, 2016	
	Rupees	Rupees
<b>A. Cash flow from operating activities</b>		
Loss before tax		(7,203,969)
<b>Adjustments for:</b>		
Finance costs	60,492	
Interest income	(107,372)	
Dividend income	(109,848)	(156,728)
Operating loss before working capital changes		<b>(7,360,697)</b>
<b>Changes in working capital:</b>		
Increase in trade payables	5,633,652	
Increase in other current liabilities	2,089,582	7,723,234
<b>Cash generated from operations</b>		<b>362,537</b>
Net income tax paid		(10,737)
<b>Net cash flow from operating activities (A)</b>		<b>351,800</b>
<b>B. Cash flow from investing activities</b>		
Capital expenditure	(134,786,614)	
Purchase of investments	(14,000,000)	
Interest received	107,372	
Dividend received	109,848	
<b>Net cash flow used in investment activities (B)</b>		<b>(148,569,394)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of equity shares	151,778,170	
Interest paid	(60,492)	
<b>Net cash flow from financing activities (C)</b>		<b>151,717,678</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>3,500,084</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>–</b>
<b>Cash and cash equivalents at the end of the period (Refer Note 8)</b>		<b>3,500,084</b>

In terms of our report attached.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration NO: 105102W

**Himanshu Chapsey**  
Partner  
M.No: 105731

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 8<sup>TH</sup> MAY, 2015 TO 31<sup>ST</sup> MARCH, 2016**

**Note 1. Company Information**

**Divine SolrenPrivate Limited** ('the Company') was incorporated in India on 8<sup>th</sup> May, 2015, having registered office at Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Maharashtra, INDIA to carry on business as a producer and distributor of solar power by using solar cells, photo voltaic cells, wafers, photo voltaic solar modules, photo voltaic solar system/sub system, tracker or fixed tilt, concentrated solar power and to provide related services. The holding company is Mahindra Renewables Private Limited.

**Note 2. Significant Accounting Policies**

**a) Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with Generally Acceptable Accounting Principles (Indian GAAP) in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

**b) Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements, which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

**c) Tangible fixed assets**

Fixed assets, are stated at their historical cost of acquisition or construction, less accumulated depreciation. Cost includes all costs incurred to bring the assets to their present location and condition. The expenditure incurred on start-up and commissioning of project, test runs and experimental production is treated as an indirect element of the construction cost.

**d) Impairment**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company makes a reasonable estimate of the value in use.

**e) Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax

laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes virtually certain that sufficient future taxable income will be available.

**f) Investments**

Investments are classified under Non-current and Current categories.

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution, other than temporary, on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

**g) Cash and Cash Equivalents**

Cash and cash equivalents for the purpose of Cash Flow Statements include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

**h) Earnings Per Share**

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

**i) Revenue Recognition:**

**Interest income**

Interest income is recognized on time proportion basis.

**Dividend Income**

Dividend income is recognized when the right to receive dividend is established.

**j) Provisions and Contingent Liabilities:**

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

As at  
31<sup>st</sup> March,  
2016  
Rupees

**Note 3. Share Capital:**

<b>Authorised:</b>	
1,00,00,000 Equity Shares of Rs. 10 each	100,000,000
<b>Total</b>	<b>100,000,000</b>
<b>Issued and Subscribed:</b>	
24,20,000 Equity Shares of Rs. 10 each, fully paid up	24,200,000
<b>Total</b>	<b>24,200,000</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 8<sup>TH</sup> MAY, 2015 TO 31<sup>ST</sup> MARCH, 2016

## a. Reconciliation of the shares outstanding at the beginning and at the end of the period:

	As at 31 <sup>st</sup> March, 2016	
	No. of Shares	Rupees
Equity Shares:		
At the beginning of the period		-
Issued during the period	2,420,000	24,200,000
<b>Outstanding at the end of the period</b>	<b>2,420,000</b>	<b>24,200,000</b>

## b. Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per equity share.

## c. Details of shareholders holding more than 5% shares in the company:

	As at 31 <sup>st</sup> March, 2016	
	No. of Shares	% holding
Equity Shares:		
Mahindra Renewables Private Limited (Holding Company)*	2,420,000	100%
<b>Total</b>	<b>2,420,000</b>	<b>100%</b>

\* This includes 1 equity share held as nominee by an individual on behalf of the holding company (Mahindra Renewables Private Limited jointly with Mr. Roshan Gandhi - 1 equity share)

	As at
	31 <sup>st</sup> March,
	2016

## Note 4. Reserves and surplus

Particulars	Rupees
<b>(a) Securities premium</b>	
Opening balance	
Add: Premium on shares issued during the year	127,730,000
Less: Utilised during the year for writing off share issues expenses	(151,830)
Closing balance	<b>127,578,170</b>
<b>(b) Deficit in statement of profit and loss</b>	
Opening balance	-
Add: Loss for the year	(7,203,969)
Closing balance	(7,203,969)
<b>Total</b>	<b>120,374,201</b>

## Note 5. Trade payables

Particulars	Rupees
Payables other than to micro, small and medium enterprises	5,633,652
<b>Total</b>	<b>5,633,652</b>

	As at
	31 <sup>st</sup> March,
	2016

## Note 6. Other current liabilities

Particulars	Rupees
<b>(a) Other payables</b>	
(i) Statutory liabilities	2,089,582
(ii) Payables for capital expenditure	24,393,665
<b>Total</b>	<b>26,483,247</b>

	As at
	31 <sup>st</sup> March,
	2016

## Note 7. Current Investments

Particulars	Rupees
UTI - Money Market Fund Institutional Plan - Growth	14,000,000
<b>Total</b>	<b>14,000,000</b>

	As at
	31 <sup>st</sup> March,
	2016

## Note 8. Cash and Bank Balances

Particulars	Rupees
Balances with banks - in current accounts	3,500,084
<b>Total</b>	<b>3,500,084</b>

	As at
	31 <sup>st</sup> March,
	2016

## Note 9. Short-term loans and advances

Particulars	Rupees
TDS receivable	10,737
<b>Total</b>	<b>10,737</b>

## Note 10. Other income

Particulars	Rupees
Interest on bank deposits	107,372
Dividend income from mutual funds	109,848
<b>Total</b>	<b>217,220</b>

	For the
	period from
	8 <sup>th</sup> May, 2015
	to 31 <sup>st</sup> March,
	2016

## Note 11. Finance costs

Particulars	Rupees
Interest on short term borrowings	60,492
<b>Total</b>	<b>60,492</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 8<sup>TH</sup> MAY, 2015 TO 31<sup>ST</sup> MARCH, 2016

For the  
period from  
8<sup>th</sup> May, 2015  
to 31<sup>st</sup> March,  
2016

**Note 12. Other expenses**

Particulars	Rupees
Registration and documentation charges	1,087,040
Legal and professional fees	6,241,355
Remuneration to auditors (refer note below)	28,625
Miscellaneous expenses	3,677
<b>Total</b>	<b>7,360,697</b>

For the  
period from  
8<sup>th</sup> May, 2015  
to 31<sup>st</sup> March,  
2016

**Notes:**

Particulars	Rupees
Remuneration to the auditors comprises,	
(a) To statutory auditors	
For audit	28,625
<b>Total</b>	<b>28,625</b>

As at  
31<sup>st</sup> March 2016

**Note 13. Earning per share****Basic and Diluted**

Loss attributable to equity shareholders	(7,203,969)
Weighted average number of equity shares outstanding during the year	500,790
Par value per share	10
<b>Basic and diluted earnings per share</b>	<b>(14.39)</b>

**Note 14.**

Mahindra Susten Private Limited (Intermediate Holding Company) has provided a Performance Bank Guarantee (PBG) to the Northern Power Distribution Company of Telangana Limited on behalf of the Company amounting to Rs. 10 crores based on Rs. 20 lacs per MW.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration NO: 105102W

**Himanshu Chapsey**  
Partner  
M.No: 105731

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

**Note 15.**

In February 2016, the Company has entered into a Power Purchase Agreement (PPA) with Northern Power Distribution Company of Telangana Limited for supply of 50 MW AC Solar Power. The capital commitment relating to setting up of power generation facility is not quantifiable at this stage.

**Note 16.****Related Party Disclosures:**

Sr No	Description of relationship	Names of related party
1	Ultimate Holding Company	Mahindra & Mahindra Limited
2	Intermediate Holding Company	Mahindra Holdings Limited
3	Intermediate Holding Company	Mahindra Susten Private Limited
4	Holding Company	Mahindra Renewables Private Limited

**Transaction with related parties:**

S. No.	Party Name	Nature of Relationship	Nature of transactions	Amount
				<b>2015-16</b>
1	Mahindra Susten Private Limited	Intermediate Holding Company	Business Support Services expenses	6,000,000
2	Mahindra Susten Private Limited	Intermediate Holding Company	Reimbursement of expenses	6,471,943
3	Mahindra Susten Private Limited	Intermediate Holding Company	Interest on ICD taken	60,492
4	Mahindra Susten Private Limited	Intermediate Holding Company	Inter Corporate Deposit (ICD) taken	1,200,000
5	Mahindra Susten Private Limited	Intermediate Holding Company	Repayment of ICD	1,200,000
6	Mahindra Susten Private Limited	Intermediate Holding Company	Issue of Equity Shares	24,200,000
7	Mahindra Susten Private Limited	Intermediate Holding Company	Securities Premium	127,730,000

**Balance outstanding at the end of the period Payables**

1	Mahindra Susten Private Limited	Intermediate Holding Company	Business Support Services	5,475,982
2	Mahindra Susten Private Limited	Intermediate Holding Company	Reimbursement of expenses	634,256

**Note 17.**

There are no dues to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

**Note 18.****Segment Information**

The company operates only in one business segment viz. generation and supply of electricity through solar power plants.

The Companies operations only in India, hence there is no reportable geographical segment.

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

**Basant Jain**  
Director

**Roshan Gandhi**  
Director

Place: Mumbai  
Date : 15<sup>th</sup> April 2016

## DIRECTORS' REPORT

Your Directors present their Sixty Second Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Total Income.....	248.59	378.29
Profit before Interest, Depreciation and Taxation.....	97.86	196.72
Less: Interest.....	1.22	8.51
Less: Depreciation.....	4.37	5.30
Profit before exceptional item and tax.....	92.27	182.91
Exceptional Item – Add : Gain on sale of long term investments.....	–	2910.92
Less: Provision for diminution in value of long term investments.....	13700.00	7100.00
(Loss)/Profit before Tax.....	(13607.73)	(4006.17)
Less: Income Tax thereon:		
Current Tax.....	40.00	665.50
Deferred Tax.....	0.25	1.49
Refund received in respect of earlier years (Net of short provision of Rs. 409,285 for tax in respect of previous year) .....	–	(41.94)
Short provision for tax relating to prior years .....	5.35	–
Net (Loss)/Profit for the year.....	(13653.33)	(4631.22)
Balance of Profit brought forward from last year.....	5040.51	9671.73
Balance of Profit carried to Balance Sheet .....	(8612.82)	5040.51
Net Worth.....	52251.42	49,104.75

No material changes and commitments have occurred after the close of the year till the date of this Report which affect the financial position of your Company.

### Operations

The Total income and Loss after tax for the year under review were Rs. 248.59 Lakhs and Rs. 13653.33 Lakhs as against Total income and Loss after tax of Rs. 378.29 Lakhs and Rs. 4631.22 Lakhs respectively in the previous year.

### Dividend

In view of the current year loss, your Directors do not recommend any dividend for the period under review.

### Subsidiaries and Associates

A report on the performance and financial position of each of the subsidiaries and associates of the Company pursuant to the provisions of the Section 129(3) of the Companies Act, 2013 for the year ended 31<sup>st</sup> March, 2016, is provided in Form AOC – 1 and is attached as **Annexure I** to this Report.

### Consolidated Financial Statement

In accordance with Section 134(7) of the Companies Act, 2013 the audited consolidated financial statements of your Company forms part of this report.

### Share Capital

During the year under review, the Authorized Share Capital of your Company was increased from Rs. 55 crores divided into 5,50,00,000 Equity Shares of Rs. 10/- each to Rs. 63 crores divided into 6,30,00,000 Equity Shares of Rs. 10/- each and subsequently was increased to Rs. 75 crores divided into 7,50,00,000 Equity Shares of Rs. 10/- each.

The necessary amendments to Memorandum of Association of your Company was carried out, during the year under review, to reflect the increase in authorised share capital of the Company to Rs. 63 crores and subsequently to Rs. 75 crores.

During the year under review, your Company issued and allotted 1,68,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 90/- per share, aggregating Rs. 168,00,00,000 to its Holding Company, Mahindra and Mahindra Limited, as Rights issue.

## Board of Directors

The Composition of the Board of Directors:

Name of the Director & DIN	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Nozar Bharucha (DIN: 03315303)	Director	Non-Executive Director	Non-Independent Director
Mr. Satish Kamat (DIN: 01536698)	Director	Non-Executive Director	Non-Independent Director
Mr. Noshir Dastur (DIN: 00493177)	Director	Non-Executive Director	Independent Director
Mr. Ajay Mehta (DIN: 07102804)	Director	Non-Executive Director	Independent Director

Mr. Nozar Bharucha (DIN: 03315303), Director, retires by rotation and being eligible offers himself for re-appointment.

The declarations have been received from Mr. Noshir Dastur (DIN: 00493177) and Mr. Ajay Mehta (DIN: 07102804), Independent Directors, to the effect that they meet the criteria of independence as provided in sub section 6 of Section 149 of the Companies Act, 2013.

Mr. S. Venkatraman ceased to be the Director of the Company on account of his resignation with effect from 9<sup>th</sup> October, 2015. Your Board places on record its deep sense of gratitude for the immense contribution and valuable guidance received from Mr. S. Venkatraman during his tenure as the Director of the Company.

## Board Meetings and Annual General Meeting

Your Board of Directors met six times during the year under review i.e. on 6<sup>th</sup> May, 2015, 27<sup>th</sup> May, 2015, 24<sup>th</sup> July, 2015, 9<sup>th</sup> October, 2015, 3<sup>rd</sup> February, 2016 adjourned to 4<sup>th</sup> February, 2016 and 23<sup>rd</sup> March, 2016. The 61<sup>st</sup> Annual General Meeting of the Company was held on 24<sup>th</sup> July, 2015.

The attendance of the Directors at the Board Meetings of the Company were as under:-

Name of the Director	No. of Board Meetings attended
Mr. S.Venkatraman	2
Mr. Nozar Bharucha	6
Mr. Satish Kamat	5
Mr. Noshir Dastur	6
Mr. Ajay Mehta	5

## Meeting of Independent Directors

The Independent Directors of the Company met on 9<sup>th</sup> October, 2015 without the presence of other Non-Executive Directors, the Chief Financial Officer, Company Secretary and any other Management Personnel. The Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to inter alia, review of performance of Non-Independent Directors and the Board as a whole (taking into account the views of the Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors.

The Directors expressed their satisfaction with the evaluation process.

## Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on representation from operating management and after due enquiry confirm that:

- in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed and that there were no material departures in respect thereof;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared annual accounts on a going concern basis; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Codes of Conduct

Your Company has adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors, Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company's ethos.

Your Company has for the year under review, received declarations from the Board Members affirming compliance with Code of Conduct for Directors as well as from the Senior

Management Personnel. As regards the declarations from Employees of the Company, there was no employee in the Company during the year under review.

### Key Managerial Personnel

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the key managerial personnel of your Company are as below:

Name	Designation
Mr. Mitesh Shah	Chief Executive Officer (CEO)
Mr. Rajvimal Agarwal	Chief Financial Officer (CFO)
Mrs. Bhakti Khanna	Company Secretary (CS)

### Committees of the Board:

#### Audit Committee

The Audit Committee comprised of the following members:

Name of the Director	Designation
Mr. Noshir Dastur	Chairman
Mr. Ajay Mehta	Member
Mr. Nozar Bharucha	Member

The Committee met five times during the year under review on 6<sup>th</sup> May, 2015, 27<sup>th</sup> May, 2015, 24<sup>th</sup> July, 2015, 3<sup>rd</sup> February, 2016 and 23<sup>rd</sup> March, 2016 and complied with the terms of reference assigned to the Committee.

The attendance at the Meetings of the Audit Committee were as under:

Name of the Director	No. of Meetings attended
Mr. Noshir Dastur	5
Mr. Ajay Mehta	4
Mr. Nozar Bharucha	5

#### Nomination and Remuneration Committee

The Committee was reconstituted by the Board at its meeting held on 9<sup>th</sup> October, 2015 on account of the resignation of Mr. S. Venkatraman as under:

Name of the Director	Designation
Mr. Noshir Dastur	Chairman
Mr. Ajay Mehta	Member
Mr. Nozar Bharucha	Member

The Committee met once during the year under review i.e., on 6<sup>th</sup> May, 2015, which was attended by all the Members of the Committee.

#### Corporate Social Responsibility Committee

The Committee was reconstituted by the Board at its meeting held on 9<sup>th</sup> October, 2015 on account of the resignation of Mr. S. Venkatraman as under:

Name of the Director	Designation
Mr. Nozar Bharucha	Chairman
Mr. Satish Kamat	Member
Mr. Noshir Dastur	Member

The Committee met twice during the year on 6<sup>th</sup> May, 2015 and 9<sup>th</sup> October 2015, which was attended by all the Members of the Committee.

#### Policy on criteria for Appointment/Removal of Directors and Senior Management Personnel and the Policy for Remuneration of Directors, Key Managerial Personnel and Other Employees:

In line with the principles of transparency and consistency and upon the recommendation of the Nomination and Remuneration Committee your Board had approved:

- Policy on criteria for the appointment/removal of Directors and Senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors and
- Policy on the remuneration of Directors, Key Managerial Personnel and other employees.

These policies are furnished as **Annexure II** and forms part of this Report.

#### Risk Management Policy

Your Company has formulated Risk Management Policy including therein identified elements of risk which in the opinion of Board may threaten the existence of the Company.

Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### Corporate Social Responsibility Policy

The Corporate Social Responsibility Committee had formulated and recommended the Corporate Social Responsibility Policy to the Board of the Company in accordance with the relevant provisions of the Companies Act, 2013 read with the Rules made thereunder.

Annual Report on Corporate Social Responsibility containing particulars specified in Annexure to The Companies (Corporate Social Responsibility Policy) Rules, 2014 is given in **Annexure III** and forms part of this report.

#### The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

During the year under review, no complaints were received by the Company under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, and Rules made there under.

#### Statutory Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, (ICAI registration Number 117365W) were appointed as Statutory Auditors of your Company at the Sixty-First Annual General Meeting to hold office up to the conclusion of the Sixty-Second Annual General Meeting.

Pursuant to the first proviso of Section 139(2) of the Companies Act, 2013, members are requested to re-appoint Statutory Auditors at the Sixty-Second Annual General Meeting and fix their remuneration. If re-appointed, Statutory Auditors would

hold office till the conclusion of the Sixty-Third Annual General Meeting.

As required under the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, your Company has obtained a written consent and certificate from Statutory Auditors to the effect that their re-appointment, if made, would be in conformity with the conditions, limits and criteria specified therein.

Your Directors confirm that the Auditors Report does not contain any qualification, reservation or adverse remark.

#### **Secretarial Auditors**

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Umesh Maskeri, Practicing Company Secretary, was appointed as the Secretarial Auditor of your Company for the financial year ended 31<sup>st</sup> March, 2016.

A Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2016 issued by the Secretarial Auditor pursuant to the aforesaid provisions is provided as **Annexure IV** and forms part of this report.

Your Directors confirm that the Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

#### **Frauds reported by Auditors**

During the year under review, the Statutory Auditors and Secretarial 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.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure V** to this Report.

#### **Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013**

Particulars of loans given, investments made, and guarantees and securities provided, pursuant to Section 186 of the Companies Act, 2013 during the year under review are given in the note no. 29 in financial statement and the same forms part of this report.

#### **Public Deposits and Loans/Advances**

Your Company has not accepted any deposits from the public or its employees, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review and there is no amount which qualifies as deposit outstanding as on the date of balance sheet and not in compliance with the requirement of chapter V of the Companies Act, 2013.

There were no loans and advances, the particulars of which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with

Schedule V, applicable to the parent company Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

There are no contracts or arrangements entered with related parties pursuant to section 188(1) of the Companies Act, 2013. Further there were no transactions with related parties which are required to be disclosed under Form AOC-2, pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as **Annexure VI** and forms part of this report.

#### **Internal Financial Controls**

Your Company has implemented an Internal Control System, commensurate with the size, scale and complexity of its operations. The Company has further prepared and put internal controls over financial reporting framework in place in line with the recommendations of the KPMG team. Besides, your Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee. Statutory Auditors and Internal Auditors are invited to attend Audit Committee meetings.

#### **General Disclosures:**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Being an unlisted Company, the provisions of Section 197(12) of the Companies Act, 2013 and the Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule 2014, are not applicable to your Company.

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**Nozar Bharucha**      **Noshir Dastur**  
Director                      Director

Mumbai, 25<sup>th</sup> May, 2016



## ANNEXURE I TO THE DIRECTORS' REPORT

## FORM AOC-1

## Part "A": Section on Subsidiaries

(Rs. in Lakhs)

Sr. No.	Particulars	(1)	(2)	(3)
1.	Name of the subsidiary	Retail Initiative Holdings Limited (RIHL)	Mahindra Retail Private Limited* (MRPL)	Mahindra Internet Commerce Private Limited* (MICPL)
2.	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	N.A.	N.A.	N.A.
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N.A.	N.A.	N.A.
4.	Share capital	2,055	68,846	3,300
5.	Reserves & surplus	(15,750)	(67,527)	(3,191)
6.	Total assets	35,750	14,285	2,036
7.	Total Liabilities	35,750	14,285	2,036
8.	Investments	35,737	3,314	Nil
9.	Turnover	Nil	20,397	2,522
10.	Profit/(loss) before taxation	(15,606)	(9,307)	(2,869)
11.	Provision for taxation	Nil	Nil	Nil
12.	Profit/(loss) after taxation	(15,606)	(9,307)	(2,869)
13.	Proposed Dividend	Nil	Nil	Nil
14.	% of shareholding	100	24.40	24.40
15.	Performance of the Company during the financial year 2015-2016		MRPL recorded revenues of Rs. 20,397 Lakhs as compared to Rs. 21,053 Lakhs in the previous year. Loss after tax for the year was Rs. 9,307 Lakhs as compared to Rs. 11,889 Lakhs in the previous year.	MICPL recorded revenues of Rs. 2,522 Lakhs as compared to Rs. 403 Lakhs in the previous year. Loss after tax for the year was Rs. 2,869 Lakhs as compared to Rs. 334 Lakhs in the previous year.

\* Mahindra Internet Commerce Private Limited is a wholly owned subsidiary of Mahindra Retail Private Limited in which Retail Initiative Holdings Limited holds 74.56% stake and Retail Initiative Holdings Limited is a wholly owned subsidiary of the Company.

**Part “B”: Associates and Joint Ventures****Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

<b>Name of associate</b>	Mahindra Tsubaki Conveyor Systems Private Limited (MTC SPL)
1. Latest audited Balance Sheet Date	31 <sup>st</sup> March, 2016
2. Shares of Associate held by the Company on the year end	
No.	15,376,025 shares
Amount of Investment in Associate	Rs. 1,831.40 Lakhs
Extend of Holding%	49.00%
3. Description of how there is significant influence	Company has a 49% stake in the associate as at 31 <sup>st</sup> March, 2016.
4. Reason why the associate is not consolidated	Share of profit in associate has been considered in consolidation according to 'Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements'
5. Net worth attributable to shareholding as per latest audited Balance Sheet	Rs. 2872.00 Lakhs
6. Profit for the year	
i. Considered in Consolidation	Rs. 84.74 Lakhs
ii. Not Considered in Consolidation	Rs. 88.20 Lakhs
7. Performance of the Company	MTC SPL recorded revenues of Rs. 5,861 Lakhs as compared to Rs. 4,542 Lakhs in the previous year. Net profit after tax for the year was Rs. 173 Lakhs as compared to Rs. 94 Lakhs in the previous year.

- Names of associates or joint ventures which are yet to commence operations. – Nil
- Names of associates or joint ventures which have been liquidated or sold during the year. – Nil

**For and on behalf of the Board**

**Nozar Bharucha**      **Noshir Dastur**  
Director                      Director

Mumbai, 25<sup>th</sup> May, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### POLICY ON CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Engineering and Chemical Products Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Key Managerial Personnel**” (**KMP**) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (**NRC**) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team, excluding Board of Directors, comprising of all members of management one level below the executive directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman/ Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act, 2013 and Rules made thereunder.

#### Removal of Directors

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### Senior Management Personnel

The NRC shall identify persons who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

## II. SUCCESSION PLANNING:

#### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

#### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

### POLICY FOR REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### Purpose

This Policy sets out the approach to compensation of Directors and Key Managerial Personnel in Mahindra Engineering and Chemical Products Limited.

#### Policy Statement

Our compensation philosophy strives to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in business.

In order to effectively implement this, our compensation structure is developed through external benchmarking as appropriate, with relevant players across the industry we operate in.

**Non-Executive Including Independent Directors**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

Mumbai, 25<sup>th</sup> May, 2016

**Key Managerial Personnel (KMPs)**

The terms of remuneration of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Company Secretary (CS) shall be determined by the Board and may be revised, from time to time, by any Director or such other person as may be authorised by the Board. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act, 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to Directors, KMPs and Senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

**For and on behalf of the Board**

**Nozar Bharucha**  
Director

**Noshir Dastur**  
Director

## ANNEXURE III TO THE DIRECTORS' REPORT

### ANNUAL REPORT ON CSR ACTIVITIES

**(1) A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:**

Mahindra Engineering and Chemical Products Limited (MECP) is a subsidiary of Mahindra & Mahindra Limited. The CSR vision of MECP is to serve and give back to the communities within which it works. The commitment to CSR will be manifested by investing resources in the areas like promoting education, promoting gender equality, empowering women, ensuring environmental sustainability, rural development projects, etc.

**(2) The Composition of the CSR Committee:**

The CSR Committee of the Board comprises of the following Board members:

Name of Director	Designation
Mr. Nozar Bharucha	Chairman
Mr. Satish Kamat	Member
Mr. Noshir Dastur	Member

**(3) Average net profit of the Company for last three financial years is : Rs. 105 lakhs**

**(4) Prescribed CSR expenditure:**

In terms of the provisions of Section 135 of the Companies Act, 2013 and Rules made there under, the Company is required to spend 2% of the average net profit of the last three years as computed in accordance with the provisions of Section 198 for the purpose of Section 135: Rs. 2,10,667

**(5) Details of CSR Spent during the Financial Year.**

(a) Total amount spent for the financial year: Rs. 2,10,667

(b) Amount unspent, if any: - Nil

(c) Manner in which the amount was spent during the financial year is detailed below:

(1) Sr. No.	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Projects or programme (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	(5) Amount outlay (budget) project or programme wise	(6) Amount spent on the project or programme Sub Heads; (1) Direct expenditure on projects or programmes (2) Overheads	(7) Cumulative expenditure up to the reporting period	(8) Amount Spent direct or through implementing agency
1	Contribution to KCMET for education of the under-privileged girl child under the Nanhi Kali project	Education	(1) Others (2) Maharashtra	Rs. 2,10,667	(1) Rs. 2,10,667 (2) 0	Rs. 2,10,667	Implementing agency – KCMET*

\* Details of implementing agency: KCMET- The K. C. Mahindra Education Trust - founded by Late K. C. Mahindra in 1953 promotes literacy and higher learning in the country. Since its inception, the trust has promoted education by way of scholarships and grants to deserving and needy students. The Trust has facilitated social and economic development through creating a literate, enlightened and empowered population. The Trust is registered as a public Charitable Trust under the Bombay Public Trusts Act, 1950 and has its office at Cecil Court, Mahakavi Bhushan Marg, Mumbai - 400001.

(6) In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report: N.A.

(7) A responsibility statement of the CSR Committee.

(8) The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

**For and on behalf of the Board**

**Noshir Dastur**  
Member

**Nozar Bharucha**  
Chairman CSR Committee

Mumbai, 25<sup>th</sup> May, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### FORM NO. MR-3 SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2016

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

To  
The Members,  
Mahindra Engineering and Chemical Products Limited  
Gateway Building  
Apollo Bunder  
Mumbai-400 001

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Mahindra Engineering and Chemical Products Limited** (hereinafter called the company) incorporated on June 7, 1954 having CIN U74999MH1954PLC019908 and Registered Office at Gateway Building, Apollo Bunder, Mumbai-400001. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by **Mahindra Engineering and Chemical Products Limited** and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **Mahindra Engineering and Chemical Products Limited** ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder (during the year under review not applicable to the Company);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder (during the year under review not applicable to the Company, as the shares of the Company are not in dematerialized form);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (during the year under review not applicable to the Company);

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (during the year under review not applicable to the Company);
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (during the year under review not applicable to the Company);
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (during the year under review not applicable to the Company);
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (during the year under review not applicable to the Company);
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (during the year under review not applicable to the Company);
- (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (during the year under review not applicable to the Company)
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (during the year under review not applicable to the Company); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (during the year under review not applicable to the Company);

We have relied on the representation made by the Company and its officers for the systems and the mechanism formed by the Company for the compliances under the applicable Acts/laws and regulations to the Company. The list of major head/groups of Acts/laws and regulations applicable to the Company is enclosed and marked as **Annexure I**.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India: Applicable with effect from July 1, 2015
- (ii) The Listing Agreement entered into by the Company with BSE Limited and National Stock Exchange of India Ltd. (upto 30<sup>th</sup> November, 2015) and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (w.e.f 1<sup>st</sup> December, 2015): Not applicable as the securities of the Company are not listed on any stock exchange.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors, except as mentioned above. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as per the requirement of the regulations, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

3) Rights issue of shares during the financial year 01.04.2015-31.03.2016

Sr. No.	Number of shares offered	Date of Board meeting in which it was offered	Number of shares Allotted	Date of allotment of shares	Number of shares cancelled due to un-subscription	Date of board meeting in which shares were cancelled
1	55,00,001 equity shares of Rs. 10 each for cash at a premium of Rs. 90 per share aggregating to Rs. 55,00,00,100/- (Rupees Fifty five crores and one hundred only)	11.03.2015	55,00,000 equity shares allotted to Mahindra & Mahindra Limited	16.04.2015 (by circular resolution)	1	06.05.2015
2	15,00,000 Equity Shares of Rs. 10/- each at premium of Rs. 90 for cash (aggregating to Rs. 15,00,00,000/- (Rupees fifteen crores)	06.05.2015	15,00,000 equity shares were allotted to Mahindra & Mahindra Limited	16.06.2015 (by circular resolution)	N.A.	N.A.

All decisions of the Board are carried through unanimously. As per the records provided by the Company, none of the members of the Board dissented on any resolution passed at the meetings of the Board and any of its Committee.

I further report that based on review of compliance mechanism established by the Company, we are of the opinion that the Company has adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were following specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc., which are:-

- 1) The Shareholders at the Extra-Ordinary General Meeting held on May 6, 2015 approved the increase in the Authorised Share Capital from Rs. 55 crores to Rs. 63 crores. Subsequently, the Members at their Extra-Ordinary General Meeting held on February 23, 2016 approved the increase in the Authorised Share Capital from Rs. 63 crores to Rs. 75 crores.
- 2) The Shareholders of the company at the Extra-Ordinary General Meeting held on May 6, 2015 and February 23, 2016, respectively approved the necessary amendments to the Memorandum and Articles of Association of the Company to reflect the increase in authorised share capital of the Company to Rs. 63 crores and subsequently to Rs. 75 crores.

Sr. No.	Number of shares offered	Date of Board meeting in which it was offered	Number of shares Allotted	Date of allotment of shares	Number of shares cancelled due to un-subscription	Date of board meeting in which shares were cancelled
3	38,00,001 Equity Shares of Rs. 10/- each at a premium of Rs. 90 per share for cash aggregating to Rs. 38,00,00,100/- (Rupees Thirty eight crores and one hundred only)	24.07.2015	38,00,000 equity shares were allotted to Mahindra & Mahindra Limited	22.09.2015 (by circular resolution)	1	09.10.2015
4	20,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 90 per share for cash aggregating to Rs. 20,00,00,000/- (Rupees Twenty crores only)	09.10.2015	20,00,000 Equity shares were allotted to Mahindra & Mahindra Limited	09.12.2015 (by circular resolution)	N.A.	N.A.
5	22,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 90/- for cash aggregating Rs. 22,00,00,000/- (Rupees Twenty two crores only)	04.02.2016 (adjourned board meeting)	22,00,000 Equity shares were allotted to Mahindra & Mahindra Limited	23.03.2016	N.A.	N.A.
6	18,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 90 for cash aggregating Rs. 18,00,00,000/- (Rupees Eighteen crores only)	23.03.2016	18,00,000 Equity shares were allotted to Mahindra & Mahindra Limited	31.03.2016 (by circular resolution)	N.A.	N.A.

4) The company has made the following investments during the financial year 2015-16

Sr. No.	Name of the company in which investment made	Mode of investment	Date of board meeting in which investment approved
1	Mahindra Retail Pvt. Ltd. (Stepdown Subsidiary Company)	Rs. 55, 00, 00,000/- (Rupees Fifty five crores only) by subscribing to the equity shares on right issue or otherwise.	11.03.2015
2	Mahindra Retail Pvt. Ltd. (Stepdown Subsidiary Company)	Rs. 15,00,00,0000/- (Rupees Fifteen crores only), by subscribing to the equity shares on right issue or otherwise.	06.05.2015
3	Mahindra Retail Pvt. Ltd. (Stepdown Subsidiary Company)	Rs. 25,00,00,000/- (Rupees Twenty five crores only), either by subscribing to equity shares on rights basis or otherwise.	24.07.2015
4	Mahindra Retail Pvt. Ltd. (Stepdown Subsidiary Company)	Rs. 13,00,00,000/- (Rupees Thirteen crores only) by way of acquisition of 1,30,00,000 equity shares from IDBI Trusteeship Services Limited	24.07.2015



<b>Sr. No.</b>	<b>Name of the company in which investment made</b>	<b>Mode of investment</b>	<b>Date of board meeting in which investment approved</b>
5	Mahindra Retail Pvt. Ltd (Stepdown Subsidiary Company)	Rs. 20,00,00,000/- (Rupees Twenty crores only), either by subscribing to equity shares on rights basis or otherwise	09.10.2015
6	Mahindra Retail Pvt. Ltd (Stepdown Subsidiary Company)	22,00,00,000/- (Rupees Twenty two crores only), either by subscribing to equity shares on rights basis or otherwise	03.02.2016
7	Mahindra Retail Pvt. Ltd (Stepdown Subsidiary Company)	18,00,00,000/- (Rupees Eighteen crores only), either by subscribing to equity shares on rights basis or otherwise	23.03.2016

**UMESH P MASKERI**  
PRACTICING COMPANY SECRETARY  
FCS No. 4831 COP No. 12704

Mumbai, 25<sup>th</sup> May, 2016

*Note: This report is to be read with our letter of even date which is annexed as **ANNEXURE II** and forms an integral part of this report.*

**ANNEXURE I**

**OTHER LAWS APPLICABLE TO COMPANY**

1	The Income-tax Act, 196
2	Service Tax Act, 1994
3	The Maharashtra Stamp Act (Bom. Act LX 1958)
4	Negotiable Instruments Act, 1881
5	The Maharashtra Value Added Act, 2005 and Rules made thereunder
6	Maharashtra Rent Control Act, 1999
7	Arbitration and Conciliation Act, 1996
8	Indian Contract Act, 1872
9	The Indian Copyright Act, 1957
10	The Patents Act, 1970
11	The Trade Marks Act, 1999
12	E Waste Management and Handling Rules, 2011
13	India Vessels Act, 1917
14	Merchant Shipping Act, 1917

## **ANNEXURE II**

To  
The Members  
Mahindra Engineering and Chemical Products Limited  
Gateway Building, Apollo Bunder  
Mumbai- 400001

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

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

**UMESH P MASKERI**  
PRACTICING COMPANY SECRETARY  
FCS No. 4831 COP No. 12704

Mumbai, 25<sup>th</sup> May, 2016

## ANNEXURE V TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (a) the steps taken or impact on conservation of energy:  
Though Your Company is not energy intensive, necessary steps are being taken to conserve energy.
- (b) the steps taken by the Company for utilizing alternate sources of energy: Nil
- (c) the capital investment on energy conservation equipments: Nil

#### B. TECHNOLOGY ABSORPTION

- i) the efforts made towards technology absorption Nil
- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Nil
- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –
- (a) the details of technology imported: Nil
- (b) the year of import: Nil
- (c) whether the technology been fully absorbed: Nil
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil
- iv. the expenditure incurred on Research and Development : Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: *(in terms of actual inflow and outflow)*

Total Foreign Exchange Earned and Used:

	<b>(Rs. in Lakhs)</b>	
	<b>For the Financial Year Ended 31<sup>st</sup> March, 2016</b>	For the Financial Year Ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	<b>Nil</b>	Nil
Total Foreign Exchange Used	<b>Nil</b>	Nil

**For and on behalf of the Board**

<b>Nozar Bharucha</b> Director	<b>Noshir Dastur</b> Director
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Mumbai, 25<sup>th</sup> May, 2016

**ANNEXURE VI TO THE DIRECTORS' REPORT****Form No. MGT-9****Extract of Annual Return****as on the financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U74999MH1954PLC019908
2.	<b>Registration Date</b>	07/06/1954
3.	<b>Name of the Company</b>	Mahindra Engineering and Chemical Products Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non-Government Company
5.	<b>Address of the Registered Office and contact details</b>	Gateway Building, Apollo Bunder, Mumbai 400 001. Tel. No. 022 2490 5623 Fax No. 022 22875485
5.	<b>Whether listed Company (Yes/No)</b>	No
6.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

<b>Sr. No.</b>	<b>Name and Description of Main Product/Services</b>	<b>NIC Code of the Product</b>	<b>% to total turnover of the Company.</b>
1.	Sale of Traded Products (Marine Engines)	Not Available	100.00%

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

<b>Sr. No.</b>	<b>Name and Address of the Company</b>	<b>CIN</b>	<b>Holding/Subsidiary/Associates of the Company</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1.	Mahindra and Mahindra Limited, Gateway Building, Apollo Bunder, Mumbai 400 001	L65990MH1945PLC00455	Holding Company	99.99	2 (46)
2.	Retail Initiative Holdings Limited (RIHL) Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018	U67110MH2008PLC188837	Subsidiary Company	100.00	2 (87) (ii)
3.	Mahindra Retail Private Limited (MRPL) Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018.	U52190MH2007PTC173762	Subsidiary Company through RIHL	*98.96	2 (87) (ii)
4.	Mahindra Internet Commerce Private Limited Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018	U52399MH2008PTC187927	Subsidiary through MRPL	98.96	2 (87) (ii)
5.	Mahindra Tsubaki Conveyor Systems Private Limited, Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018	U29268MH2010PTC198438	Associate Company	49.00	2 (6)

\* Includes 74.56% shares held by RIHL

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

**i. Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	4,84,98,472	4,84,98,472	100	–	6,52,98,472	6,52,98,472	100	0
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-Total-A(1)</b>	–	4,84,98,472	4,84,98,472	100	–	6,52,98,472	6,52,98,472	100	0
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/FI	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
<b>Sub Total-A(2)</b>	–	–	–	–	–	–	–	–	–
<b>Total Share Holding of Promoters (A)(1) + (A)(2)</b>	–	4,84,98,472	4,84,98,472	100	–	6,52,98,472	6,52,98,472	100	0
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/FI	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
i. Others	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B(1)</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>									
a. Body Corp.	–	–	–	–	–	–	–	–	–
b. Individual	–	–	–	–	–	–	–	–	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
<b>c. Others</b>									
<b>Sub-Total-B(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs and ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A + B + C)</b>	-	<b>4,84,98,472</b>	<b>4,84,98,472</b>	<b>100</b>	-	<b>6,52,98,472</b>	<b>6,52,98,472</b>	<b>100</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mahindra and Mahindra Limited	4,84,98,454	99.99	-	6,52,98,454	99.99	-	-
2	*Mahindra and Mahindra Limited jointly with Mr. Keshub Mahindra	1	0	-	1	0	-	-
3	*Mahindra and Mahindra Limited jointly with Mr. A K Nanda	2	0	-	2	0	-	-
4	*Mahindra and Mahindra Limited jointly with Mr. M Raghuram.	1	0	-	1	0	-	-
5	*Mahindra and Mahindra Limited jointly with Mr. Bharat Doshi	1	0	-	1	0	-	-
6	*Mahindra and Mahindra Limited jointly with Mr. M A Nazareth	1	0	-	1	0	-	-
8	*Mahindra and Mahindra Limited jointly with Mr. A M Choksey	1	0	-	1	0	-	-
9	*Mahindra and Mahindra Limited jointly with Mr. Rajeev Dubey	1	0	-	1	0	-	-
10	Mahindra Holdings Limited	10	0	-	10	0	-	-
	<b>Total</b>	<b>4,84,98,472</b>	<b>100</b>	<b>-</b>	<b>6,52,98,472</b>	<b>100</b>	<b>-</b>	<b>-</b>

\* jointly held with Mahindra and Mahindra Limited for the purpose of compliance with the statutory provisions of Companies Act, 2013 with regard to minimum number of members.

**iii. Change in Promoters' Shareholding:**

Sr. No.	Particulars	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
	<b>At the beginning of the year</b>	<b>4,84,98,472</b>	<b>100</b>		
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (eg. Allotment/Transfer/Bonus/Sweat Equity/etc.)				
	16.04.2015 – Allotment of 55,00,000 equity shares			5,39,98,472	
	16.06.2015 – Allotment of 15,00,000 equity shares			5,54,98,472	
	22.09.2015 – Allotment of 38,00,000 equity shares			5,92,98,472	
	09.12.2015 – Allotment of 20,00,000 equity shares			6,12,98,472	100
	23.03.2016 – Allotment of 22,00,000 equity shares			6,34,98,472	
	31.03.2016 – Allotment of 18,00,000 equity shares			6,52,98,472	
	<b>At the end of the year</b>			<b>6,52,98,472</b>	<b>100</b>

**iv. Shareholding Pattern of top ten Shareholders**

(other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	<b>At the beginning of the year</b>	–	–	–	–
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	–	–	–	–
	<b>At the end of the year</b>	–	–	–	–

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding During the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	<b>At the beginning of the year</b>	–	–	–	–
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.):	–	–	–	–
	<b>At the end of the year</b>	–	–	–	–



**V. INDEBTEDNESS**

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

(Rs. in Lakhs)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	Nil	Nil	Nil	Nil
2) Interest due but not paid	Nil	Nil	Nil	Nil
3) Interest accrued but not due	Nil	Nil	Nil	Nil
<b>Total of (1+2+3)</b>	Nil	Nil	Nil	Nil
<b>Change in Indebtedness during the financial year</b>				
+ Addition	Nil	Nil	Nil	Nil
- Reduction	Nil	Nil	Nil	Nil
Net change	Nil	Nil	Nil	Nil
<b>Indebtedness at the end of the financial year- 31.3.2016</b>				
1) Principal Amount	Nil	Nil	Nil	Nil
2) Interest due but not paid	Nil	Nil	Nil	Nil
3) Interest accrued but not due	Nil	Nil	Nil	Nil
<b>Total of (1+2+3)</b>	Nil	Nil	Nil	Nil

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

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of Profit	-	-	-
	- Others, specify			
5.	Others, please specify	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	-		

**B. Remuneration of other directors:**

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors		Total Amount
	Mr. Noshir Dastur	Mr. Ajay Mehta	
1. Independent Directors	2.00	1.50	3.50
• Fee for attending board/committee meetings			
• Commission	–	–	–
• Others, please specify	–	–	–
<b>Total (1)</b>	<b>2.00</b>	<b>1.50</b>	<b>3.50</b>
2. Other Non-Executive Directors	–	–	–
• Fee for attending board/committee meetings	–	–	–
• Commission	–	–	–
• Others, please specify	–	–	–
<b>Total (2)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total B = (1+2)</b>	<b>2.00</b>	<b>1.50</b>	<b>3.50</b>
<b>Total Managerial Remuneration</b>	<b>2.00</b>	<b>1.50</b>	<b>3.50</b>
Over all Ceiling as per the Act	–	–	–

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:**

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of the KMP			Total Amount
		Mr. Mitesh Shah (CEO)	Mrs. Bhakti Khanna (CS)	Mr. Rajvimal Agarwal (CFO)	
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	–	–	–	–
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	– As % of Profit	–	–	–	–
	– Others, specify				
5.	Others, please specify				
	Others	4.73	–	2.30	7.03
	Professional Fees	–	3.00	–	3.00
	<b>Total</b>	<b>4.73</b>	<b>3.00</b>	<b>2.30</b>	<b>10.03</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:****A. Company**

Particulars	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)
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**B. Directors**

Particulars	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)
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**C. Other Officers in Default**

Particulars	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)
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board

**Nozar Bharucha**      **Noshir Dastur**  
Director                      Director

Mumbai, 25<sup>th</sup> May, 2016

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF  
MAHINDRA ENGINEERING AND CHEMICAL PRODUCTS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA ENGINEERING AND CHEMICAL PRODUCTS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 20 to the financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("CARO 2016") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 117365W)

**Uday M. Neogi**  
(Partner)  
(Membership No. 30235)

Place : Mumbai  
Date : May 25, 2016

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the members of Mahindra Engineering And Chemical Products Limited on the financial statements for the year ended 31<sup>st</sup> March, 2016)

**Report on the Internal Financial Controls Over Financial Reporting 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 Mahindra Engineering And Chemical Products Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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.

**Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No. 117365W)

**Uday M. Neogi**  
(Partner)  
(Membership No. 30235)

Place : Mumbai  
Date : May 25, 2016

**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of Mahindra Engineering And Chemical Products Limited on the financial statements for the year ended 31<sup>st</sup> March 2016)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed asset.
  - (b) The Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable having regards to the size of the Company and the nature of the assets.
  - (c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i)(c) of the CARO 2016 is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year.
- (vi) Having regard to the nature of the Company's business/ activities, reporting under clause (vi) CARO 2016 is not applicable.
- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Income-tax, Sales Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Sales Tax, Service Tax, Cess and any other statutory dues and other material statutory dues in arrears as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Service Tax and Cess which have not been deposited as on March 31, 2016 on account of disputes are given.

Name of Statute	Nature of Dues	Forum where Dispute pending	Period to which the amount relates	Amount involved (Rs.)	Amount Unpaid (Rs.)
Income – Tax Laws	Income Tax	Appellate Authority – Commissioner (Appeals)	AY 2012-13	4,531,490	4,531,490
Sales – Tax Laws	Sales tax	Appellate Authority – Commissioner (Appeals)	AY 2009-10	749,267	749,267

- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us, there is no amount payable as a managerial remuneration under the provisions of Section 197 to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 117365W)

**Uday M. Neogi**  
(Partner)  
(Membership No. 30235)

Place : Mumbai  
Date : May 25, 2016

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

Particulars	Note No.	As at	
		As at 31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital .....	3	652,984,720	484,984,720
(b) Reserves and Surplus .....	4	4,572,157,341	4,425,490,084
		5,225,142,061	4,910,474,804
<b>(2) Share application money pending allotment</b>	28	–	550,000,000
<b>(3) Non-Current Liabilities</b>			
(a) Deferred tax liabilities (net) .....	26	566,196	541,494
(a) Other long term liabilities .....	5	10,000,000	–
(b) Long-term provisions .....	5a	1,387,378	–
		11,953,574	541,494
<b>(4) Current Liabilities</b>			
(a) Trade payables .....	6	–	–
– total outstanding dues of micro enterprises and small enterprises; and .....		–	–
– total outstanding dues of creditors other than micro enterprises and small enterprises .....		2,390,620	1,691,960
(b) Other current liabilities .....	7	95,088	10,126,163
(c) Short term provisions .....	8	1,191,005	1,387,378
		3,676,713	13,205,501
<b>Total</b> .....		<u>5,240,772,348</u>	<u>5,474,221,799</u>
<b>II ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets .....	9	4,517,781	4,955,023
(b) Non-current investments .....	10	4,983,915,403	5,223,915,403
(c) Long term loans and advances .....	11	134,963,175	135,498,412
		5,118,878,578	5,359,413,815
<b>(2) Current assets</b>			
(a) Trade receivables .....	12	6,770,700	251,621
(b) Cash and cash equivalents .....	13	63,213,470	55,155,564
(c) Short-term loans and advances .....	14	42,767,858	50,044,788
(d) Other current assets .....	15	4,623,961	4,400,988
		117,375,989	109,852,961
<b>Total</b> .....		<u>5,240,772,348</u>	<u>5,474,221,799</u>

SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIALS STATEMENTS

In terms of our report attached  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Uday M. Neogi**  
Partner

Date : May 25, 2016  
Place : Mumbai

For and on behalf of the Board of Directors

**Nozar Bharucha** Director  
**Noshir Dastur** Director  
**Ajay Mehta** Director  
**Satish Kamat** Director  
**Mitesh Shah** Chief Executive Officer  
**Rajvimal Agarwal** Chief Financial Officer  
**Bhakti Khanna** Company Secretary

Date : May 25, 2016  
Place : Mumbai

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	Note No.	For the year ended	
		31 <sup>st</sup> March, 2016 Rupees	31 <sup>st</sup> March, 2015 Rupees
I. Revenue from operations (gross) .....		6,638,100	9,311,136
Less: Excise duty.....		—	—
Revenue from operations (net) .....	16	6,638,100	9,311,136
II. Other Income .....	17	18,221,474	28,518,289
III. <b>Total Revenue</b> .....		<u>24,859,574</u>	<u>37,829,425</u>
IV. <b>Expenses:</b>			
Purchase of Stock-in-Trade (Marine Engine).....		6,444,750	3,628,036
Purchase of Services.....		—	4,948,184
Finance costs.....	18	121,830	851,562
Depreciation expense.....	9	437,242	529,609
Other expenses.....	19	8,628,556	9,580,974
<b>Total Expenses</b> .....		<u>15,632,378</u>	<u>19,538,365</u>
V. Profit/(loss) before exceptional item and tax.....		9,227,196	18,291,060
VI. Exceptional Item			
a) Gain on sale of long term investments (refer foot note to Note 10 - Non-Current Investments) .....		—	291,092,378
b) Provision for dimunition in value of long term investments (refer Note 10 - Non-Current Investments) .....		(1,370,000,000)	(710,000,000)
VII. Profit/(Loss) before tax		<u>(1,360,772,804)</u>	<u>(400,616,562)</u>
VIII. Tax expense:			
(1) Current tax		4,000,000	66,550,000
(2) Short/(Excess) provision for tax relating to prior years .....		535,237	(4,194,223)
(3) Deferred Tax .....		24,702	149,254
		<u>4,559,939</u>	<u>62,505,031</u>
IX. Profit/(Loss) for the year		<u>(1,365,332,743)</u>	<u>(463,121,593)</u>
X. Earnings per equity share (Face Value per share Rs.10):			
Basic/Diluted .....	25	(23.69)	(9.76)

SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIAL STATEMENTS

In terms of our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**Uday M. Neogi**  
 Partner

Date : May 25, 2016  
 Place : Mumbai

For and on behalf of the Board of Directors

**Nozar Bharucha** Director  
**Noshir Dastur** Director  
**Ajay Mehta** Director  
**Satish Kamat** Director  
**Mitesh Shah** Chief Executive Officer  
**Rajvimal Agarwal** Chief Financial Officer  
**Bhakti Khanna** Company Secretary

Date : May 25, 2016  
 Place : Mumbai



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax .....		(1,360,772,804)		(400,616,562)
Adjustments for:				
Depreciation .....	437,242		529,609	
Provision for diminution in long term investments.....	1,370,000,000		710,000,000	
Finance costs.....	121,830		851,562	
Stamp duty, registration charges on increase in authorised share capital.....	2,934,245		1,377,529	
Interest on Fixed Deposit .....	(4,302,477)		(17,404,712)	
Interest income on inter corporate deposits .....	(8,230,045)		(9,491,920)	
Rental income from investment property .....	(675,000)		(630,000)	
Dividend Income from subsidiary .....	(3,789,660)		-	
Gain on sales of long term investments.....	-		(291,092,378)	
		1,356,496,135		394,139,690
Operating Loss before Working Capital changes .....		(4,276,669)		(6,476,872)
Adjustments for changes in working capital:				
Long term Loans and advances .....	-		(5,121,301)	
Trade Receivables .....	(6,519,079)		5,824,904	
Short term Loans and advances.....	(80,603)		2,105,576	
Other long term & current liabilities.....	(31,075)		(3,351)	
Trade Payables .....	698,660		728,975	
		(5,932,097)		3,534,803
Cash generated from operations.....		(10,208,765)		(2,942,069)
Income taxes paid (net of refunds) .....		(2,808,996)		(2,462,102)
Net Cash used in Operating activities .....		(13,017,761)		(5,404,171)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Share application money given .....			(550,000,000)	
Purchase of long term investments				
Subsidiary .....	(1,130,000,000)		(655,010,000)	
Proceeds from sale of long term investments (refer Note 2)				
Subsidiary .....	-		449,928,375	
Rental Income from Investment Property.....	675,000		630,000	
Intercompany deposit given to others .....	-		(10,000,000)	
Intercompany deposits recovered from others.....	7,357,533		10,000,000	
Interest received on Intercompany deposits.....	8,465,472		11,391,920	
Interest received on fixed deposit.....	3,844,077		17,424,240	
Dividend received .....	3,789,660		-	
Net Cash used in investing activities.....		(1,105,868,258)		(725,635,465)
Cash generated from investment activities .....		(1,105,868,258)		(725,635,465)
Income taxes paid .....		-		(58,097,012)
Net Cash used in investing activities.....		(1,105,868,258)		(783,732,477)

	Year ended 31st March, 2016		Year ended 31st March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of Share Capital (including securities premium) .....	1,130,000,000		450,000,000	
Share application money received .....	–		550,000,000	
Stamp duty, registration charges on increase in authorised share capital.....	(2,934,245)		(1,377,529)	
Repayment of Short term borrowings .....	–		(20,000,000)	
Finance costs.....	(121,830)		(144,730,950)	
Net Cash from financing activities .....		1,126,943,925		833,891,521
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) .....</b>				
		8,057,906		44,754,873
Cash and cash equivalents at the beginning of the year (refer note 13) .....		55,155,564		10,400,691
Cash and cash equivalents at the end of the year (refer note 13).....		63,213,470		55,155,564
		8,057,906		44,754,873

Reconciliation of Cash and cash equivalents with the Balance Sheet:

Cash and cash equivalents as per Balance Sheet (Refer note 13)

Component of cash and cash equivalents

with banks: in current accounts.....	919,315	5,155,564
in deposit account.....	62,294,155	50,000,000
	63,213,470	55,155,564
	–	–

Notes:

- The above cash flow statement has been prepared under the “Indirect Method” as set out in Accounting Standard 3-Cash Flow Statement.
- The total sale consideration of Rs. 449,928,375/- received on sale of investment in Mahindra Conveyor Systems Private Limited (refer footnote to Note 10)

**SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

In terms of our report attached  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Uday M. Neogi**  
Partner

Date : May 25, 2016  
Place : Mumbai

For and on behalf of the Board of Directors

**Nozar Bharucha** Director  
**Noshir Dastur** Director  
**Ajay Mehta** Director  
**Satish Kamat** Director  
**Mitesh Shah** Chief Executive Officer  
**Rajvimal Agarwal** Chief Financial Officer  
**Bhakti Khanna** Company Secretary

Date : May 25, 2016  
Place : Mumbai

## Notes forming part of the Financial Statements

### 1. Corporate information:

Mahindra Engineering and Chemical Products Limited is a public limited company incorporated on 7th June, 1954 under the Companies Act, 1956. The Company's main activity is carrying on the business of offering services and trading/distributing, etc. of boats and yachts of all kinds and engines.

### 2. Significant Accounting Policies followed by the Company:

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

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 (The Act). 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.

All assets and liabilities are classified as current if it is expected to realise or settle within 12 months after the Balance Sheet date.

#### 2.2 Use of estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates, are recognized in the periods in which the results are known/materialize.

#### 2.3 Cash and cash equivalents (for purposes of Cash Flow Statement):

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### 2.4 Cash flow statement:

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### 2.5 Fixed Assets:

(a) Fixed Assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are included in the cost of asset upto the date the asset is ready for its intended use.

(b) Depreciation on fixed assets is calculated on Straight Line Method as per the useful life prescribed in Schedule II to the Companies Act, 2013. (Refer Note no. 27)

#### 2.6 Revenue Recognition:

Sale of products are recognized, when the significant risks and rewards of ownership are transferred to the Buyer.

Sale of services are recognised when services are rendered.

#### 2.7 Other Income:

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive the dividend is established.

#### 2.8 Foreign Currency Transactions and Translations:

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. All foreign currency monetary items

outstanding at the year end (excluding long term liability) are translated at the relevant rates of exchange prevailing at the year end and the resulting exchange differences arising on transactions/translations are recognised as income or expense in the Statement of Profit and Loss.

#### 2.9 Investments:

Long term Investments are valued at cost less provision, if any, for decline other than temporary, in value of such investments. Current investments are valued at the lower of cost and fair value determined by category of investment.

#### 2.10 Earnings Per Share:

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

#### 2.11 Taxes on Income:

Tax expense comprises current and deferred tax. Current Tax is determined as either (i) the amount of tax payable in respect of taxable income after considering usual allowances and disallowances under the Income-tax Act, 1961 or (ii) Minimum Alternate Tax for the year. Credit in respect of Minimum Alternate Tax paid is recognised only if there is convincing evidence of realisation of the same.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

#### 2.12 Impairment of assets:

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

#### 2.13 Provisions and contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

### NOTE 3 – SHARE CAPITAL

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number of Shares	Rupees	Number of Shares	Rupees
<b>(a) Authorised:</b>				
Equity shares of Rs. 10 each.....	75,000,000	750,000,000	55,000,000	550,000,000
	<u>75,000,000</u>	<u>750,000,000</u>	<u>55,000,000</u>	<u>550,000,000</u>
<b>(b) Issued</b>				
Equity shares of Rs. 10 each.....	65,298,472	652,984,720	53,998,473	539,984,730
	<u>65,298,472</u>	<u>652,984,720</u>	<u>53,998,473</u>	<u>539,984,730</u>

## Notes forming part of the Financial Statements

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number of Shares	Rupees	Number of Shares	Rupees
<b>(c) Subscribed</b>				
Equity shares of Rs. 10 each.....	65,298,472	652,984,720	53,998,472	539,984,720
	<u>65,298,472</u>	<u>652,984,720</u>	<u>53,998,472</u>	<u>539,984,720</u>
<b>(c) Fully paid up</b>				
Equity shares of Rs. 10 each.....	65,298,472	652,984,720	48,498,472	484,984,720
	<u>65,298,472</u>	<u>652,984,720</u>	<u>48,498,472</u>	<u>484,984,720</u>

**(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period**

Particulars	Opening Balance	Fresh issue	Buy back	Closing Balance
Equity Shares of Rs. 10 each				
Year ended 31 March, 2016				
Number of shares.....	48,498,472	16,800,000	-	65,298,472
Amount .....	484,984,720	168,000,000	-	652,984,720
Year ended 31 March, 2015				
Number of shares.....	43,998,472	4,500,000	-	48,498,472
Amount.....	439,984,720	45,000,000	-	484,984,720

(ii) The company has not allotted any equity shares for consideration other than cash, bonus shares, nor have any shares been bought back during the period of five years immediately preceding the Balance Sheet date.

**Terms/rights attached to equity shares**

The Company has only one class of equity share having a par value of Rs. 10/- per share. Each shareholder has the following voting rights (i) On a show of hands: one vote for a member present in person and (ii) On a poll: in proportion to his share of the paid up equity capital of the Company. The same are subject to restrictions contained in the Articles in this regard. In the event of winding up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

**(iii) Details of shares held by the holding company**

Particulars	As at 31st March, 2016	As at 31st March, 2015
Mahindra & Mahindra Limited, the holding Company (including 8 equity shares held jointly with its nominees) ...	65,298,462	48,498,462

**(iv) Details of shares held by each shareholder holding more than 5% shares**

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Number of shares	% of holding	Number of shares	% of holding
Mahindra & Mahindra Limited (including 8 equity shares held jointly with its nominees)....	65,298,462	99.99%	48,498,462	99.99%

### NOTE 4 – RESERVES AND SURPLUS

Particulars	As at 31st March, 2016		As at 31st March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>Capital Reserve:.....</b>		1,015,444		1,015,444
<b>Securities Premium Account:</b>				
Opening balance .....	3,879,000,000			3,474,000,000
Add: Premium on shares issued during the year .....	1,512,000,000			405,000,000
Closing Balance.....		5,391,000,000		3,879,000,000
<b>General Reserve: .....</b>		41,423,458		41,423,458
<b>Surplus in the statement of profit and loss</b>				
Opening balance .....	504,051,182			967,172,775
Add: (Loss)/ Profit for the year.....	(1,365,332,743)			(463,121,593)
Closing Balance.....		(861,281,561)		504,051,182
		<u>4,572,157,341</u>		<u>4,425,490,084</u>

### NOTE 5 – OTHER LONG TERM LIABILITIES

Particulars	As at 31st March, 2016	As at 31st March, 2015
Security Deposit.....	10,000,000	-
<b>Total .....</b>	<u>10,000,000</u>	<u>-</u>

### NOTE 5a – LONG-TERM PROVISIONS

Particulars	As at 31st March, 2016	As at 31st March, 2015
Provision Others:		
Provision for Income Tax (net of advance tax) .....	1,387,378	-
<b>Total .....</b>	<u>1,387,378</u>	<u>-</u>

### NOTE 6 – TRADE PAYABLES

Particulars	As at 31st March, 2016	As at 31st March, 2015
Trade Payables		
- total outstanding dues of micro enterprises and small enterprises ; and	-	-
- total outstanding dues of creditors other than micro enterprises and small enterprises	2,390,620	1,691,960
<b>Total .....</b>	<u>2,390,620</u>	<u>1,691,960</u>

**Note:** The identification of vendors as a "Supplier" under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) has been done on the basis of the information to the extent provided by the vendors to the Company. This has been relied upon by the auditors.

**Notes forming part of the Financial Statements**
**NOTE 7 – OTHER CURRENT LIABILITIES**

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
Other payables:		
Statutory remittances (withholding taxes etc.) .....	95,088	126,163
Security Deposit.....	–	10,000,000
<b>Total</b> .....	<b>95,088</b>	<b>10,126,163</b>

**NOTE 8 – SHORT TERM PROVISIONS**

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
Provision Others:		
Provision for Income Tax (net of advance tax).....	1,191,005	1,387,378
<b>Total</b> .....	<b>1,191,005</b>	<b>1,387,378</b>

**NOTE 9 – FIXED ASSETS – TANGIBLE**

Particulars	Gross Block				Depreciation				Net Block
	Balance as at 1st April, 2015 Rupees	Additions during the year Rupees	Disposals during the year Rupees	Balance as at 31st March, 2016 Rupees	Balance as at 1st April, 2015 Rupees	For the year Rupees	On Disposals Rupees	Balance as at 31st March, 2016 Rupees	Balance as at 31st March, 2016 Rupees
<b>TANGIBLE ASSETS</b>									
Vehicles (Vessels - Speed boat)*...	5,818,845	–	–	5,818,845	883,711	426,235	–	1,309,946	4,508,899
	(5,818,845)	(–)	(–)	(5,818,845)	(457,478)	(426,233)	(–)	(883,711)	(4,935,134)
Computers and data processing units .....	177,648	–	–	177,648	157,759	11,007	–	168,766	8,882
	(177,648)	(–)	(–)	(177,648)	(54,383)	(103,376)	(–)	(157,759)	(19,889)
<b>Total</b> .....	<b>5,996,493</b>	<b>–</b>	<b>–</b>	<b>5,996,493</b>	<b>1,041,470</b>	<b>437,242</b>	<b>–</b>	<b>1,478,712</b>	<b>4,517,781</b>
<b>Previous year</b> .....	<b>(5,996,493)</b>	<b>(–)</b>	<b>(–)</b>	<b>(5,996,493)</b>	<b>(511,861)</b>	<b>(529,609)</b>	<b>(–)</b>	<b>(1,041,470)</b>	<b>(4,955,023)</b>

\* Company has applied for getting permanent registration of Speed boat with the concerned authority. Figures in brackets are in respect of the previous year.

**NOTE 10 – NON-CURRENT INVESTMENTS**

Particulars	As at	As at	Particulars	As at	As at
	31st March, 2016	31st March, 2015		31st March, 2016	31st March, 2015
	Rupees	Rupees		Rupees	Rupees
<b>A. Trade Investments (Unquoted)</b>			<b>B. Other investments:</b>		
<b>a) Investments in Equity Instruments</b>			<b>a) Investments in Equity Instruments (Unquoted)</b>		
<b>Subsidiaries:</b>			Mahindra Logistics Limited [100 shares having face value of Rs. 10 each, fully paid] .....	1,000	1,000
Retail Initiative Holdings Limited [20,550,000 shares (previous year 20,550,000 shares) having face value of Rs. 10 each, fully paid] ...	205,500,000	205,500,000			
Mahindra Retail Private Limited [168,001,000 shares (previous year 1,000 shares) having face value of Rs.10/- each fully paid] ...	1,680,010,000	10,000	<b>b) Investment Property</b>		
Mahindra Retail Private Limited [Share application money pending allotment of 55,000,000 shares having face value of Rs. 10 each, fully paid ] (refer Note 28) .....	–	550,000,000	– Residential Flat in Co-operative Society (including 5 shares of Rs. 50 each in Mahindra Heights Co-op. Housing Society Limited.) .....	51,210,850	51,210,850
<b>Associates:</b>			Sub Total (B) .....	51,211,850	51,211,850
Mahindra Tsubaki Conveyor Systems Private Limited (formerly known as Mahindra Conveyor Systems Private Limited) [15,376,025 shares (previous Year 15,376,025 shares) having face value of Rs. 10 each, fully paid]* .....	183,140,553	183,140,553	Sub Total (A+B) .....	7,063,915,403	5,933,915,403
<b>b) Investment in Compulsorily Fully Convertible Debentures</b>			Less: Provision for diminution in value of Long Term Investments ...	(2,080,000,000)	(710,000,000)
<b>Subsidiaries:</b>			<b>Total</b> .....	<b>4,983,915,403</b>	<b>5,223,915,403</b>
Investment in 0% Unsecured Compulsorily Fully Convertible Debentures of Retail Initiative Holdings Limited (4,944,053 debentures (previous year 4,494,053 debentures) having face value of Rs. 1,000 each, fully paid)..	4,944,053,000	4,944,053,000			
Sub Total (A).....	7,012,703,553	5,882,703,553	Aggregate amount of unquoted investments (net of provisions) is Rs. 4,932,704,553 (previous year Rs. 5,172,704,553).		
			Footnote * - During the previous financial year, the Company has diluted its 42.5% stake ( 13,335,475 equity shares) in Mahindra Conveyor Systems Private Limited.		
			<b>NOTE 11 – LONG TERM LOANS AND ADVANCES</b>		
				As at	As at
				31st March, 2016	31st March, 2015
				Rupees	Rupees
			Particulars		
			Advance income tax (Net of provisions) .....	134,963,175	135,498,412
				134,963,175	135,498,412

## Notes forming part of the Financial Statements

### NOTE 12 – TRADE RECEIVABLES

Particulars	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
Unsecured, considered good		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment.....	–	–
Other Trade Receivables.....	6,770,700	251,621
<b>Total</b> .....	<u>6,770,700</u>	<u>251,621</u>

### NOTE 13 – CASH AND CASH EQUIVALENTS

Particulars	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
Balances with banks		
(i) In current accounts	919,315	5,155,564
(ii) In Fixed Deposit Receipts	62,294,155	50,000,000
<b>Total</b> .....	<u>63,213,470</u>	<u>55,155,564</u>

Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow

	63,213,470	55,155,564
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### NOTE 14 – SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
Unsecured, considered good		
(a) Prepaid expenses.....	33,095	33,830
(b) Inter Corporate deposits .....	42,642,467	50,000,000
(c) Balances with government authorities		
Service Tax credit receivable .....	92,296	10,958
<b>Total</b> .....	<u>42,767,858</u>	<u>50,044,788</u>

### NOTE 15 – OTHER CURRENT ASSETS

Particulars	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<u>Accruals</u>		
Interest accrued on Inter Corporate Deposit	4,144,848	4,380,275
Interest accrued on Fixed Deposit.....	479,113	20,713
<b>Total</b> .....	<u>4,623,961</u>	<u>4,400,988</u>

### NOTE 16 – REVENUE FROM OPERATIONS

Particulars	For the year ended 31st March, 2016 Rupees	For the year ended 31st March, 2015 Rupees
a) Sale of Traded Products (Marine Engines).....	6,638,100	3,809,438
b) Sale of Services (Security Services)....	–	5,273,698
c) Sale of Services (Boat hiring)	–	228,000
<b>Total</b> .....	<u>6,638,100</u>	<u>9,311,136</u>

### NOTE 17 – OTHER INCOME

Particulars	For the year ended 31st March, 2016 Rupees	For the year ended 31st March, 2015 Rupees
Interest income on Inter Corporate deposits.....	8,230,045	9,491,920
Interest Income from Fixed Deposits.....	4,302,477	17,404,712
Dividend Income:		
from long-term investments - Associate .....	3,789,660	–
Interest on Income Tax Refund .....	–	991,657
Rental Income from Investment Property (Long term investment) .....	675,000	630,000
Sale from Scrap.....	1,224,292	–
<b>Total</b> .....	<u>18,221,474</u>	<u>28,518,289</u>

### NOTE 18 – FINANCE COSTS

Particulars	For the year ended 31st March, 2016 Rupees	For the year ended 31st March, 2015 Rupees
Interest expense .....	–	851,562
Interest on delayed/deferred payment of income tax .....	121,830	–
<b>Total</b> .....	<u>121,830</u>	<u>851,562</u>

### NOTE 19 – OTHER EXPENSES

Repairs and maintenance:		
Boat.....	385,207	738,264
Buildings.....	179,315	172,060
Expenditure on Corporate Social Responsibility (refer Note 30) .....	210,667	–
Insurance .....	48,487	47,458
Rates & Taxes (excluding taxes on income)	107,424	190,076
Payment to Auditors - (including service tax) [refer note (i)].....	262,200	135,565
Deputation Charges.....	904,354	271,095
Professional and Legal Fees.....	2,773,333	6,372,122
Stamp duty, registration charges on increase in authorised share capital.....	3,334,245	1,377,529
Sitting Fees for Directors.....	350,000	–
Printing and Stationery.....	10,500	23,678
Travelling & Conveyance.....	14,223	142,415
Miscellaneous expenses .....	48,601	110,712
<b>Total</b> .....	<u>8,628,556</u>	<u>9,580,974</u>

\* Includes Rs. 68,400 for previous year.

### Note (i) Auditors' remuneration

Auditors' remuneration includes payment to auditors -		
(a) As statutory auditor .....	262,200	133,596
(b) For reimbursement of expenses.....	–	1,969
	<u>262,200</u>	<u>135,565</u>

## Notes forming part of the Financial Statements

### NOTE 20 – Contingent Liability (to the extent not provided for):

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rs.	Rs.
Income Tax matters:		
Income tax demand in respect of which the Company is in appeal .....	15,469,067	140,882,492
Income tax demand where the matters have been decided in favour of the Company against which the income tax department may go in appeal.....	125,413,425	–
Sales Tax matters (AY 2009-10) .....	749,267	749,267
<b>Total</b> .....	<b>141,631,759</b>	<b>141,631,759</b>

### NOTE 21 – Commitments (to the extent not provided for):

The Company has given letter of comfort to a bank of Mahindra Retail Private Limited with respect to financial facilities aggregating to Rs. 950,900,000 (previous year Rs. 800,900,000) granted by the said bank to Mahindra Retail Private Limited.

### NOTE 22 – Value of Imports calculated on CIF basis.

Particulars	For the	For the
	year ended 31st March, 2016	year ended 31st March, 2015
	Rupees	Rupees
Purchase of traded goods which were sold by the company in high seas .....	–	–
Marine Engines .....	6,444,750	3,628,036

### Note 23 – Segment Reporting

#### a) Primary Segment – Business Segment

The Company has identified business segments as its primary segment and there are no geographical segments. Business segments are primarily Trading of Engines, Security Services rendered and Speed Boat. Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment. All other expenses which are not attributable or allocable to segments have been disclosed as net of unallocated income. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary segment.

Particulars	Trading of Engines		Services rendered		Speed Boat		Total	Total
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Revenue</b>	6,638,100	3,809,438	–	5,273,698	–	228,000	6,638,100	9,311,136
Inter-segment revenue	–	–	–	–	–	–	–	–
<b>Total</b>	<b>6,638,100</b>	<b>3,809,438</b>	<b>–</b>	<b>5,273,698</b>	<b>–</b>	<b>228,000</b>	<b>6,638,100</b>	<b>9,311,136</b>
<b>Result</b>								
Segment Result	193,350	181,402	–	325,514	(845,272)	(975,447)	(651,922)	(468,531)
Finance costs							(121,830)	(851,562)
Unallocated income net of unallocated corporate expenses							10,000,948	19,611,153
Exceptional item – unallocable to segments							(1,370,000,000)	(418,907,622)
<b>Profit/(Loss) before tax</b>							(1,360,772,804)	(400,616,562)
Income Taxes							4,559,939	62,505,031
<b>Profit/(Loss) after tax</b>							(1,365,332,743)	(463,121,593)
<b>Other Information</b>								
Segment assets	6,770,700	251,621	–	–	4,541,994	4,968,964	11,312,694	5,220,585
Unallocated corporate assets							5,229,459,654	5,469,001,214
<b>Total assets</b>							<b>5,240,772,348</b>	<b>5,474,221,799</b>
Segment liabilities	–	–	–	–	380,511	515,465	380,511	515,465
Unallocated corporate liabilities							15,249,776	13,231,530
<b>Total liabilities</b>							<b>15,630,287</b>	<b>13,746,995</b>
Depreciation expenditure (allocable)	–	–	–	–	426,235	426,233	426,235	426,233
Depreciation expenditure (unallocable)							11,007	103,276

#### b) Secondary Segment – Geographical segment

The company does not have any geographical segment.

## Notes forming part of the Financial Statements

### NOTE 24 – Related Party transactions:

Related party disclosures as required by AS-18 “related party disclosures” are given below.

#### A) Name of the related party and nature of relationship:

Name of Related Party	Nature of Relationship
Holding Company	Mahindra & Mahindra Ltd.
Subsidiary Company	Retail Initiative Holdings Limited Mahindra Retail Private Limited Mahindra Internet Commerce Private Limited
Fellow subsidiaries	Mahindra Logistics Limited Mahindra Intertrade Limited Mahindra Holidays & Resorts India Limited Mahindra Lifespace Developers Ltd
Associate Company (w.e.f. 1st August, 2014)	Mahindra Tsubaki Conveyor Systems Private Limited (formerly known as Mahindra Conveyor Systems Private Limited)

#### B) Disclosure of transactions between the company and related parties during the year ended 31 March, 2016 including Outstanding receivable and Outstanding payable:

Name of Related Party	Description of Relationship	Nature of Transactions	Amount of Transactions Rupees	Amount Outstanding at the end of year	
				Payables in Rupees	Receivables in Rupees
Mahindra & Mahindra Ltd.	Holding Company	Interest repaid on Intercompany Deposit	-	-	-
			(143,365,698)	(-)	(-)
		Issue of shares (including securities premium)	1,680,000,000	-	-
			(450,000,000)	(-)	(-)
		Share application money received	-	-	-
			(550,000,000)	(550,000,000)	(-)
		Rent Deposit received	-	10,000,000	-
			(-)	(10,000,000)	(-)
		Rent income	675,000	-	-
			(630,000)	(-)	(-)
		Income from Services rendered	-	-	-
			(5,273,698)	(-)	(-)
	Deputation Charges	810,412	684,298	-	
		(271,095)	(-)	(-)	
	Professional Fees	474,453	390,840	-	
		(169,000)	(153,959)	(97,622)	
	Income from Boat hiring charges	-	-	-	
		(256,181)	(-)	(251,621)	
Retail Initiative Holdings Limited	Subsidiary	Investment in equity shares	-	-	-
			(205,000,000)	(-)	(-)
		Investment in compulsorily fully convertible debentures	-	-	4,944,053,000
			(450,000,000)	(-)	(4,944,053,000)
	Purchase of equity shares of MRPL	-	-	-	
		(10,000)	(-)	(-)	
Mahindra Retail Private Limited	Subsidiary	Investment in equity shares	1,550,000,000	-	-
			(-)	(-)	(-)
		Share Application money pending allotment	-	-	-
		(550,000,000)	(-)	(550,000,000)	
Mahindra Logistics Limited	Fellow subsidiary	Intercompany Deposit repaid	-	-	-
			(20,000,000)	(-)	(-)
		Interest on Intercompany Deposit (Net of TDS)	(-)	(-)	-
		(766,405)	(-)	(-)	
Mahindra Intertrade Limited	Fellow subsidiary	Deputation Fees	93,942	85,738	-
			(-)	(-)	(-)
Mahindra Holidays and Resorts India Limited	Fellow subsidiary	Travelling charges	-	-	-
			(112,536)	(-)	(-)
Mahindra Lifespace Developers Ltd	Fellow subsidiary	Sale of scrap	1,224,292	-	-
			(-)	(-)	(-)
Mahindra Tsubaki Conveyor Systems Private Limited	Associate	Dividend income	3,789,660	-	-
			(-)	(-)	(-)

Note:-

1. Figures in brackets are in respect of the previous year.

2. No amount has been written off/provided for or written back in respect of amounts receivable from or payable to the related parties.



## Notes forming part of the Financial Statements

### NOTE 25 – Earning per Share:

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Profit/(Loss) after tax (A) .....	(1,365,332,743)	(463,121,593)
Weighted average number of shares Basic (B)	57,636,997	47,540,527
Earnings per share Basic/Diluted (Rupees) (A/B) .....	(23.69)	(9.76)
<b>Nominal value of equity share (Rupees).....</b>	<b>10</b>	<b>10</b>

### NOTE 26 – Deferred tax liability/assets (net):

Particulars	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
Tax effect of items constituting deferred tax liability		
On difference between book balance and tax balance of fixed assets.....	(566,196)	(541,494)
<b>Deferred Tax Liability (net) .....</b>	<b>(566,196)</b>	<b>(541,494)</b>

### NOTE 29

Particulars of loans given \ investments made \ guarantees given, as required by clause (4) of Section 186 of the Companies Act, 2013

Name of party	Nature	For the Year ended 31st March, 2016	For the Year ended 31st March, 2015	Period	Rate of interest	Purpose
Retail Initiative Holdings Limited	Investment in 20,500,000 equity shares @ Rs. 10 each via rights issue	–	205,000,000	NA	NA	General business purpose
Retail Initiative Holdings Limited	Investment in 450,000 debentures @ Rs. 1000 each in zero coupon compulsorily fully convertible debentures	–	450,000,000	NA	NA	General business purpose
Retail Initiative Holdings Limited	Purchase of 1,000 equity shares of Mahindra Retail Private Limited @ Rs. 10 each	–	10,000	NA	NA	General business purpose
Mahindra Retail Private Limited	Share application money for in 55,000,000 equity shares @ Rs. 10 each via rights issue	–	550,000,000	NA	NA	General business purpose
Mahindra Retail Private Limited	Investment in 155,000,000 shares @ Rs. 10 each via rights issue	1,550,000,000	–	NA	NA	General business purpose
Mahindra Ocean Blue Marine Private Limited	Inter - Corporate deposit given	–	10,000,000	8 months	15%	General business purpose

### NOTE 30 – Corporate Social Responsibility (CSR)

The CSR obligation for the period as computed by the Company and relied upon by the auditors is Rs. 210,667 (Previous year Rs. Nil). CSR amount spent during the period is Rs. 210,667 (Previous year Rs. Nil).

### NOTE 31

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For and on behalf of the Board of Directors

<b>Nozar Bharucha</b>	Director
<b>Noshir Dastur</b>	Director
<b>Ajay Mehta</b>	Director
<b>Satish Kamat</b>	Director
<b>Mitesh Shah</b>	Chief Executive Officer
<b>Rajvimal Agarwal</b>	Chief Financial Officer
<b>Bhakti Khanna</b>	Company Secretary

Date : May 25, 2016  
Place : Mumbai

## DIRECTORS' REPORT

Your Directors present their Ninth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Total Income	20,397	21,053
Profit before Interest, Depreciation and Taxation	(7,693)	(9,290)
Less: Interest	538	771
Depreciation	1,076	1,828
Profit/(Loss) before exceptional item and tax	(9,307)	(11,889)
Profit/(Loss) before Tax	-	-
Less: Income Tax thereon	-	-
Current Tax	-	-
Deferred Tax	-	-
Short/(excess) provision for current tax in respect of earlier years	-	-
Net Profit	(9,307)	(11,889)
Balance of Profit brought forward from last year	(58,220)	(46,324)
Balance of Profit carried forward	(67,527)	(58,220)
Networth	1319	626

No material changes and commitments affecting the financial position of the Company occurred after the end of the financial year to which this financial statements relate and the date of this report.

### Operations

Your Company recorded revenue of Rs. 20,397 Lakhs as compared to Rs. 21,053 Lakhs in the previous year. Loss after tax for the year was Rs. 9,307 Lakhs as compared to Rs. 11,889 Lakhs in the previous year.

### Dividend

Your Directors have not declared Dividend for the current financial year due to loss incurred by the Company.

### Share Capital:

#### Authorised Share Capital

During the year under review the authorised share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 750 crore divided into 75,00,00,000 equity shares of Rs. 10/- each.

#### Further Issue of Share Capital

During the year under review your Company made an issue of 16,80,00,000 equity shares of Rs. 10/- each on Rights basis and pursuant to the same the issued, subscribed and paid-up capital of your Company as at 31<sup>st</sup> March, 2016 stood at Rs. 688,46,32,360.

#### Transfer of Shares

The Board at its Meeting held on 19<sup>th</sup> October, 2015, approved the transfer of 1,30,00,000 Equity shares of Rs. 10/- each of the

Company from IDBI Trusteeship Services Limited to Mahindra Engineering and Chemicals Products Limited.

### Board of Directors

#### Composition:

Presently the Board comprises of the following Directors:

Name of the Director & DIN	Designation	Executive/ Non-Executive Director	Independent/ Non- Independent Director
Mr. Zhooben Bhiwandiwala (DIN: 00110373)	Chairman	Non-Executive Director	Non-Independent Director
Mr. Rajeev Dubey (DIN: 00104817)	Director	Non-Executive Director	Non-Independent Director
Mr. Parag Shah (DIN: 00374944)	Director	Non-Executive Director	Non-Independent Director
Mr. Rafique Abdul Malik (DIN: 00521563)	Director	Non-Executive Director	Independent Director
Mr. Arvind Kumar Singhal (DIN: 00709084)	Director	Non-Executive Director	Independent Director
Ms. Sheetal Mehta (DIN: 06495637)	Director	Non-Executive Director	Non-Independent Director
Mr. Shriprakash Shukla (DIN: 00007418)	Director	Non-Executive Director	Non-Independent Director

Mr. Parag Shah and Mr. Rajeev Dubey retires by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

All Directors of your Company have given requisite declarations pursuant to Section 164 of the Companies Act, 2013 that they are not disqualified to be appointed as directors.

Mr. Rafique Abdul Malik and Mr. Arvind Singhal, Independent directors who, in the opinion of the Board, are persons with integrity and possess relevant expertise and experience, have given declarations to the effect that they meet the criteria of independence as laid down under Section 149 of the Companies Act, 2013.

Your Directors have wide experience in business related to trading, finance and general corporate management.

### Board Meetings and Annual General Meeting

Your Board of Directors met five times during the year under review on 5<sup>th</sup> May, 2015, 3<sup>rd</sup> August, 2015, 19<sup>th</sup> October, 2015, 6<sup>th</sup> November, 2015 and 23<sup>rd</sup> February, 2016, *inter alia* to review the financial performance of your Company and matters relating to its operations and statutory compliance. The gap between two consecutive meetings did not exceed 120 days. The eighth Annual General Meeting of Company was held on 29<sup>th</sup> September, 2015.

The attendance of the Directors at the Board Meetings of the Company were as under:-

Name of the Director	No. of Board Meetings attended
Mr. Zhooben Bhiwandiwala	5
Mr. Rajeev Dubey	4
Mr. Parag Shah	5
Mr. Rafique Abdul Malik	4
Mr. Arvind Kumar Singhal	4
Ms. Sheetal Mehta	3
Mr. Shriprakash Shukla	1

### Meeting of Independent Directors

The Independent Directors of the Company met on 19<sup>th</sup> October, 2015 without the presence of the Chairman and other Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer, Company Secretary and any other Management Personnel. The Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to *inter alia*, review performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### Evaluation of performance:

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Non-Executive Directors.

The Directors expressed their satisfaction with the evaluation process.

### Committees of the Board

#### Audit Committee

The Audit Committee comprised of the following members:

Name of the Director	Designation
Mr. Rafique Abdul Malik	Chairman
Mr. Arvind Kumar Singhal	Member
Mr. Zhooben Bhiwandiwala	Member

The Committee met thrice during the year under review on 5<sup>th</sup> May, 2015, 19<sup>th</sup> October, 2015 and 23<sup>rd</sup> February, 2016 and complied with the terms of reference assigned to the Committee.

Your Company has established vigil mechanism for directors and employees to report genuine concerns in accordance with section 177 of Companies Act, 2013. It provides for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

The attendance at the Meetings of the Audit Committee were as under:

Name of the Director	No. of Meetings attended
Mr. Rafique Abdul Malik	3
Mr. Arvind Kumar Singhal	3
Mr. Zhooben Bhiwandiwala	3

#### Nomination and Remuneration Committee

The composition of the Nomination and Remuneration Committee is as follows: -

Name of the Director	Designation
Mr. Rajeev Dubey	Chairman
Mr. Rafique Abdul Malik	Member

Name of the Director	Designation
Mr. Arvind Singhal	Member
Mr. Zhooben Bhiwandiwal	Member

The Committee met twice during the year under review on 5<sup>th</sup> May, 2015 and 3<sup>rd</sup> August, 2015, which was attended by all the members of the Committee.

#### Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on representation from operating management and after due enquiry confirm that:

- in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed and that there were no material departures in respect thereof;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the Loss of the Company for the financial year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared annual accounts on a going concern basis; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### Codes of Conduct

Your Company has adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company's ethos.

Your Company has for the year under review, received declarations from the Board Members affirming compliance with Code of Conduct for Directors and Senior Management Employees.

Your Company has received further declarations from the Independent Directors affirming compliance with the Code of Conduct for Independent Directors.

#### Key Managerial Personnel (KMP)

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, key managerial personnel of your Company are as below:

Sr. No	Name of the Director	Designation
1.	Mr. Prakash Wakankar	Chief Executive Officer
2.	#Mr. Amar Korde (Resigned w.e.f 3 <sup>rd</sup> March, 2015 and was Re-appointed w.e.f 5 <sup>th</sup> May, 2015)	Chief Financial Officer
3.	Ms. Rinkal Mehta (from 8 <sup>th</sup> December, 2014 to 31 <sup>st</sup> July, 2015)	Company Secretary
4.	Mr. Sandesh Pokhriyal (from 3 <sup>rd</sup> August, 2015 to 19 <sup>th</sup> February, 2016)	Company Secretary
5.	Ms. Rupal Jain (w.e.f 23 <sup>rd</sup> May, 2016)	Company Secretary

# Mr. Amar Korde ceased to be the Chief Financial Officer of the Company on account of his resignation with effect from 23<sup>rd</sup> May, 2016.

#### Subsidiaries and Associates

A report on the performance and financial position of each of the subsidiaries and associates of the Company pursuant to the provisions of the Section 129(3) of the Companies Act, 2013 for the year ended 31<sup>st</sup> March, 2016, is provided in Form AOC – 1 and is attached as **Annexure I** to this Report.

#### Consolidated Financial Statement

In accordance with Section 134(7) of the Companies Act, 2013 the audited consolidated financial statements of your Company forms part of this report.

#### Statutory Auditors

At the Seventh Annual General Meeting, Messrs. B. K. Khare & Co., Chartered Accountants, (Firm registration Number 105102W) were appointed as the Statutory Auditors of your Company for a period of five years. They hold office up to the conclusion of Twelfth Annual General Meeting.

Pursuant to the first proviso of Section 139(1) of Companies Act, 2013, members are requested to ratify the appointment of Statutory Auditors and fix their remuneration at the ensuing ninth Annual General Meeting.

As required under the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, your Company has obtained a written consent and certificate from Statutory Auditors to the effect that their appointment, if ratified, would be in conformity with the conditions, limits and criteria specified therein.

As a 'matter of emphasis' the Auditors in their report have stated that the financial statements of your Company have been prepared on the assumption that the Company will continue as a going concern basis on Management's turnaround strategy and continued financial support from the holding company.

As an explanation to the 'matter of emphasis' as stated by the Auditors in their Report, your Directors states that the Management of your Company has conveyed the turnaround strategy and has ensured continued financial support from the holding company.

Your Directors confirm that the Auditors Report does not contain any qualification, reservation or adverse remark.

#### Internal Financial Controls

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry your Directors confirm that they have laid down internal finance controls with reference to the Financial Statements and these controls are adequate.

#### Internal Auditors

Pursuant to Section 138 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, Mr. Mario Nazareth was appointed as the Internal Auditor of your Company for the year ended 31<sup>st</sup> March, 2016. The Board at its meeting held on 23<sup>rd</sup> May, 2016 re-appointed Mr. Mario Nazareth as the Internal Auditor of your Company for the year ending 31<sup>st</sup> March, 2017.

#### Secretarial Auditors

Your Company had appointed M/s. Mehta & Mehta, Company Secretaries as Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 to conduct the secretarial audit for FY 2015-16.

In terms of provisions of sub-section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Board Report, a secretarial audit report given by the Secretarial Auditors and the said secretarial report, in prescribed form MR 3 at **Annexure II** forms part of this report.

Secretarial Auditors have qualified their report stating that the Company has been declaring itself as 'manufacturer' of infant and women apparels, however they have not been provided with document(s) or information pertaining to registration as 'manufacturer' and related compliances .

It has been clarified to them that the Company is only a 'trader' and not a 'manufacturer' of infant and women apparels. The Company has been declaring itself as a 'manufacturer' only for the purpose of labelling requirements as required by Legal Metrology Act, 2009. Going forward all labels will reflect the manufacturers details and show 'Mahindra Retail Private Limited' as the 'retailer' or 'importer' as the case may be.

#### Frauds Reported by Auditors

During the year under review, the Statutory Auditors and Secretarial 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.

#### Policy on criteria for Appointment/Removal of Directors and Senior Management Personnel and the Policy for Remuneration of Directors, Key Managerial Personnel and Other Employees

In line with the principles of transparency and consistency and upon the recommendation of the Nomination and Remuneration Committee your Board had approved:-

- Policy on criteria for the appointment/removal of Directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors and

- Policy on the remuneration of Directors, Key Managerial Personnel and other employees.

These policies are provided as **Annexure III** and forms part of this Report.

#### Risk Management Policy

Your Company has formulated Risk Management Policy including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risk and enabling the Company to manage the same, if confronted with.

#### Investment in Mahindra Internet Commerce Private Limited (formerly known as Mahindra United Football Club Private Limited)

During the year under review, your company invested in 2,79,90,000 Equity Shares of Mahindra Internet Commerce Private Limited (formerly known as Mahindra United Football Club Private Limited) a wholly owned subsidiary of your Company.

#### MRPL EMPLOYEES STOCK OPTION SCHEME – 2015:

The Members of the Company by way of special resolution passed on 4<sup>th</sup> November, 2015 approved the MRPL EMPLOYEES STOCK OPTION SCHEME – 2015 in order to create, offer and grant from time to time, in one or more tranches, upto 7,53,46,324 (Seven Crore Fifty Three Lakhs Forty Six Thousand Three Hundred and Twenty Four Only) Options to or for the benefit of the employees of the Company who have been working in India or outside India or a director of the company, whether a whole time director or not but excluding an independent director under the Scheme, exercisable upto 7,53,46,324 (Seven Crore Fifty Three Lakhs Forty Six Thousand Three Hundred and Twenty Four Only) Equity Shares of face value of Rs. 10/- each fully paid up, in one or more tranches on such terms and conditions and criteria for grant of option, in respect of each tranche of options granted as may be fixed or determined by the Board in accordance with MRPL EMPLOYEES STOCK OPTION SCHEME – 2015 and Rules framed in this regard or other provisions of law as may be prevailing at that time or regulations issued by the relevant authorities.

The Committee under the MRPL EMPLOYEES STOCK OPTION SCHEME – 2015 comprises of the following:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Zhooben Bhiwandiwala	Member	Non-Executive Director	Non-Independent Director
Mr. Parag Shah	Member	Non-Executive Director	Non-Independent Director

However, during the year under review, since no options were granted to the eligible employees, under the MRPL

EMPLOYEES STOCK OPTION SCHEME – 2015, there are no details to be disclosed under the said Scheme pursuant to the Companies (Share Capital and Debentures) Rules, 2014.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 are given as **Annexure IV** to this Report.

#### **Disclosure of Particulars of Employees as required under Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Being unlisted company, provisions of Rule 5(2) of the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013 and Deposit under Chapter V of the Companies Act, 2013.**

Your Company has not accepted deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013.

There were no loans granted, securities provided and investments made during the year under review pursuant to Section 186 of the Companies Act, 2013.

There are no loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the ultimate parent company Mahindra and Mahindra Limited.

#### **Safety, Health and Environment Performance**

Your Company is committed to protecting the health and safety of employees, customers and protecting the environment and public wherever they conduct business activities.

Your Company is committed to the belief that all occupational injuries and illnesses are preventable. Each employee has a personal and vital responsibility to contribute to safe work performance.

The objective is to continuously improve health, safety, and environmental performance, and in doing so, to be recognized as a leader in the retail industry. Your Company's approach to Safety, Health and Environment is with the same level of responsibility and is as methodical as they attend to issues concerning product quality, productivity and cost-efficiency.

Some of the other key initiatives are as follows:

- Provide healthy and safe workplaces with security and ergonomics that are built into the design of the workplace (offices & stores) with best operating practices incorporated to provide employees a safe environment free from any kind of discrimination including a stringent.

- All employees are subjected to pre-employment medical check-ups and are provided with health and hospitalization insurance cover for self, spouse and children.
- Conduct periodic programmes addressing healthy living, stress free living and work-life balance.

#### **Sustainability Initiatives**

Your Company is committed to embracing sustainability with the following five objectives followed up with policies and action plans to drive them:

- Reduction of power consumption: Tracking Power consumption by Units at the Corporate Office and across the stores by implementation of policies like mandatory submission of Power Bill with Units consumption.
- Implementation of Energy Management System in the store – devices or Peak/Non-Peak circuitry and timer for main signage at the time of store design and construction and certification of the same mandatory at the time of handing over the property to operations for trading.
- Reduction of paper consumption: Control printing paper by controlling of issue of papers in quota, paper utilization report compulsory as part of store petty cash utilization, double sided printing and recycling of waste paper mandatory. Control Printed Communication by monitoring printer paper quantity and approval of quantities for Marketing and HR mass distribution, recycling by incorporation of system wherein all unwanted paper is dropped in Recycle Bins at Corporate Office and Stores and reused with small seal reading "recycled" on them.
- Reduction of travel: Tracking of Travel by incorporating a Travel requisition system to minimize travel, monthly travel report to all department heads, encourage use of Skype/ Video Conferencing.
- Reduction of transportation: Control of Material Transportation (in km) by tracking truck movement for stock movement and delivery, developing local/regional suppliers to reduce transportation cost for new store.  
Encourage Car Pooling & use of mass transportation systems for employees coming to work and when on outstation duties.
- Reuse/Repurpose of materials: Identification of all Capex fit-out materials (Fixtures, Mannequins, lights, signage, hangers etc.) which are unused in all stores and consolidation and refurbishment of the same. Identification of scrap materials with vendors and development of fit-out materials from the same for new requirements for the same in the stores.

#### **Particulars of Transactions with Related Parties**

Particulars of contracts or arrangements with related parties are given in form AOC – 2 as **Annexure V** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and

Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as **Annexure VI** and forms part of this report.

**The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for prevention of sexual harassment.

**General Disclosures:**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.

3. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Provisions relating to Corporate Social Responsibility (CSR) enumerated under section 135 of the Companies Act, 2013.

**Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**Mr. Zhooben Bhiwandiwal**  
Chairman

Mumbai, 23<sup>rd</sup> May, 2016

**ANNEXURE I – TO THE DIRECTORS' REPORT****Form AOC-1**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part “A”: Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
1.	Name of the subsidiary	Mahindra Internet Commerce Pvt Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Same as Holding Company
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	NA
4.	Share capital	330,000,000
5.	Reserves & surplus	(319,074,763)
6.	Total assets	203,574,502
7.	Total Liabilities	203,574,502
8.	Investments	Nil
9.	Turnover	252,169,460
10.	Profit before taxation	(286,937,406)
11.	Provision for taxation	Nil
12.	Profit after taxation	(286,937,406)
13.	Proposed Dividend	Nil
14.	% of shareholding	100%

**Part “B”: Associates and Joint Ventures – NA****For and on behalf of the Board****Mr. Zhooben Bhiwandiwala**  
ChairmanMumbai, 23<sup>rd</sup> May, 2016



**ANNEXURE II**  
**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

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

To,  
The Members,  
Mahindra Retail Private Limited  
Mahindra Towers,  
P.K. Kurne Chowk, Worli,  
Mumbai - 400 018.

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

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officer, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (during the year under review not applicable to the Company);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;(during the year under review not applicable to the Company, as the shares of the Company are not in dematerialized form);
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Overseas Direct Investment;(during the year under review not applicable to the Company as the Company does not have any foreign direct investment, overseas direct investment and external commercial borrowings);

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (during the year under review not applicable to the Company as the Company is an unlisted company);
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (during the year under review not applicable to the Company as the Company is an unlisted company);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (during the year under review not applicable to the Company as the Company is an unlisted company and not proposing to get its securities listed);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (during the year under review not applicable to the Company as the Company is an unlisted company);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (during the year under review not applicable to the Company as the Company is an unlisted company and not proposing to get debt securities listed);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (during the year under review not applicable to the Company as the Company is not availing services of Registrars to an Issue and Share transfer Agent);
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (during the year under review not applicable to the Company); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (during the year under review not applicable to the Company as the company is unlisted company);
- (vi) Legal Metrology Act, 2009;

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

- a) Secretarial Standards issued by the Institute of Company Secretaries of India;
- b) Listing Agreement entered with National Stock Exchange of India Limited and BSE Limited for the period from

1<sup>st</sup> April, 2015 to 30<sup>th</sup> November, 2015 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the period from 1<sup>st</sup> December, 2015 to 31<sup>st</sup> March, 2016 (during the year under review not applicable to the company);

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

The company is a manufacturer of infant and women apparels. *However, we have not been provided with any document(s) or information pertaining to the registration as manufacturer of infant and women apparels and compliances in the said regard. Hence, we cannot comment on the compliances of the respective law, rules and regulations for the same.*

**We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of the Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during

the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions of the Board are carried through unanimously. As per the records provided by the Company, none of the member of the Board dissented on any resolution passed at the meeting of the Board.

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

We further report that during the audit period there were following specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.:-

1. Rights issue of shares during the financial year 01.04.2015 - 31.03.2016:-

Sr. No	Number of shares offered	Date of Board meeting in which it was offered	Number of shares Allotted	Date of allotment of shares	Number of shares cancelled due to unsubription	Date of board meeting in which shares were cancelled
1	5,71,61,655 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 57,16,16,550 (Rupees fifty seven crores sixteen lakhs sixteen thousand five hundred and fifty rupees only)	25 <sup>th</sup> March, 2016	5,50,00,000 equity shares were allotted to Mahindra Engineering and Chemical Product Limited	28.04.2015 (by circular resolution)	21,61,655 Equity Shares	05.05.2015
2	1,55,32,485 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 15,53,24,850 (Rupees fifteen crore fifty three lakhs twenty four thousand eight hundred and fifty rupees only)	05.05.2015	1,50,00,000 equity shares were allotted to Mahindra Engineering and Chemical Product Limited	11.06.2015 (by circular resolution)	5,32,485 Equity Shares	03.08.2015
3	2,58,64,653 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 25,86,46,530 (Rupees Twenty five crore eighty six lakhs forty six thousand five hundred and thirty rupees only)	03.08.2015	2,50,00,000 equity shares were allotted to Mahindra Engineering and Chemical Product Limited	29.09.2015 (by circular resolution)	8,64,653 Equity shares	19.10.2015
4	2,02,40,612 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 20,24,06,120/- (Rupees Twenty crore twenty four lakhs six thousand one hundred and twenty rupees only)	19.10.2015	2,00,00,000 Equity shares were allotted to Mahindra Engineering and Chemical Products Limited	23.12.2015 (by circular resolution)	2,40,612 Equity shares	23.02.2016
5	2,20,00,000 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 22,00,00,000/- (Rupees Twenty Two Crore only)	23.02.2016	2,20,00,000 Equity shares were allotted to Mahindra Engineering and Chemical Products Limited	29.03.2015 (by circular resolution)	N.A.	N.A.
6	1,80,00,000 Equity Shares of Rs. 10/- each at par for cash aggregating Rs. 18,00,00,000/- (Rupees Eighteen Crores only)	23.02.2016	1,80,00,000 Equity shares were allotted to Mahindra Engineering and Chemical Products Limited	31.03.2016 (by circular resolution)	N.A.	N.A.

## 2. Investment made by the Company during the financial year 01.04.2015-31.03.2016,

<b>Sr. No.</b>	<b>Name of the company in which investment made</b>	<b>Mode of investment</b>	<b>Date of Allotment</b>
1	Mahindra Internet Commerce Pvt Ltd (Wholly Owned Subsidiary of the Company)	Rs. 2,50,00,000/- (Rupees Two crores fifty lakhs only), either by subscribing to the equity shares on rights issue or otherwise.	22.04.2015
2	Mahindra Internet Commerce Pvt Ltd (Wholly Owned Subsidiary of the Company)	Rs. 5,00,00,000/- (Rupees Five crores only), either by subscribing to the equity shares on rights issue or otherwise.	11.06.2015
3	Mahindra Internet Commerce Pvt.Ltd (Wholly Owned Subsidiary of the Company)	Rs. 2,49,00,000/- (Rupees Two crores forty nine lakhs only), either by subscribing to the equity shares on rights issue or otherwise.	25.09.2015
4	Mahindra Internet Commerce Pvt Ltd (Wholly Owned Subsidiary of the Company)	Rs. 18,00,00,000/- (Rupees Eighteen crores only), either by subscribing to equity shares on rights basis or otherwise.	31.03.2016

3. 1,30,00,000 Equity shares of Rs. 10/- each were transferred from IDBI Trusteeship Services limited to Mahindra Engineering and Chemicals Products Limited in the board meeting held on 19.10.2015.

**For Mehta & Mehta,  
Company Secretaries  
(ICSI Unique Code P1996MH007500)**

**Anshul Kumar Jain  
Partner**

FCS No: 5547  
CP No.: 13181

Place: Mumbai  
Date: May 23, 2016

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

## ANNEXURE A

To,  
The Members,  
Mahindra Retail Private Limited  
Mahindra Towers,  
P. K. Kurne Chowk, Worli,  
Mumbai - 400 018.

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

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

**For Mehta & Mehta,  
Company Secretaries,  
(ICSI Unique Code P1996MH007500)**

**Anshul Kumar Jain  
Partner**

FCS No: 5547  
CP No.: 13181

Place: Mumbai  
Date: May 23, 2016

## ANNEXURE III TO THE DIRECTORS' REPORT

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Retail Private Limited

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.

- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman & Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman & Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

#### II. SUCCESSION PLANNING:

##### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

##### Board:

The successors for the Independent Directors shall be identified by the NRC atleast one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel:**

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a laddered approach.

**Policy Statement**

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

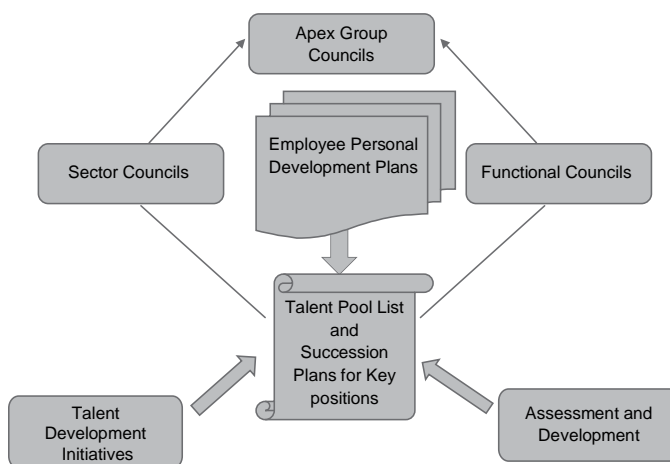
The framework lays down an architecture and processes to address these questions using the **3E** approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of Senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector / Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts

an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

**POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

**Purpose**

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Retail Private Limited.

**Policy Statement**

We have a well-defined Compensation policy which is in line with our parent company Mahindra & Mahindra Ltd. for Managing Director, Manager, Key Managerial Personnel and all employees, of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

**NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as

director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

#### **Executive Directors:**

The remuneration to Chairman & Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

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

The terms of remuneration of Chief Financial Officer (CFO) and Company Secretary (CS) & other Key Management personnel, if any, shall be determined by the NRC from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act, 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### **Employees**

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

For and on behalf of the Board

**Zhooben Bhiwandiwala**  
Chairman

Mumbai, 23<sup>rd</sup> May, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

(a) the steps taken or impact on conservation of energy:

The operations of your Company are not energy intensive. Your Company has, however, taken adequate measures to reduce energy consumption.

(b) the steps taken by the company for utilizing alternate sources of energy: None

(c) the capital investment on energy conservation equipments: NIL

#### B. TECHNOLOGY ABSORPTION

i) the efforts made towards technology absorption: None

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not applicable

iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – None

(a) the details of technology imported: NIL

(b) the year of import: NIL

(c) whether the technology been fully absorbed: NIL

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: NIL

iv) the expenditure incurred on Research and Development: NIL

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: *(in terms of actual inflow and outflow)*

Total Foreign Exchange Earned and Used:	(Rs. in Lakhs)	
	For the Financial Year ended 31 <sup>st</sup> March, 2016	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	Nil	Nil
Total Foreign Exchange Used	2,123.78	1730.37

**For and on behalf of the Board**

**Mr. Zhooben Bhiwandiwala**  
Chairman

Mumbai, 23<sup>rd</sup> May, 2016



**ANNEXURE V TO THE DIRECTORS' REPORT****FORM NO. AOC-2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis. - NIL
2. Details of material contracts or arrangements or transactions at Arm's length basis.

Sr. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Bristlecone India Ltd - Fellow Subsidiary
b)	Nature of contracts/arrangements/transaction	Professional Fees – IT services
c)	Duration of the contracts/arrangements/transaction	Annual/Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	IT Services – Rs. 1,38,00,747/-
e)	Date of approval by the Board	Not Applicable (Refer Note)
f)	Amount paid as advances, if any	Nil

Sr. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mahindra and Mahindra Limited – Ultimate Holding Company
b)	Nature of contracts/arrangements/transaction	Expense Reimbursement – IT shared services - Other Services
c)	Duration of the contracts/arrangements/transaction	Annual/Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	IT shared services : Rs.86,44,060/- Other Expense Reimbursement : Rs. 46,90,892/-
e)	Date of approval by the Board	Not Applicable (Refer Note)
f)	Amount paid as advances, if any	Nil

Sr. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mahindra Logistics Limited – Fellow Subsidiary
b)	Nature of contracts/arrangements/transaction	Logistics Expenses – Freight and Customs Clearing
c)	Duration of the contracts/arrangements/transaction	Annual/Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Logistics Expense : Rs. 6,31,81,341/- Interest Expense : Rs.22,65,411/-
e)	Date of approval by the Board	Not Applicable (Refer Note)
f)	Amount paid as advances, if any	Nil

Sr. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mahindra Internet Commerce Private Limited – Subsidiary Company
b)	Nature of contracts/arrangements/transaction	Purchase and Sale of Goods
c)	Duration of the contracts/arrangements/transaction	Annual/Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Purchases : Rs. 1,40,77,725/- Sales : Rs. 1,86,30,571/- Services received : Rs.93,99,614/- Service provided : 16,21,244/-

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
e)	Date of approval by the Board	Not Applicable (Refer Note)
f)	Amount paid as advances, if any	Nil

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
a)	Name (s) of the related party & nature of relationship	Lords Freight India Private Limited – Fellow Subsidiary
b)	Nature of contracts/arrangements/transaction	Logistics Expenses – Freight and Customs Clearing
c)	Duration of the contracts/arrangements/transaction	Annual/Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Freight and Customs Clearing : 1,39,59,016/-
e)	Date of approval by the Board	Not Applicable (Refer Note)
f)	Amount paid as advances, if any	Nil

Note: All these transactions are at arm's length and are in ordinary course of business. Accordingly Board approval is not required as per proviso to sub section (1) of Section 188 of the Companies Act, 2013. Approval of Audit Committee has been taken in the meetings held on 5<sup>th</sup> May, 2015, 19<sup>th</sup> October, 2015 and 23<sup>rd</sup> February, 2016.

**For and on behalf of the Board**

**Mr. Zhooben Bhiwandiwala**  
Chairman

Mumbai, 23<sup>rd</sup> May, 2016

**ANNEXURE VI TO THE DIRECTORS' REPORT**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN**as on the financial year ended on 31<sup>st</sup> March, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U52190MH2007PTC173762
2.	<b>Registration Date</b>	3 <sup>rd</sup> September, 2007
3.	<b>Name of the Company</b>	Mahindra Retail Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by shares/Indian Non-Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai - 400018. Tel: 022-24905623
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

Sr. No.	Name and Description of main Products/Services	NIC Code of the Product	% to total turnover of the Company
1.	Retail sale of Mother and Child care products	52190	99%

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

Sr. No.	Name and Address of the Company	CIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Retail Initiative Holdings Limited (RIHL) Mahindra Towers, P K Kurne Chowk, Worli, Mumbai – 400 018	U67110MH2008PLC188837	Holding Company	74.56	2(46)
2.	Mahindra Engineering and Chemical Products Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	U74999MH1954PLC019908	Holding Company (through RIHL)	24.40	2(46)
3.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	L65990MH1945PLC004558	Ultimate Holding Company	–	2(46)
4.	Mahindra Internet Commerce Private Limited Mahindra Towers, P K Kurne Chowk, Worli, Mumbai – 400 018	U52399MH2008PTC187927	Subsidiary Company	100	2(87)(ii)

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

i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	52,04,63,236	52,04,63,236	97.56	-	68,84,63,236	68,84,63,236	100	2.44
e. Bank/FI	-	1,30,00,000	1,30,00,000	2.44	-	-	-	-	(2.44)
f. Any other	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(1)</b>	-	<b>53,34,63,236</b>	<b>53,34,63,236</b>	<b>100</b>	-	<b>68,84,63,236</b>	<b>68,84,63,236</b>	<b>100</b>	-
<b>2. Foreign</b>									
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other-Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holding of Promoters (A)(1+2)</b>	-	<b>53,34,63,236</b>	<b>53,34,63,236</b>	<b>100</b>	-	<b>68,84,63,236</b>	<b>68,84,63,236</b>	<b>100</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
i. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDR's and ADR's</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>53,34,63,236</b>	<b>53,34,63,236</b>	<b>100</b>	-	<b>68,84,63,236</b>	<b>68,84,63,236</b>	<b>100</b>	-

## ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares Pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of shares Pledged/encumbered to total shares	
1.	Retail Initiative Holdings Limited	51,32,88,514	96.22%	–	51,32,88,514	74.56	–	–
2.	Mahindra Engineering and Chemical Products	1,000	0.00%	–	16,80,01,000	24.40	–	–
3.	Technopak Advisors Private Limited	71,73,722	1.34%	–	71,73,722	1.04	–	–
4.	IDBI Trusteeship Services Limited (India Advantage Fund – V)	1,30,00,000	2.44%	–	–	–	–	–
	<b>Total</b>	<b>53,34,63,236</b>	<b>100</b>	<b>–</b>	<b>68,84,63,236</b>	<b>100</b>	<b>–</b>	<b>–</b>

## iii. Change in Promoters' Shareholding:

Name of the Shareholder	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
<b>Mahindra Engineering and Chemical Products Limited</b>				
<b>At the beginning of the year</b>	1,000	0.00%	–	–
Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
28.04.2015 Increase – Allotment of 5,50,00,000 equity shares			5,50,01,000	
11.06.2015 Increase – Allotment of 1,50,00,000 equity shares			7,00,01,000	
29.09.2015 Increase – Allotment of 2,50,00,000 equity shares			9,50,01,000	
19.10.2015 Increase – Transfer of 1,30,00,000 equity shares by IDBI Trusteeship Services Limited (India Advantage Fund – V)			10,80,01,000	
23.12.2015 Increase – Allotment of 2,00,00,000 equity Shares			12,80,01,000	
29.03.2016 Increase – Allotment of 2,20,00,000 equity Shares			15,00,01,000	
31.03.2016 Increase – Allotment of 1,80,00,000 equity Shares			16,80,01,000	
<b>At the end of the Year</b>			<b>16,80,01,000</b>	<b>24.40</b>

Name of the Shareholder	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
<b>IDBI Trusteeship Services Limited (India Advantage Fund – V)</b>				
<b>At the beginning of the year</b>	1,30,00,000	2.44	–	–
Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
19.10.2015 Decrease – Transfer of 1,30,00,000 equity shares to Mahindra Engineering and Chemical Products Limited	–	–	–	–
<b>At the end of the Year</b>	–	–	–	–

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	–	–	–	–	–

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	–	–	–	–	–

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment: (Rs. In Lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	–	–	–	–
1) Principal Amount	3339	–	–	3339
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	<b>3339</b>	<b>–</b>	<b>–</b>	<b>3339</b>
<b>Change in Indebtedness during the financial year</b>	–	–	–	–
+ Addition	1183	1500	–	2683
– Reduction	–274	–	–	–274
<b>Net Change</b>	<b>909</b>	<b>1500</b>	<b>–</b>	<b>2409</b>
<b>Indebtedness at the end of the financial year 31.03.2016</b>	–	–	–	–
1) Principal Amount	4248	1500	–	5748
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	30	23	–	53
<b>Total of (1+2+3)</b>	<b>4278</b>	<b>1523</b>	<b>–</b>	<b>5801</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Nil

(Rs In Lakhs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	–	–	–
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	–	–	–
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission – As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify	–	–	–
	<b>Total (A)</b>	–	–	–
	Ceiling as per the Act		–	

B. Remuneration to other directors:

I. Independent Directors :-

(Rs. In Lakhs)

Particulars of Remuneration	Name of Directors		Total Amount
	Mr. Arvind Singhal	Mr. Rafique Malik	
Fee for attending board/committee meetings	-	-	-
Commission	-	-	-
Others	-	-	-
<b>Total (1)</b>	-	-	-

II. Other Non-Executive Directors :-

(Rs. In Lakhs)

Other Non-Executive Directors	Mr. Rajeev Dubey	Mr. Zhooben Bhiwandiwala	Mr. S. P. Shukla	Ms. Sheetal Mehta	Mr. Parag Shah	Total Amount
Fee for attending board/committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (2)</b>						
<b>Total B = (1+2)</b>	-					
Ceiling as per the Act	-					

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

(Rs. In Lakhs)

Sr. No	Particulars of Remuneration	Name of the KMP			Total Amount
		CEO	CFO	CS	
1.	Gross Salary				
	Salary as per provisions contained in section 17(1) of the Income Tax Act	160.36	68.42	-	228.78
	Value of perquisites under Section 17(2) of the Income Tax Act, 1961	61.60	0.39	-	61.99
	Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission	-	-	-	-
	- As % of Profit	-	-	-	-
	- Others, specify	-	-	-	-
5.	Others				
	Professional Fees	-	-	3.24	3.24
	Contribution to Provident Fund & Gratuity	6.29	3.11	-	9.40
	Performance Bonus	47.31	4.48	-	51.79
	<b>Total (C)</b>	<b>275.56</b>	<b>76.40</b>	<b>3.24</b>	<b>355.20</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

Particulars	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	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**B. DIRECTORS**

Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**C. OTHER OFFICERS IN DEFAULT**

Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**For and on behalf of the Board**

**Mr. Zhooben Bhiwandiwala**  
Chairman

Mumbai, 23<sup>rd</sup> May, 2016



## INDEPENDENT AUDITOR'S REPORT

To the Members of **MAHINDRA RETAIL PRIVATE LIMITED**

### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Mahindra Retail Private Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. 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.
5. 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.
6. 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.

7. 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

8. 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 March 31, 2016, and its loss and its cash flows for the period from April 1, 2015 to March 31, 2016.

### Emphasis of Matter

9. We draw attention to Note no. 39 of the accompanying financial statements regarding the financial statements having been prepared on the assumption that the Company will continue as a going concern based on Management's turnaround strategy and continued financial support from the holding company.

Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-Section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow 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 (as amended);

- e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 33 to the financial statements.
  - ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Mumbai, May 23, 2016

**ANNEXURE I TO THE AUDITOR'S REPORT**

**Referred to in paragraph 9 of our report of even date on the standalone financial statements of Mahindra Retail Private Limited for the year ended March 31, 2016**

**Annexure to the Auditor's Report referred to in our report of even date:**

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) These fixed assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
- (c) There is no immovable property held by Company.
- II. Physical verification of inventory has been conducted at reasonable intervals by the management and discrepancies noticed on physical verification by the Management have been properly adjusted in the books of account.
- III. The Company has not granted any loans to parties covered in the register maintained under Section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The Company has not granted any loans or made any investments, or provided any guarantees or securities to the parties covered under Section 185 & 186 of the Companies Act, 2013. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the company.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The clause 3(v), therefore is not applicable to the company.
- VI. As informed to us maintenance of cost records Under Section 148(1) of the Companies Act, 2013 is not prescribed to the Company.
- VII. (a) According to the records of the Company and information and explanations given to 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no disputed dues of income tax or sales tax, wealth tax, service tax, duty of customs, duty of excise value added tax and cess which have not been deposited on account of any dispute except for:

Nature of statute	Nature of dues	Amount (Rs in lakhs)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	305	2008-09	CIT(A)
Service tax	Service tax on immovable properties	252.52	Sept 2009 to Sept 2011	Supreme Court

- VIII. Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- IX. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year, and accordingly, Para 3(ix) of the Order is not applicable to the Company.
- X. To the best of our knowledge and according to the information and explanations given to us, the Management has during the year identified six instances of fraud on the Company involving Rs 1.36 lakhs. Except that, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we have been informed of any such instance by the Management.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not paid or provided any managerial remuneration. Hence, the provisions of Section 197 read with Schedule V to the Companies Act, 2013 is not applicable to the Company.
- XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner

Mumbai, May 23, 2016

Membership Number: 044784

**ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MAHINDRA RETAIL PRIVATE LIMITED**

**Report 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 Mahindra Retail Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

**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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**For B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number 105102W

**Padmini Khare Kaicker**

Partner

Mumbai, May 23, 2016

Membership Number: 044784

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	Amount in Rs.	
		Mar-16	Mar-15
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share Capital .....	2	6,884,632,360	5,334,632,360
(b) Reserves and Surplus .....	3	(6,752,739,617)	(5,822,021,169)
(2) Share Application Money Pending Allotment .....		–	550,000,000
(3) Non-Current liabilities			
(a) Long term Borrowings.....	4	223,610,242	308,182,831
(b) Other long term liabilities .....	5	51,197,156	2,200,000
(c) Long term provisions.....	6	8,318,320	7,944,622
(4) Current liabilities			
(a) Short term Borrowings .....	7	268,255,483	–
(b) Trade payables .....	8	222,662,783	180,740,679
(c) Other current liabilities.....	9	516,317,459	424,321,589
(d) Short term provisions .....	10	6,239,139	3,782,337
<b>TOTAL</b>		<b><u>1,428,493,325</u></b>	<b><u>989,783,249</u></b>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed Assets	11		
(i) Tangible assets .....		119,118,759	168,339,560
(ii) Intangible assets.....		8,925,005	2,172,358
(iii) Capital work in progress.....		18,309,208	167,626
(b) Non Current Investments .....	12	331,364,000	76,464,000
(c) Long term loans and advances .....	13	167,845,299	169,991,596
(2) Current assets			
(a) Inventories.....	14	709,224,814	366,026,928
(b) Trade Receivables.....	15	8,298,608	39,923,403
(c) Cash and Bank Balances.....	16	20,218,974	105,106,215
(d) Short term loans and advances.....	17	45,188,658	61,591,563
<b>TOTAL</b>		<b><u>1,428,493,325</u></b>	<b><u>989,783,249</u></b>
Significant Accounting Policies	1		

Accompanying notes are an integral part of Financial Statements

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors

**Zhooben Bhiwandiwala**  
Chairman

**Parag Shah**  
Director

**Prakash Wakankar**  
Chief Executive Officer

**Amar Korde**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

<b>Particulars</b>	<b>Note No.</b>	<b>Amount in Rs.</b>	
		<b>Year Ended Mar-16</b>	<b>Year Ended Mar-15</b>
I. Revenue from operations.....	18	2,034,328,412	2,098,766,014
II. Other Income.....	19	5,417,112	6,562,089
<b>III. Total Revenue (I + II)</b>		<b><u>2,039,745,523</u></b>	<b><u>2,105,328,103</u></b>
<b>IV. EXPENSES</b>			
Purchase of stock in trade.....		1,596,054,509	1,092,898,251
Changes in Inventories of stock in trade.....	20	(342,136,250)	166,881,724
Employee benefits expense.....	21	320,200,275	441,425,883
Finance cost .....	22	72,729,322	100,195,772
Depreciation and amortisation expense.....		107,617,034	182,818,046
Other expenses .....	23	1,215,999,081	1,310,005,541
<b>Total Expenses</b>		<b><u>2,970,463,971</u></b>	<b><u>3,294,225,217</u></b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV) ....</b>		<b>(930,718,448)</b>	<b>(1,188,897,114)</b>
VI. Exceptional Items .....		—	—
<b>VII. Profit before extraordinary items and tax (V - VI).....</b>		<b>(930,718,448)</b>	<b>(1,188,897,114)</b>
VIII. Extraordinary items .....		—	—
<b>IX. Profit before tax (VII - VIII) .....</b>		<b>(930,718,448)</b>	<b>(1,188,897,114)</b>
X. Tax expense			
(1) Current tax.....		—	—
(2) Deferred tax.....		—	—
<b>XI. Profit (Loss) for the period (IX - X).....</b>		<b>(930,718,448)</b>	<b>(1,188,897,114)</b>

<b>XII. Earnings per equity share:</b>		<b>INR</b>	<b>INR</b>
(1) Basic .....	30	(1.51)	(2.15)
(2) Diluted .....	30	(1.51)	(2.15)
Nominal value per share		10	10

Significant Accounting Policies

1

Accompanying notes are an integral part of Financial Statements

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors

**Zhooben Bhiwandiwala**  
Chairman

**Parag Shah**  
Director

**Prakash Wakankar**  
Chief Executive Officer

**Amar Korde**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	<b>Amount in Rs.</b>	
	<b>Year Ended Mar-16</b>	<b>Year Ended Mar-15</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Profit before tax</b>	<b>(930,718,448)</b>	<b>(1,188,897,114)</b>
<b>Adjustments for:</b>		
Depreciation & Amortization .....	107,617,034	182,818,046
Impairment Provision.....	13,033,933	16,409,672
Finance Cost	72,729,322	100,195,772
Loss/(Profit) on fixed assets sold/scrapped.....	(3,355,406)	41,081,928
Interest Income.....	(275,355)	(770,245)
	<u>189,749,528</u>	<u>339,735,173</u>
<b>Operating profit before working capital changes .....</b>	<b>(740,968,920)</b>	<b>(849,161,941)</b>
<b>Changes in:</b>		
Trade Receivables .....	31,624,795	23,249,113
Inventories	(343,197,885)	166,770,276
Loans and Advances.....	18,549,203	58,175,628
Trade and other payables.....	126,656,547	85,608,720
	<u>(166,367,341)</u>	<u>333,803,736</u>
<b>Cash generated from Operations .....</b>	<b>(166,367,341)</b>	<b>333,803,736</b>
Income Taxes paid .....	-	-
	<u>(907,336,260)</u>	<u>(515,358,205)</u>
<b>NET CASH FROM OPERATING ACTIVITIES .....</b>	<b>(907,336,260)</b>	<b>(515,358,205)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets .....	(103,694,063)	(18,392,156)
Investment in Shares.....	(254,900,000)	(76,464,000)
Proceeds from Sale of fixed assets .....	10,725,073	7,803,612
Decrease in Margin Money deposit.....	(438,925)	1,007,848
Interest Income	275,355	770,245
	<u>(348,032,560)</u>	<u>(85,274,451)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES .....</b>	<b>(348,032,560)</b>	<b>(85,274,451)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Receipt of Share Capital .....	1,000,000,000	1,202,082,480
Proceeds from/(Repayment) of Long Term Borrowings .....	(27,363,684)	159,349,194
Proceeds from Short Term Borrowings .....	268,255,483	(588,054,007)
Finance Cost Paid .....	(70,849,144)	(97,247,834)
	<u>1,170,042,654</u>	<u>676,129,833</u>
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES .....</b>	<b>1,170,042,654</b>	<b>676,129,833</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>(85,326,165)</b>	<b>75,497,178</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Opening Balance.....	<u>102,376,142</u>	<u>26,878,964</u>
Closing Balance .....	<u>17,049,976</u>	<u>102,376,142</u>

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No.105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors

**Zhooben Bhiwandiwala**  
Chairman

**Prakash Wakankar**  
Chief Executive Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**Parag Shah**  
Director

**Amar Korde**  
Chief Financial Officer

## NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2016

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Corporate Information:

Mahindra Retail, incorporated in 2007, marks the entry of the Mahindra group into the organized retail segment. Mahindra Retail operates in the niche M&C retail segment with its Mom & Me branded stores. In the year 2015, Mahindra Retail acquired the Babyoye ecommerce operation including the brand. During the year ended 31 March 2016 rebranded its existing 'Mom & Me' stores as 'Babyoye'. The Categories of product includes Toys and games, Baby wellness, Kids Accessories, Food, Kids Footwear, Kids Apparel, Maternity Wear, Nursery, and Mother Wellness & Gifts.

#### 1. (a) Basis for Preparation of Financial Statements

The financial statements of the company have been prepared in accordance with the 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 Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

Assets and Liabilities are classified as Current or Non Current as per the provisions of Schedule III to the Companies Act, 2013 and Company's Normal Operating Cycle. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the classification of assets and liabilities.

#### b) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of financial statements and reported amounts of income and expenses during the period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the year in which the results are known/materialized.

#### c) Fixed Assets and Depreciation

##### Tangible Assets

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost includes all incidental expenses related to acquisition and installation and other pre-operative expenses.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets at the following annual rates which are higher than the SLM rates prescribed in Schedule II to the Companies Act 2013.

	(%)
Furniture & Fixtures	20.00
Office Equipments	20.00
Computers & Peripherals	33.34
Motor Vehicles	25.00

Leasehold improvements are depreciated over the total period of the lease, (including the renewal periods), or 5 years, whichever is lower.

#### Intangible Assets

Intangible assets other than software are stated at their cost of acquisition, less accumulated amortisation and impairment losses thereon. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured.

The depreciable amount of intangible assets other than software is allocated over the best estimate of its useful life on a straight-line basis.

The company capitalizes software and related implementation costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life of 3 years.

#### d) Impairment of assets

The carrying amount of cash generating units/assets is reviewed at the balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever carrying amount exceeds the recoverable amount.

The Management of the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

#### e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Cost is determined by the weighted average cost method.

Packing Material and Consumables are valued at cost.

#### f) Revenue recognition

##### Sales

Sales and revenues are recognised on delivery of the merchandise to the customer, when significant risks and rewards have been transferred for consideration and it is not unreasonable to expect ultimate collection. Sales are stated net of Discounts. Sales Tax and Value Added Tax are reduced from Turnover.

In respect of gift vouchers and point award schemes operated by the Company, sales are recognised when the gift vouchers or points are redeemed and the merchandise is sold to the customer.



**Services**

Revenues from services rendered are recognised as and when the services are rendered.

**Interest**

Interest income is accounted on an accrual basis taking into account the amount outstanding and the rate applicable except where there is uncertainty of ultimate collection.

**g) Investment**

All long-term investments are valued at cost. Provision for diminution, if any in the value of each long term investments is made to recognize a decline, other than of a temporary nature.

Current investments are carried individually at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

**h) Employee Retirement Benefits**

**(i) Defined contribution Plans**

Company's contributions paid/payable during the year to Provident Fund, Superannuation Fund are recognised in the Profit and Loss Account.

**(ii) Defined Benefit Plan**

Company's liabilities towards gratuity and leave encashment are determined on actuarial basis using the projected unit credit method, which consider each period of service as giving rise to an additional unit of benefit and measure each unit separately to build up the final obligation. Past services are recognised on straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

**i) Foreign currency transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian Rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of an underlying asset/liability, are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on forward exchange contracts are recognised as an expense/income over the life of the contract.

**j) Income Tax**

Tax expense comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws.

Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised

unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax is reviewed at each balance sheet date.

**k) Earnings per Share**

The company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share.

Basic EPS is computed by dividing net profit or loss for the year by the weighted average number of Equity shares outstanding during the year.

**l) Borrowing costs**

Borrowing costs, if any, directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of qualifying assets. Other borrowing costs are expensed as incurred.

**m) Operating Lease**

Operating Lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

**n) Cash Flow statement**

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the company.

**o) Provisions and Contingent Liabilities**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**Note 2**

	Mar-16	Mar-15
	Amount in Rs.	Amount in Rs.
<b>Share Capital:</b>		
<b>a. Authorised:</b>		
75,00,00,000 (Previous Year 75,00,00,000) equity shares of Rs.10 each .....	7,500,000,000	7,500,000,000
<b>b. Issued, subscribed and fully paid up:</b>		
68,84,63,236 (Previous Year 53,34,63,236) equity shares of Rs. 10 each .....	6,884,632,360	5,334,632,360
Total.....	<u>6,884,632,360</u>	<u>5,334,632,360</u>

**c. Reconciliation of share outstanding at the beginning & at the end of the Year**

	Mar-16		Mar-15	
	No's	Amount	No's	Amount
<b>Equity Shares:</b>				
At the beginning of the period .....	533,463,236	5,334,632,360	468,254,988	4,682,549,880
Add: Issued during the year .....	155,000,000	1,550,000,000	65,208,248	652,082,480
<b>Outstanding at the end of the period .....</b>	<b>688,463,236</b>	<b>6,884,632,360</b>	<b>533,463,236</b>	<b>5,334,632,360</b>

**MAHINDRA RETAIL PRIVATE LIMITED**

During the year the company has issued 155,000,000 equity shares at face value of Rs. 10/- each at par to its holding company Mahindra Engineering & Chemical Products Ltd.

**d. Shares held by holding company**

	Mar-16		Mar-15	
	No's	Amount	No's	Amount
Retail Initiative Holdings Limited .....	513,288,514	5,132,885,140	513,288,514	5,132,885,140
Mahindra Engineering & Chemical Products Ltd.	168,001,000	1,680,010,000	1,000	10,000

**e. Details of shareholders holding more than 5% shares in the company**

	Mar-16		Mar-15	
	No's	% Holdings	No's	% Holdings
Retail Initiative Holdings Limited (Holding Company) .....	513,288,514	74.56%	513,288,514	96.22%
Mahindra Engineering & Chemical Products Ltd (Holding Company).....	168,001,000	24.40%	1,000	0.00%

**f. Other Disclosure:**

The Company has one class of Equity Shares having par value of Rs.10 each. Each Equity shareholder is eligible for one vote per share held and is entitled to dividend as and when the Company declares and pays dividend after obtaining shareholders' approval. Dividends are paid in Indian rupees.

**Note 3**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Reserves and Surplus:</b>		
<b>Deficit in statement of Profit &amp; Loss Account</b>		
1 Opening balance .....	(5,822,021,169)	(4,632,441,042)
Add: Profit/(Loss) for the Current Year .....	(930,718,448)	(1,188,897,114)
Less: Depreciation adjustment	-	(683,013)
<b>Closing Balance .....</b>	<b>(6,752,739,617)</b>	<b>(5,822,021,169)</b>

**Note 4**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Long-term borrowings:</b>		
(A) <b>Secured</b>		
1 Term loans:		
- from banks .....	223,300,000	306,000,000
- from Others .....	310,242	2,182,831
<b>Total .....</b>	<b>223,610,242</b>	<b>308,182,831</b>

a Term Loans from bank is secured by charge on entire fixed assets of the company created/proposed to be created out of the term loan availed. The term loan carries interest rate of Base rate + 2% per annum. Term from Others secured by vehicles purchased and carries interest rate of 12% per annum. The holding company (Retail Initiative Holding Ltd and Mahindra Engineering and chemical Private Limited) has provided the comfort Letter for the Term loan from Bank.

b Term Loan from Bank is repayable in 12 Quarterly Instalments starting from Sep, 2015. 10% in Year 1, 30% in Year 2 and 60% in Year 3 and Term Loan from Others is repayable in 48 Monthly Equated Instalments.

**Note 5**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Other Long term Liability</b>		
1 <b>Other Long term Liability</b>		
- Deposit from Franchisee .....	51,197,156	2,200,000
<b>Total .....</b>	<b>51,197,156</b>	<b>2,200,000</b>

**Note 6**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Long term provisions:</b>		
1 <b>Long term provisions:</b>		
- Provision for compensated absences (Refer note 27) .....	8,318,320	7,944,622
- Provision for gratuity (Refer note 27) .....	-	-
<b>Total .....</b>	<b>8,318,320</b>	<b>7,944,622</b>

**Note 7**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Short-term borrowings:</b>		
(A) <b>Secured</b>		
1 Loans repayable on demand:		
- from banks (cash credit) [Refer note a below] .....	118,255,483	-
<b>Total .....</b>	<b>118,255,483</b>	<b>-</b>
(B) <b>Unsecured</b>		
1 Loans and advances/ICDs from related parties [Refer note b below] ..	150,000,000	-
<b>Total .....</b>	<b>150,000,000</b>	<b>-</b>
<b>Total .....</b>	<b>268,255,483</b>	<b>-</b>

a. Overdraft is from bank is secured by hypothecation of the entire current asset of the company both present & future. The cash credit carries interest rate @ 11.50% per annum.

b. ICD from related parties are unsecured & it carries interest rate 11.25% per annum.

**Note 8**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Trade payables</b>		
Micro & Small Enterprises (Refer Note No.40) .....	46,869,135	46,299,544
Others .....	175,793,648	134,441,135
<b>Total .....</b>	<b>222,662,783</b>	<b>180,740,679</b>

**Note 9**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Other current liabilities</b>		
Current maturities of long-term debt [Refer note 4a] .....	82,933,610	25,724,705
Interest accrued but not due on borrowings .....	5,295,992	3,415,814
Creditors for capital asset .....	17,509,136	2,831,732
Liability for point award redemption ..	29,497,643	32,444,001
Gift Coupons Liability .....	12,162,375	15,601,101
Statutory dues payable .....	79,305,714	73,040,034
Expense Payable .....	285,229,566	266,509,071
Other payables .....	4,383,424	4,755,130
<b>Total .....</b>	<b>516,317,459</b>	<b>424,321,589</b>

**Note 10**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Short term provisions</b>		
Provision for Employee Benefits [refer note 27]		
- Provision for compensated absences .....	4,166,500	3,782,337
- Provision for gratuity (Refer note 27) ..	2,072,639	-
<b>Total .....</b>	<b>6,239,139</b>	<b>3,782,337</b>

Note 11

FIXED ASSET SCHEDULE AS ON 31<sup>ST</sup> MARCH 2016

Amount in INR

Particulars	Gross Block (at cost)				Depreciation				Impairment Provision*				Net block	
	Cost as at 1-Apr-2015	Additions	Deletions/ Adjustments	Cost as at 31-Mar-2016	Up to 1-Apr-2015	For the year	On deletions	Up to 31-Mar-2016	As at 1-Apr-2015	Charge for the Year	Reversal for the Year	As at 31-Mar-2016	As at 31-Mar-2016	As at 1-Apr-15
<b>(A) Tangible assets</b>														
i. Computer & Pheripherals .....	79,370,291	21,367,386	2,163,363	98,574,315	73,379,488	5,955,433	2,153,999	77,180,923	58,647	14,847	58,647	14,847	21,378,545	5,932,156
ii. Furnitures & Fixtures .....	310,527,734	40,484,889	58,701,136	292,311,488	237,875,676	39,100,723	46,882,918	230,293,480	3,303,165	2,030,789	3,303,165	2,030,789	59,987,218	69,348,892
iii. Motor Vehicles .....	17,202,398	1,505,071	6,788,384	11,919,085	6,826,319	3,453,522	4,419,820	5,860,020	-	-	-	-	6,059,065	10,376,079
iv. Office Equipments .....	130,388,595	3,310,999	20,464,849	113,234,745	98,871,203	18,686,081	12,796,796	104,760,488	3,003,295	3,594,498	3,003,295	3,594,498	4,879,759	28,514,097
v. Leasehold Improvements .....	264,885,636	9,068,923	26,455,470	247,499,090	200,672,737	37,358,710	24,740,328	213,291,118	10,044,565	7,393,799	10,044,565	7,393,799	26,814,172	54,168,336
<b>Total (A) .....</b>	<b>802,374,654</b>	<b>75,737,269</b>	<b>114,573,201</b>	<b>763,538,722</b>	<b>617,625,422</b>	<b>104,554,469</b>	<b>90,793,861</b>	<b>631,386,030</b>	<b>16,409,672</b>	<b>13,033,933</b>	<b>16,409,672</b>	<b>13,033,933</b>	<b>119,118,759</b>	<b>168,339,560</b>
<b>(B) Intangible assets</b>														
vi. Intangible Assets (Softwares).....	46,821,412	9,815,212	67,343	56,569,282	44,649,055	3,062,564	67,343	47,644,276	-	-	-	-	8,925,005	2,172,358
<b>Total (B) .....</b>	<b>46,821,412</b>	<b>9,815,212</b>	<b>67,343</b>	<b>56,569,282</b>	<b>44,649,055</b>	<b>3,062,564</b>	<b>67,343</b>	<b>47,644,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,925,005</b>	<b>2,172,358</b>
<b>Grand Total (A + B) .....</b>	<b>849,196,067</b>	<b>85,552,481</b>	<b>114,640,544</b>	<b>820,108,004</b>	<b>662,274,477</b>	<b>107,617,034</b>	<b>90,861,204</b>	<b>679,030,306</b>	<b>16,409,672</b>	<b>13,033,933</b>	<b>16,409,672</b>	<b>13,033,933</b>	<b>128,043,765</b>	<b>170,511,918</b>
<b>Previous Year .....</b>	<b>984,719,287</b>	<b>18,785,406</b>	<b>154,308,626</b>	<b>849,196,067</b>	<b>570,846,620</b>	<b>182,818,046</b>	<b>92,072,947</b>	<b>662,274,477</b>	<b>13,723,031</b>	<b>16,409,672</b>	<b>13,723,031</b>	<b>16,409,672</b>	<b>170,511,918</b>	<b>400,149,636</b>

Capital work in progress

Particulars	Gross Block (at cost)				Depreciation				Impairment Provision				Net block	
	Cost as at 1-Apr-15	Additions	Deletions/ Adjustments	Cost as at 31-Mar-16	Up to 1-Apr-16	For the year	On deletions	Up to 31-Mar-16	As at 1-Apr-15	Charge for the Year	Reversal for the Year	As at 31-Mar-16	As at 31-Mar-2016	As at 1-Apr-15
Capital Work in Progress .....	2,440,934	96,651,362	78,509,780	20,582,516	-	-	-	-	2,273,307	-	-	2,273,307	18,309,208	167,626
<b>Total .....</b>	<b>2,440,934</b>	<b>96,651,362</b>	<b>78,509,780</b>	<b>20,582,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,273,307</b>	<b>-</b>	<b>-</b>	<b>2,273,307</b>	<b>18,309,208</b>	<b>167,626</b>

**Note 12**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Non-current Investments</b>		
1 Trade Investments (valued at cost unless stated otherwise)		
– Investment in equity instruments (Unquoted).....		
– Investment in subsidiary.....	331,364,000	76,464,000
3,30,00,000 (P.Y: 75,10,000) Equity Shares of Rs.10 each fully paid up in Mahindra Internet Commerce Pvt Ltd .....		
<b>Total</b>	<b>331,364,000</b>	<b>76,464,000</b>

**Note 13**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Long - Term Loans &amp; Advances:</b> (Unsecured considered good unless otherwise stated)		
1 Capital advances (net off provisions) .....	2,952,705	383,278
2 Security deposits .....	157,377,068	167,415,483
3 TDS Receivable .....	1,776,597	1,252,902
4 Gratuity Fund Balance (net off provisions-Refer note 27) .....	–	720,963
5 Income Tax Paid .....	5,500,000	–
5 Other Deposits.....	238,928	218,970
<b>Total</b> .....	<b>167,845,299</b>	<b>169,991,596</b>

**Note 14**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Inventories:</b>		
1 Stock-in-trade.....	696,519,680	354,383,430
(valued at lower of cost and net realisable value)		
2 Packing Materials & Consumables at cost .....	12,705,134	11,643,499
<b>Total</b> .....	<b>709,224,814</b>	<b>366,026,928</b>

**Note 15**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Trade Receivable:</b> (Unsecured)		
1 <b>Trade Receivables outstanding for more than six months from the date they are due for payment</b>		
a) Considered good.....	4,519,999	11,902,521
b) Doubtful.....	23,195,599	12,249,377
c) Less: Provision for doubtful trade receivables .....	23,195,599	12,249,377
	4,519,999	11,902,521
2 <b>Others</b>		
a) Considered good.....	3,778,609	28,020,882
b) Doubtful.....	–	–
c) Less: Provision for doubtful trade receivables .....	–	–
	3,778,609	28,020,882
<b>Total</b> .....	<b>8,298,608</b>	<b>39,923,403</b>

**Note 16**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Cash &amp; Bank Balances:</b>		
A <b>Cash &amp; Cash Equivalents:</b>		
Balances with Banks		
– On current account .....	3,723,887	92,812,130
Cash on hand .....	13,326,089	9,564,011
B <b>Other Bank Balances</b>		
Margin money deposit .....	3,168,998	2,730,073
<b>Total</b> .....	<b>20,218,974</b>	<b>105,106,215</b>

**Note 17**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Short-term Loans &amp; Advances:</b> (Unsecured considered good unless otherwise stated)		
1 Loans and advances to related parties .....	1,661,334	4,815,017
2 Advance for goods & services.....	19,329,365	21,327,714
3 Prepaid Expenses.....	3,939,042	5,815,045
4 Security deposits .....	19,842,038	29,334,167
5 Others.....	416,879	299,621
<b>Total</b> .....	<b>45,188,658</b>	<b>61,591,563</b>

**Note 18**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Revenue from Operations:</b>		
Sale of goods .....	2,004,824,414	2,072,274,916
Other operating revenues .....	29,503,998	26,491,099
<b>Total</b> .....	<b>2,034,328,412</b>	<b>2,098,766,014</b>

**Note 19**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Other Income</b>		
Interest Others .....	275,355	770,245
Other Non-Operating Income.....	5,141,757	5,791,844
<b>Total</b> .....	<b>5,417,112</b>	<b>6,562,089</b>

**Note 20**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Changes in Inventories of stock in trade:</b>		
Opening Stock.....	354,383,430	521,265,154
Less: Closing Stock.....	696,519,680	354,383,430
<b>Decrease/(Increase) in Stock</b> .....	<b>(342,136,250)</b>	<b>166,881,724</b>

**Note 21**

	Amount in Rs.	
	Mar-16	Mar-15
<b>Employee Benefit Expenses:</b>		
Salaries, wages and bonus.....	299,399,689	408,708,501
Contribution to provident and other funds .....	13,656,964	18,041,481
Staff welfare expenses.....	7,143,622	14,675,902
<b>Total</b> .....	<b>320,200,275</b>	<b>441,425,883</b>

**Note 22**

Finance Cost:	Amount in Rs.	
	Mar-16	Mar-15
Interest		
– loans for fixed period .....	38,021,378	29,664,820
– others .....	15,812,893	47,370,419
Bank charges.....	18,895,051	23,160,534
<b>Total .....</b>	<b>72,729,322</b>	<b>100,195,772</b>

**Note 23**

Other expenses	Amount in Rs.	
	Mar-16	Mar-15
Rent.....	387,302,998	504,201,215
Sales Promotion Expenses .....	212,319,597	169,398,131
Advertising Expense .....	95,735,295	19,284,778
Power and fuel.....	63,119,969	75,225,405
Commission on Sales/Contracts.....	63,635,497	37,433,265
Legal & Professional fees.....	69,289,832	56,871,533
Warehousing Charges.....	84,459,111	83,505,856
Travel & Conveyance.....	27,838,973	29,787,132
Security Expenses .....	14,911,489	33,983,455
Rates and taxes .....	22,211,378	25,321,077
House Keeping .....	21,076,264	23,871,721
Consumable.....	16,118,759	17,409,511
Software Expenses .....	6,475,540	6,944,007
Stock Damages write off.....	16,223,138	48,125,963
Provision for Inventory write off .....	1,583,729	20,933,355
Provision for Impairment .....	13,033,933	16,409,672
Exchange Loss .....	527,736	411,111
Loss on Sale of Fixed Assets.....	–	28,693,123
Loss on Write-off of Fixed Assets .....	–	12,388,805
Insurance .....	3,308,409	4,223,612
Repairs & Maintenance - Vehicles, Others.....	17,312,689	12,723,454
Repairs & Maintenance - Buildings ...	32,848	1,499,348
Auditors' Remuneration .....	1,178,282	1,003,020
Bad Debts written off.....	137,839	165,567
Provision for Doubtful Debts .....	10,946,223	10,434,589
Miscellaneous expenses .....	67,219,554	69,756,837
<b>Total .....</b>	<b>1,215,999,081</b>	<b>1,310,005,541</b>

**Other additional information by way of notes to statement of profit & loss**

	Amount in Rs.	
	Mar-16	Mar-15
<b>1. Payment to auditors</b>		
a) Auditor	1,178,282	1,003,020
b) For taxation Matters.....	–	168,540
c) For company law matters .....	–	–
d) For management services.....	–	–
e) For other services.....	19,950	162,922
f) For reimbursement of expenses..	–	31,335
<b>2. Provision &amp; write off (Refer note 24)</b>		
Closure of store		
Fixed assets .....	–	41,081,928
Stock .....	4,903,243	2,811,816
Impairment of Fixed assets .....	13,033,933	16,409,672
Inventory Damages/Shortages .....	11,319,895	45,314,147
Slow/non Moving/damages Inventory...	1,583,729	18,121,539
	<b>30,840,799</b>	<b>123,739,102</b>

**Note 24**

Provision and write off pursuant to review /assessment of Retail store operations and inventories (Refer additional information no 2 of Note 23 of the financial statements)

- (a) Due to closure of 15 stores:
- Fixed assets: Pursuant to closure of these facilities certain assets with net WDV of Rs. 2,47,94,219 (PY Rs. 410,81,928) were found to be unusable and accordingly written off in the accounts.
  - Inventory: During the year the company has made provision of Rs. 49,03,243 (P Y Rs. 28, 11,816) towards inventory of closed stores.
- (b) Impairment of fixed assets
- In terms of Accounting Standard 28 on Impairment of Assets issued by The Institute of Chartered Accountants of India, the Company has tested Cash Generating Unit i.e. stores for impairment in terms of adequacy of economic benefits over their useful life. On such testing for impairment, the Company has identified 9 Mom & Me stores and Office at JP Nagar as impaired. Consequently a provision for impairment of such stores amounting to Rs. 1,30,33,933 (P Y Rs. 1,64,09,672) has been made in the Statement of Profit & Loss account.
  - The company has made provision/written off in the Statement of Profit & Loss account for damaged goods and shortages of Rs. 1,13,19,895 (P Y Rs. 4,53, 14,147) during the year which has been charged to Statement of Profit and Loss account.
  - The company has a policy for slow & non- moving goods and the extent of provisioning on such stock, on the basis of which the company has made a provision of Rs. 15,83,729 (P Y Rs. 1,81,21,539) during the year which has been charged to in the Statement of Profit & Loss account. The total provision as on 31<sup>st</sup> March, 2016 carried in the books for slow & non-moving stock is Rs. 4,02,05,999.

**Note 25**

In the current year, the Company has changed its Brand from Mom & Me to BabyOye pursuant to an agreement between Mahindra Retail Pvt Limited and Mahindra Internet Commerce Pvt Limited entered into on 1st Day of October 2015. The Company has capitalised BabyOye signage under the Furniture and fixtures of Rs. 1,70,33,041 and useful life considered as five years. The Company also developed the Baby Oye App and capitalised under intangible assets of Rs. 91,39,920.

**Note 26**

During the year the Company has made an investment of 25,49,00,000 (PY 7,64,64,000) being the payment towards shares 2,54,90,000 (PY 75,00,000 shares @ face value Rs 10 each and 10000 shares @ book value Rs. 146.4 per share) in wholly owned subsidiary of the company -Mahindra Internet Commerce Private Limited.

**Note 27**

**Employee Retirement Benefits:**

**A) Gratuity**

**1) Description of the Plan:**

The Company has covered its gratuity liability by a Group Gratuity Policy named 'Employee Group Gratuity Assurance Scheme' issued by LIC of India. Under the plan, employee at retirement is eligible for benefit, which will be equal to 15 days salary for each completed year of service. Thus, it is a defined benefit plan and the aforesaid insurance policy is the plan asset.

- i) Gratuity as per Actuarial valuation

I Expense recognised in the Statement of Profit and Loss Account	31.03.16	31.03.15
	Gratuity (Funded) Amount Rs.	Gratuity (Funded) Amount Rs.
1. Current Service Cost .....	24,15,602	25,16,302
2. Interest .....	6,03,258	7,00,166
3. Expected Return on plan assets.....	-6,59,442	-8,68,691
4. Actuarial (Gain)/Loss .....	4,34,182	-15,45,276
5. Total expense .....	27,93,602	8,02,502

	31.03.16 Gratuity (Funded) Amount Rs.	31.03.15 Gratuity (Funded) Amount Rs.
<b>II Net Asset/(Liability) recognised in the Balance Sheet</b>		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March .....	94,67,622	103,16,138
2. Fair Value of plan assets as at 31 <sup>st</sup> March .....	73,94,983	1,10,37,101
3. Negative amount recognized under para 55.....	Nil	(7,20,963)
4. Present value of the available reductions in future contributions.....	20,72,639	(7,20,963)
5. Limit under para 59(b) of AS15R.....	Nil	Nil
6. Net Asset/(Liability) as at 31 <sup>st</sup> March.....	(20,72,639)	7,20,963
<b>III Change in the obligation during the year</b>		
1. Present Value of Defined Benefit Obligation at the beginning of the year.....	1,03,16,138	97,22,874
2. Current Service Cost .....	24,15,602	25,16,302
3. Interest Cost.....	6,03,258	7,00,166
4. Actuarial (Gain)/Loss .....	5,04,571	-12,69,601
5. Benefit payments .....	43,71,947	-13,53,603
6. Present Value of Defined Benefit Obligation at the end of the year.....	94,67,622	1,03,16,138
<b>IV Change in Fair Value of Assets during the year</b>		
1. Fair Value of plan assets at the beginning of the year .....	1,10,37,101	79,44,921
2. Expected return on plan assets.....	6,59,442	8,68,691
3. Contributions by employer.....	Nil	33,01,418
4. Actual benefits paid.....	(43,71,947)	(13,53,603)
5. Actuarial Gain/(Loss) on Plan Assets .....	70,387	2,75,674
6. Fair Value of plan assets at the end of the year .....	73,94,983	1,10,37,101
<b>V The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds * .....	100.00%	100.00%
<b>VI Actuarial assumptions</b>		
1. Discount Rate .....	7.42%	7.74%
2. Salary Escalation Rate.....	10.00%	10.00%
3. Expected rate of return on plan assets .....	7.42%	8.00%
4. Attrition Rate .....	20.00%	20.00%

\* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

<b>VII Experience Adjustments</b>	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.	31.03.2014 Amount Rs.
Defined benefit obligations .....	94,67,622	103,16,138	97,22,874
Fair value of plan assets .....	73,94,983	110,37,101	79,44,921
Surplus/(Deficit) .....	(20,72,639)	7,20,963	(17,77,953)
Experience adjustment on plan liabilities [(Gain)/Loss].....	504,571	(12,69,601)	(15,19,293)
Experience adjustment on plan assets [(Gain)/Loss] .....	(70,837)	(2,75,674)	5,46,134

**B) Leave Encashment**

	31.03.16 Leave Encashment (Unfunded) Amount Rs.	31.03.15 Leave Encashment (Unfunded) Amount Rs.
<b>I Expense recognised in the Statement of Profit and Loss Account</b>		
1. Current Service Cost .....	30,67,284	27,55,705
2. Interest .....	6,94,411	8,04,139
3. Expected Return on plan assets.....	Nil	Nil
4. Actuarial (Gain)/Loss .....	17,32,794	15,33,919
5. Total expense .....	54,94,489	50,93,762
<b>II Net Asset/(Liability) recognised in the Balance Sheet</b>		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March.....	1,24,84,820	1,17,26,959
2. Fair Value of plan assets as at 31 <sup>st</sup> March .....	Nil	Nil
3. Net Asset/(Liability) as at 31 <sup>st</sup> March..	(1,24,84,820)	(1,17,26,959)
<b>III Change in the obligation during the year</b>		
1. Present Value of Defined Benefit Obligation at the beginning of the year .....	1,17,26,959	1,41,45,576
2. Current Service Cost .....	30,67,284	27,55,705
3. Interest Cost.....	6,94,411	8,04,139
4. Actuarial (Gain)/Loss .....	17,32,794	15,33,919
5. Benefit payments .....	47,36,628	75,12,379
6. Present Value of Defined Benefit Obligation at the end of the year.....	1,24,84,820	1,17,26,959
<b>IV Actuarial assumptions</b>		
1 Discount Rate .....	7.42%	7.74%
2 Salary Escalation Rate.....	10.00%	10.00%
3 Expected rate of return on plan assets .....	Nil	Nil
4 Attrition Rate .....	20.00%	20.00%
1) The leave encashment benefit scheme is a defined benefit plan and is wholly unfunded. Hence, there are no plan assets attributable to the obligation.		
2) Principal actuarial assumptions:		
	Current Year	Previous Year
Discount rate.....	7.42%	7.74%
3) The accumulated balance of Leave Encashment (Unfunded) provided in the books as at 31 <sup>st</sup> March 2016 is Rs. 1,24,84,820 (Previous Year Rs. 1,17,26,959) determined on actuarial basis using projected unit credit method.		

**Note 28  
Segment Reporting**

The Company is primarily in the business of distribution of and retailing a variety of lifestyle and consumer products through its own branded stores, which in the context of Accounting Standard 17 on 'Segment Reporting' constitutes a single reporting segment.

**Note 29  
Leasing Transactions**

a) Operating lease rental charged to revenue for lease agreements entered on or after 1 April 2007 are:

	2015-16 Amount Rs.	2014-15 Amount Rs.
Office premises and Stores.....	33,64,96,755	43,78,70,945

b) The future minimum rental payments in respect of non-cancellable lease for premises are as follows:

	2015-16 Amount Rs.	2014-15 Amount Rs.
Not later than one year .....	30,59,324	2,27,00,894
Later than one year and not later than five years .....	6,34,280	5,22,206
Later than five years .....	Nil	Nil

The agreements are executed for the period of 12 to 108 months with a non-cancellable period from 1 to 36 months and having a renewal clause.

**Note 30**

Earning Per Share (EPS) is Calculated as follows:

Sr. No.	Particulars	2015-16 Amount Rs.	2014-15 Amount Rs.
1	Profit/(Loss) attributable to equity shareholders	(930,718,448)	(118,88,97,114)
2	Weighted Average No. of shares	614,627,170	55,27,23,994
3	Nominal Value per share (Rs.)	10	10
4	Earning Per share (Rs.):		
	- Basic	(1.51)	(2.15)
	- Diluted	(1.51)	(2.15)

**Note 31**

**Related Party Disclosures**

All the related party transactions that were entered into during the financial year were on arm's length basis and were in ordinary course of business. The details of material transactions with related parties is provided herewith under.

**i) Enterprises that directly or indirectly through one or more subsidiaries:**

**(a) Control the Reporting Enterprise:-**

Mahindra & Mahindra Limited

**(b) Holding company:-**

Retail Initiative Holdings Limited

**(c) Subsidiary Company**

Mahindra Internet Commerce Pvt Ltd

**(d) Companies which are under the Common Control (Fellow Subsidiaries)**

SN	Name of the Company
1	Mahindra Logistics Limited
2	Bristlecone India Limited
3	Mahindra EPC Services Private Limited
4	Mahindra BPO Services Private Limited
5	Mahindra Holidays & Resorts India Limited
6	Mahindra First Choice Wheels Ltd
7	Mahindra Intertrade Limited.
8	Lords Freight Pvt Limited
9	Mahindra Internet Commerce Pvt Limited
10	Mahindra Engineering and chemical Products Limited

**ii) Key Management Personnel of the Reporting Enterprise:-**

Mr. Prakash Wakankar – Chief Executive Officer

The related party transactions are as under:

Nature of Transactions	Controlling company (Mahindra & Mahindra Ltd.)	Holding company (Retail Initiative Holdings Ltd.)	Subsidiary company (Mahindra Internet Commerce Pvt Ltd)	Fellow Subsidiary	Key Managerial Personnel	Amount Rs.
<b>Subscription of Equity Shares Received:</b>						
Retail Initiative Holdings Ltd.		Nil (65,20,82,480)				
Mahindra Engineering and chemical Products Limited		1,55,00,00,000 (Nil)				
<b>Investment in Equity Shares:</b>						
Mahindra Internet Commerce Pvt Ltd			25,49,00,000 (764,64,000)			
<b>Inter Corporate Deposit taken:</b>						
Mahindra Logistic Limited				15,00,00,000 (15,00,00,000)		
<b>Inter Corporate Deposit repaid:</b>						
Mahindra Logistic Limited				Nil (15,00,00,000)		
Mahindra & Mahindra Limited		Nil (15,00,00,000)				
Mahindra EPC Services Private Ltd.				Nil (10,00,00,000)		
<b>Inter Corporate Deposit Payable:</b>						
Mahindra Logistic Limited	15,00,00,000 (Nil)					
<b>Purchase of Goods</b>						
Mahindra Internet Commerce Pvt Ltd			1,86,30,571 (81,41,682)			
<b>Sales of Goods</b>						
Mahindra Internet Commerce Pvt Ltd			1,40,77,725 (20,66,850)			

MAHINDRA RETAIL PRIVATE LIMITED

Nature of Transactions	Controlling company (Mahindra & Mahindra Ltd.)	Holding company (Retail Initiative Holdings Ltd.)	Subsidiary company (Mahindra Internet Commerce Pvt Ltd)	Fellow Subsidiary	Amount Rs. Key Managerial Personnel
<b>Rendering of Services</b>					
Mahindra Internet Commerce Pvt Ltd			16,21,244 (1,81,726)		
<b>Receipt of Services</b>					
Mahindra Internet Commerce Pvt Ltd			93,99,614 (Nil)		
<b>Interest Expenses:</b>					
Mahindra Logistic Limited				22,65,411 (45,36,986)	
Mahindra & Mahindra Financial Services Ltd.				2,06,714 (327,558)	
Mahindra Inter trade Limited				Nil (45,36,986)	
Mahindra EPC Services Private Ltd.				Nil (327,558)	
Mahindra & Mahindra Limited	Nil (36,86,301)				
<b>Purchase of Asset:</b>					
Mahindra & Mahindra Ltd	8,71,174 (Nil)				
<b>Payment of Consulting Charges:</b>					
Bristlecone India Limited				1,38,00,747 (1,69,15,909)	
Mahindra BPO Services Private Limited				27,94,611 (27,51,683)	
<b>Payment of Logistic Expenses:</b>					
Mahindra Logistic Limited				6,31,81,341 (5,09,55,939)	
Lords Freight Pvt Limited				1,39,59,016 (79,50,796)	
<b>Misc. Expenses:</b>					
Mahindra Holidays & Resort India Limited				53,573 (99,000)	
<b>Reimbursements of Expenses Paid:</b>					
Mahindra & Mahindra Limited	56,24,179 (11,176,599)				
Mahindra Inter trade Limited				4,592 (5,196)	
<b>Payable:</b>					
Mahindra & Mahindra Limited	3,62,66,769 (3,13,08,058)				
Bristlecone India Limited				7,24,185 (14,93,750)	
Mahindra Logistic Limited				53,94,550 (4,565,416)	
Mahindra BPO Services Private Limited				4,81,484 (3,03,916)	
Mahindra Internet Commerce Pvt Ltd			Nil (1,32,051)		
<b>Receivable:</b>					
Mahindra Inter trade Limited				205,146 (209,943)	
Mahindra Internet Commerce Pvt Ltd			64,57,046 (20,67,379)		
Lords Freight Pvt Limited				9,37,257 (17,63,236)	
Retail Initiative Holdings Limited		66750 (Nil)			
<b>Managerial Remuneration</b>					
Mr. Prakash Wakankar					27,556,342 (81,82,002)



**Note 32**

**Deferred Tax Assets/Liabilities**

The major components of deferred tax assets and liabilities, for the year ended 31 March 2016 arising on account of timing differences are as below:

Particulars	As at 31.03.2016 Amount Rs.	As at 31.03.2015 Amount Rs.
<b>Deferred Tax Assets on account of:</b>		
Unabsorbed depreciation.....	18,98,04,925	16,82,14,235
Unabsorbed business losses.....	1,81,40,57,499	1,53,55,02,525
Depreciation.....	15,86,68,552	17,37,06,296
<b>Deferred Tax Assets</b> .....	<b>2,16,25,30,977</b>	<b>1,87,74,23,056</b>

Since there is no virtual/reasonable certainty of taxable income in future against which deferred tax assets can be realised, the Company has not recognized deferred tax assets (net) during the current year.

**Note 33**

**Contingent Liabilities:**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Demand against the Company not acknowledged as debts .....	3,60,00,000	Nil

**Note 34**

**Commitment (Net of Advances):**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Capital Commitments .....	7,94,078	Nil

The information in respect of commitment has been given only in respect of capital commitments in order to avoid providing excessive details that may not assist users of financial statements.

**Note 35**

**Value of Imports on CIF Basis:**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Purchase of Merchandise .....	30,07,43,185	22,15,19,580

**Note 36**

**Expenditure in Foreign Currency:**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Travelling expenses .....	28,76,741	20,46,823
Commission on Sales .....	25,72,442	4,15,722
Royalty .....	77,16,580	54,93,044
Others.....	3,84,350	Nil

**Note 37**

**Purchases of goods traded under broad head:**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Apparel.....	75,83,70,110	70,91,46,295
Non Apparel.....	83,87,46,034	39,53,95,455

**Note 38**

**Consumption of imported and indigenous goods:**

	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
Indigenous goods.....	1,16,38,11,298	11,50,679,204
Imported goods .....	9,01,06,961	109,100,771

**Note 39**

The Management, based on their strategic future business plans for turnaround of operations and continued support from the Holding Company/group, assess that the Company will be able to continue its operations in the normal course. During the year, as the net worth is completely eroded, the Holding Company has contributed Rs. 1,00,00,00,000 towards equity capital which could to support the operations of the Company. Accordingly, these financial statements have been prepared by the Management on going concern basis.

**Note 40**

Disclosures relating to amounts payable as at the yearend together with interest paid/payable to Micro, Small and Medium Enterprises have been made in the accounts, as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent of information available with the Company determined on the basis of intimation received from suppliers.

Particulars	31.03.2016 Amount Rs.	31.03.2015 Amount Rs.
(i) Principal amount remaining unpaid as on 31st March.....	-	-
(ii) Interest due thereon remaining unpaid as on 31st March.....	-	-
(iii) Interest paid by the Corporation in terms of section 16 of the Micro, Small and Medium enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year. ....	-	-
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.....	247,433	260,152
(v) Interest accrued and remaining unpaid as at 31st March.....	247,433	260,152
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.....	2,611,287	23,63,854

**Note 41**

Previous year's figures have been regrouped/reclassified whenever necessary to correspond with the current year's classification/disclosure.

As per our report of even date attached For and on behalf of the Board of Directors

<b>For B. K. Khare &amp; Co.</b> Chartered Accountants Firm Registration No.105102W	<b>Zhooben Bhiwandiwala</b> Chairman	<b>Parag Shah</b> Director
<b>Padmini Khare Kaicker</b> Partner Membership No. 44784	<b>Prakash Wakankar</b> Chief Executive Officer	<b>Amar Korde</b> Chief Financial Officer
Place: Mumbai Date: 23 <sup>rd</sup> May 2016	<b>Rupal Jain</b> Company Secretary Membership No. A38366	

## DIRECTORS' REPORT

Your Directors present their Eighth Annual Report together with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### 1) Financial Highlights and State of Company's Affairs:

#### Particulars

	<i>(Rs. in Lakhs)</i>	
	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Total Income	<b>2,521.69</b>	403.41
Profit/(Loss) before Interest, Depreciation and Taxation	<b>(2,776.55)</b>	(330.27)
Less: Interest	<b>53.26</b>	Nil
Depreciation	<b>39.57</b>	3.80
Profit/(Loss) before Taxation	<b>(2,869.38)</b>	(334.07)
Current Tax	<b>Nil</b>	Nil
Profit/(Loss) after Taxation	<b>(2,869.38)</b>	(334.07)
Balance brought forward	<b>(321.37)</b>	12.69
Balance carried to Balance Sheet	<b>(3,190.75)</b>	(321.37)
Networth	<b>109.25</b>	429.63

No material changes and commitments affecting the financial position of the Company occurred after the end of the financial year to which this financial statements relate and the date of this report.

### 2) Operations

The year under review was the first year of full-fledged commercial operations for your Company. Your Company recorded revenues of Rs. 2,521.69 Lakhs and loss after tax for the year was Rs. 2,869.37 Lakhs.

### 4) Dividend

No Dividend was declared for the current financial year due to loss incurred by the Company.

### 5) Share Capital:

#### Authorised Share Capital

During the year under review, the authorised share capital of your Company was increased from Rs. 15,00,00,000 to Rs. 35,00,00,000.

Necessary amendments to the Memorandum of Association of the Company were carried out during the year with respect to the same.

Your Board of Directors at their Meeting held on 23<sup>rd</sup> May, 2016 approved the proposal for increase in Authorised Share Capital of the Company from Rs. 35,00,00,000 to Rs. 60,00,00,000 and subsequent changes in the Memorandum of Association of the Company, subject to the approval of the members at the ensuing Annual General Meeting of the Company.

#### Further Issue of Share Capital

During the year under review, your Company issued 2,79,90,000 Equity Shares of Rs. 10 each on Rights basis and pursuant to the same the issued, subscribed and paid up capital of your company as at the end of the financial year stood increased to Rs. 33,00,00,000/-.

### 6) Board of Directors

#### Composition

Presently the Board comprises of the following:

Name of the Director & DIN	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Prakash Wakankar (DIN: 00020462)	Director	Non-Executive Director	Non-Independent Director
Mr. Amar Korde (DIN: 01013355)	Director	Non-Executive Director	Non-Independent Director
Mr. Srinath Ramamurthy (DIN: 07063293)	Director	Non-Executive Director	Non-Independent Director
Mr. Bharat Upadhyay (DIN: 02189485)	Additional Director	Non-Executive Director	Independent Director
Mr. Ajay Mehta (DIN: 07102804)	Additional Director	Non-Executive Director	Independent Director

Mr. Prakash Wakankar (DIN: 00020462) retire by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

Mr. Bharat Upadhyay and Mr. Ajay Mehta were appointed as Additional (Independent) Directors of the Company with effect from 23<sup>rd</sup> May, 2016. They hold office upto the ensuing Annual General Meeting of the Company.

Your Company has received from Mahindra Retail Private Ltd., member a sum of Rs. 1,00,000/- each for proposing the candidature of Mr. Ajay Mehta and Mr. Bharat Upadhyay as the Directors of the Company.

The members of the Company at their ensuing Annual General Meeting are required to approve the appointment of Mr. Bharat Upadhyay and Mr. Ajay Mehta for a period of two consecutive years with effect from 23<sup>rd</sup> May, 2016 and they would not be liable to retire by rotation.

Mr. Ajay Mehta and Mr. Bharat Upadhyay, who in the opinion of the Board, are persons with integrity and possess relevant expertise and experience, have given declarations to effect that they meet the criteria of Independence as laid down under Section 149 of the Companies Act, 2013.

Your Directors have wide experience in business related to trading, finance and general corporate management.

#### **Board Meetings and Annual General Meeting**

Your Board of Directors met seven times during the year under review on 5<sup>th</sup> May, 2015, 1<sup>st</sup> June, 2015, 30<sup>th</sup> July, 2015, 19<sup>th</sup> October, 2015, 27<sup>th</sup> October, 2015, 4<sup>th</sup> January, 2016 and 23<sup>rd</sup> February, 2016, which were attended by all the Directors of the Company. The seventh Annual General Meeting of the Company was held on 29<sup>th</sup> September, 2015.

#### **Committees of the Board:**

##### **Audit Committee**

The Board at its Meeting held on 23<sup>rd</sup> May, 2016 constituted the Audit Committee comprising of the following members:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Ajay Mehta	Member	Non-Executive Director	Independent Director
Mr. Bharat Upadhyay	Member	Non-Executive Director	Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The meeting of the Audit Committee was held on 23<sup>rd</sup> May, 2016, which was attended by all the Members.

##### **Nomination and Remuneration Committee**

The Board at its Meeting held on 23<sup>rd</sup> May, 2016 constituted the Nomination and Remuneration Committee comprising of the following members:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Ajay Mehta	Member	Non-Executive Director	Independent Director
Mr. Bharat Upadhyay	Member	Non-Executive Director	Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The meeting of the Nomination and Remuneration Committee was held on 23<sup>rd</sup> May, 2016, which was attended by all the Members.

#### **7) Directors' Responsibility Statement**

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received and

after due enquiry confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) The directors had selected such accounting policies and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **8) Key Managerial Personnel's (KMP)**

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, key managerial personnel of your Company are as below:

Sr. No.	Name of the KMP	Designation
1.	Mr. Sanjay Nadkarni	Chief Executive Officer (from 30 <sup>th</sup> July, 2015 to 31 <sup>st</sup> January, 2016)
2.	Mr. Parvinder Singh	Chief Executive Officer (with effect from 23 <sup>rd</sup> May, 2016)
3.	Mr. Kapil Mittal	Chief Financial Officer (from 30 <sup>th</sup> July, 2015 to close of business hours on 23 <sup>rd</sup> May, 2016)
4.	Mr. Rahul Bhargava	Chief Financial Officer (with effect from 25 <sup>th</sup> May, 2016)
5.	Ms. Rinkal Mehta	Company Secretary (from 5 <sup>th</sup> March, 2015 to 31 <sup>st</sup> July, 2015)
6.	Mr. Sandesh Pokhriyal	Company Secretary (from 10 <sup>th</sup> August, 2015 to 19 <sup>th</sup> February, 2016)
7.	Ms. Rupal Jain	Company Secretary w.e.f. 23 <sup>rd</sup> May, 2016

#### **9) Statutory Auditors**

At the Sixth Annual General Meeting, Messrs. B. K. Khare & Co., Chartered Accountants, (Firm registration Number 105102W) were appointed as the Statutory Auditors of your Company for a period of five years. They hold office up to the conclusion of Tenth Annual General Meeting.

Pursuant to the first proviso of Section 139(1) of Companies Act, 2013, members are requested to ratify the appointment of Statutory Auditors and fix their remuneration at the ensuing Eighth Annual General Meeting of the Company.

As required under the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, your Company has obtained a written consent and certificate from Statutory Auditors to the effect that their appointment, if ratified, would be in conformity with the conditions, limits and criteria specified therein.

Your Directors confirm that the Auditors Report does not contain any qualification, reservation or adverse remark.

**10) Frauds Reported 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 Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

**11) Risk Management Policy**

Your Company has formulated Risk Management Policy including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risk and enabling the Company to manage the same, if confronted with.

**12) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

**13) Disclosure of Particulars of Employees as required under Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being unlisted company, provisions of Rule 5 of the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

**14) Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013 and Deposit under Chapter V of the Companies Act, 2013.**

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with the requirements of chapter V of the Companies Act, 2013.

There were no loans granted, securities provided and investments made during the year under review pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances during the year under review which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the ultimate parent company Mahindra and Mahindra Limited.

**15) Particulars of Transactions with Related Parties**

Particulars of contracts or arrangements with related parties are given in the from AOC – 2 as **Annexure II** and the same forms part of this Report.

**16) Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return

as on 31<sup>st</sup> March, 2016 is attached herewith as **Annexure III** and forms part of this report.

**17) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for prevention of sexual harassment.

**18) Mahindra Internet Commerce Private Ltd. (MICPL) EMPLOYEES STOCK OPTION SCHEME – 2015:**

The Members of the Company by way of special resolution passed on 1<sup>st</sup> October, 2015 approved the MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 in order to create, offer and grant from time to time, in one or more tranches, upto 21,74,783 (Twenty One Lakhs Seventy Four Thousand Seven Hundred and Eighty Three) Options.

The Committee under the MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 comprises of the following:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Amar Korde	Member	Non-Executive Director	Non-Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The ESOP Committee met on 4<sup>th</sup> January, 2016 which was attended by both the Committee members. At the said meeting, the Committee approved grant of 12,47,281 stock options.

The Board at its Meeting held on 23<sup>rd</sup> May 2016, subject to the approval of the Members had approved the revision in MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 by extending the exercise period from 6 months (from the last date of employment) to 5 years.

Details to be disclosed under the said Scheme pursuant to the Companies (Share Capital and Debentures) Rules, 2014 is attached herewith as **Annexure IV** and forms part of this report.

**19) Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry your Directors confirm that they have laid down internal finance controls with reference to the Financial Statements and these controls are adequate.

**20) General Disclosures:**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.

2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Provisions relating to Corporate Social Responsibility (CSR) enumerated under section 135 of the Companies Act, 2013.

**21) Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (a) the steps taken or impact on conservation of energy:

The operations of your Company are not energy intensive. Your Company has, however, taken adequate measures to reduce energy consumption.

- (b) the steps taken by the company for utilizing alternate sources of energy: Nil

- (c) the capital investment on energy conservation equipments: Nil

#### B. TECHNOLOGY ABSORPTION

- i) the efforts made towards technology absorption: None

- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Nil

- (a) the details of technology imported: Nil

- (b) the year of import: Nil

- (c) whether the technology been fully absorbed: Nil

- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

- iv) the expenditure incurred on Research and Development: Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: *(in terms of actual inflow and outflow)*

Total Foreign Exchange Earned and Used:

	(Rs. in Lakhs)	
	<b>For the Financial Year ended 31<sup>st</sup> March, 2016</b>	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	Nil	Nil
Total Foreign Exchange Used	60.95	27.10

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### Particulars of Transactions with Related Parties for year ended 31<sup>st</sup> March 2016 FORM NO. AOC-2

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis - Nil
2. Details of contracts or arrangements or transactions at Arm's length basis

Sr. No.	Particulars	Details
a)	Name(s) of the related party & nature of relationship	Mahindra Retail Private Limited - Holding Company
b)	Nature of contracts/arrangements/transaction	Purchase and Sale of Goods
c)	Duration of the contracts/arrangements/transaction	Annual/ Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Sales: Rs. 1,40,77,725 /- Purchases: Rs.1,86,30,571/- Services provided: 93,99,614 /- Service received: 16,21,244 /-
e)	Date of approval by the Board	#N.A.
f)	Amount paid as advances, if any	Nil

Sr. No.	Particulars	Details
a)	Name(s) of the related party & nature of relationship	Mahindra Logistics Limited – Fellow Subsidiary
b)	Nature of contracts/arrangements/transaction	Logistics Expenses – Freight and Customs Clearing
c)	Duration of the contracts/arrangements/transaction	Annual/ Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Rs. 6,28,20,372/-
e)	Date of approval by the Board	#N.A.
f)	Amount paid as advances, if any	Rs. 6,28,20,372/-

# Note: The above referred transactions are at arms length and in the ordinary course of business. Accordingly Board approval is not required as per proviso to sub section (1) of Section 188 of the Companies Act, 2013.

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U52399MH2008PTC187927
2.	<b>Registration Date</b>	3 <sup>rd</sup> November, 2008
3.	<b>Name of the Company</b>	Mahindra Internet Commerce Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non-Government Company
5.	<b>Address of Registered Office and Contact details</b>	Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400018. Tel: 022-24905623
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Retail sale via E commerce	52512	99%

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

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Retail Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018, Maharashtra	U52190MH2007PTC173762	Holding Company	100%	2(46)
2.	Retail Initiative Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018, Maharashtra	U67110MH2008PLC188837	Holding Company	–	2(46)
3.	Mahindra Engineering and Chemical Products Limited Gateway Building, Apollo Bunder, Mumbai 400 001. Tel. No. 022 2202 1031 Fax No. 022 22875485	U74999MH1954PLC019908	Holding Company	–	2(46)
4.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai 400 001. Tel. No. 022 2202 1031 Fax No. 022 22875485	L65990MH1945PLC00455	Holding Company	–	2(46)



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

**1. Category-wise Share Holding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	50,10,000	50,10,000	100	–	3,30,00,000	3,30,00,000	100	0
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-Total- A-(1)</b>	–	<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	–	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	<b>0</b>
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/FI	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
<b>Sub Total-A (2)</b>	–	–	–	–	–	–	–	–	–
<b>Total Share holding of Promoters (1+2)</b>		<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	–	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/FI	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Portfolio Corporate	–	–	–	–	–	–	–	–	–
i. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
j. Others	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B (1)</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>									
a. Body Corp.	–	–	–	–	–	–	–	–	–
b. Individual	–	–	–	–	–	–	–	–	–
i. Individual shareholders holding nominal share capital upto ₹ 1 Lakh	–	–	–	–	–	–	–	–	–
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	–	–	–	–	–	–	–	–	–

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

Category of Shareholders	No. of shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	-	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Retail Private Limited	50,09,999	100	-	3,29,99,999	100	-	100
2	Mr. Narayan Shankar jointly with Mahindra Retail Private Limited	1	0	-	1	0	-	-
	<b>Total</b>	<b>50,10,000</b>	<b>100</b>	<b>-</b>	<b>3,30,00,000</b>	<b>100</b>	<b>-</b>	<b>100</b>

**iii. Change in Promoters' Shareholding:**

Sr. No.	Particulars	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
<b>1</b>	<b>Mahindra Retail Private Limited</b>				
	<b>At the beginning of the year</b>	<b>50,10,000</b>	<b>100</b>	-	-
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	22 <sup>nd</sup> April, 2015 -Increase – Allotment of 25,00,000 Equity Shares			75,10,000	
	11 <sup>th</sup> June, 2015-Increase – Allotment of 50,00,000 Equity Shares			1,25,10,000	
	25 <sup>th</sup> September, 2015-Increase – Allotment of 24,90,000 Equity Shares			1,50,00,000	
	31 <sup>st</sup> March, 2016-Increase – Allotment of 1,80,00,000 Equity Shares.			3,30,00,000	
	<b>At the end of the year</b>			<b>3,30,00,000</b>	<b>100</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
-	-	-	-	-	-

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
-	-	-	-	-	-

**V. INDEBTEDNESS**

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

(Rs. in Lakhs)

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	-	1200	-	1200
- Reduction	-	-	-	-
<b>Net Change</b>	-	<b>1200</b>	-	<b>1200</b>
<b>Indebtedness at the end of the financial year-31.03.2016</b>	-	<b>1200</b>	-	<b>1200</b>
1) Principal Amount	-	1200	-	1200
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	18	-	18
<b>Total of (1+2+3)</b>	-	<b>1218</b>	-	<b>1218</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:**

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
1.	Gross Salary	-	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-	-
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-	-
2.	Stock option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of Profit	-	-	-	-
	- Others, specify	-	-	-	-
5.	Others, please specify	-	-	-	-
	<b>Total (A)</b>	-	-	-	-
	Ceiling as per the Act	-			

**B. Remuneration to other directors:**

**I. Independent Directors:-**

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors			Total Amount
Fee for attending board/ committee meetings	-	-	-	-
Commission	-	-	-	-
Others	-	-	-	-
<b>Total (1)</b>	-	-	-	-

**II. Other Non-Executive Directors:-**

(Rs. in Lakhs)

Other Non-Executive Directors	Mr. Prakash Wakankar	Mr. Amar Korde	Mr. Srinath R	Total Amount
Fee for attending board/committee meetings	-	-	-	-
Commission	-	-	-	-
Others	-	-	-	-
<b>Total (2)</b>	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-
Ceiling as per the Act	-			

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

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of the KMP			Total Amount
		CEO	CFO	CS	
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	30.08	–	–	30.08
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–	–
2.	Stock option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission	–	–	–	–
	– As % of profit	–	–	–	–
	– Others, specify	–	–	–	–
5.	Others,				
	Professional Fees	–	–	0.97	0.97
	Contribution to Provident Fund & Gratuity	0.95	–	–	0.95
	<b>Total</b>	<b>31.03</b>	<b>–</b>	<b>0.97</b>	<b>32.00</b>

**VII. Penalties/Punishment/ Compounding of offences:**

Particulars	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	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil
<b>B. Directors</b>						
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil
<b>C. Other Officers in Default</b>						
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### ESOP SCHEME

**Disclosure in compliance with Section 62 of the Companies Act 2013 read with Rule 12 (9) of The Companies ( Share Capital and Debenture), Rules 2014**

(a) Options granted (Nos.)	1,247,281
(b) Options vested	NIL (Vesting of options after 1 year of grant)
(c) Options exercised	NIL (Exercise of options post 31.03.2017)
(d) The total number of shares arising as a result of exercise of option	NIL
(e) Options lapsed (Nos.)	932,608
(f) The exercise price per share; (Amount in Rs.)	10
(g) Variation of terms of options	At Board Meeting dated 23 May, 2016, Board approved extension of the exercise period from 6 months to 5 years, subject to shareholders approval
(h) Money realized by exercise of option	NIL
(i) Total number of options in force	314,673
(j) Employee wise details of options granted to	
(i) Key Managerial Personnel	Mr. Sanjay Nadkarni (CEO) - 732,065 (58.7% )
(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	1. Mr. Ranjith Parsuraman -6.9% (No. of Options - 86,413) 2. Mr. Supriyo Bose - 6.9% (No. of Options - 86,413)
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Mr. Sanjay Nadkarni (CEO) - 2.22% (No. of Options - 732,065)

**For and on behalf of the Board**

**Amar Korde**      **Prakash Wakankar**  
Director                      Director

Mumbai, May 23, 2016

## INDEPENDENT AUDITORS' REPORT

To  
**The Members of  
Mahindra Internet Commerce Private Limited**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **MAHINDRA INTERNET COMMERCE PRIVATE LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the period from April 1, 2015 to March 31, 2016.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow 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 (as amended);
  - e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors

- is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. In our opinion and based on the information and explanation given to us, there are no pending litigations against the company.
- ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
- iii. During the year, there were no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

**Padmini Khare Kaicker**  
*Partner*  
*Membership Number 044784*

Place: Mumbai  
Dated: 23<sup>rd</sup> May, 2016



## ANNEXURE I TO THE AUDITOR'S REPORT

**Referred to in paragraph 9 of our report of even date on the financial statements of Mahindra Internet Commerce Private Limited for the year ended March 31, 2016**

**Annexure to the Auditor's Report referred to in our report of even date:**

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not have any immovable property.
- II. (a) The Inventory has been physically verified during the year by the management. On the basis of the information and explanations given to us discrepancies noticed on physical verification of inventory of apparels, non-apparels, packing material and consumables have been properly dealt with in the books of accounts.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory of apparels, non apparels, packing material and consumables followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The procedures followed by the management for physical verification of inventory of apparels, non-apparels, packing material and consumables are adequate in relation to the size of the company and the nature of its business.
- III. There are no companies, firms or other parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The provisions of section 185 of the Act are not applicable to the Company. The Company has complied with the provisions of section 186 of the Act to the extent applicable.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority.
- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- IX. In our opinion and according to the information and explanations given to us, during the year, no term loans were obtained by the Company. During the year, there were no moneys raised by way of initial public offer or further public offer.
- X. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted accounting practices and according to the information and explanations given to us, we have neither come across any instances of frauds by the company or any fraud on the Company by its officers or employees have been noticed nor have been reported during the year.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Act, where applicable. The

Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.

XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Order is not applicable to the company.

XV. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

Place: Mumbai  
Dated: 23<sup>rd</sup> May, 2016

**Padmini Khare Kaicker**  
*Partner*  
*Membership Number 044784*

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA INTERNET COMMERCE PRIVATE LIMITED

### Report 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 Mahindra Internet Commerce Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

### Management's Responsibility for Internal Financial Controls

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner

Place: Mumbai  
Dated: 23<sup>rd</sup> May, 2016

Membership Number 044784

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

(Currency: Indian Rupees)

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital .....	3	330,000,000	50,100,000
(b) Reserves and surplus .....	4	(319,074,763)	(32,137,358)
<b>(2) Share Application money pending allotment .....</b>	<b>5</b>	<b>–</b>	<b>25,000,000</b>
<b>(3) Current liabilities</b>			
(a) Short term Borrowings .....	6	120,000,000	
(b) Trade payables .....	7	41,486,077	19,979,551
(c) Other current liabilities.....	8	31,163,189	14,832,287
<b>TOTAL</b>		<b>203,574,502</b>	<b>77,774,481</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed Assets	9		
(i) Tangible assets .....		721,252	2,459,901
(ii) Intangible assets.....		742,126	2,628,882
(iii) Capital work in progress.....		–	–
(b) Long term loans and advances .....	10	–	3,150,000
<b>(2) Current assets</b>			
(a) Inventories.....	11	59,323,182	37,165,482
(b) Trade Receivables.....	12	12,992,539	6,273,989
(c) Cash and Bank Balances.....	13	123,575,940	17,282,715
(d) Short term loans and advances.....	14	6,219,463	8,813,512
<b>TOTAL</b>		<b>203,574,502</b>	<b>77,774,481</b>
Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of Financial Statements	2.2		

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Amar Korde**  
Director

**Parvinder Singh**  
Chief Executive Officer

**Kapil Mittal**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

(Currency: Indian Rupees)

Particulars	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
I. Revenue from operations.....	15	251,951,941	40,159,970
II. Other income.....	16	217,519	180,928
<b>III. Total Revenue (I + II).....</b>		<b>252,169,460</b>	<b>40,340,898</b>
<b>IV. Expenses:</b>			
Purchase of stock in trade.....		225,016,780	57,104,403
Changes in inventories of stock in trade .....	17	(21,917,639)	(36,318,474)
Employee benefits expense.....	18	76,197,063	15,382,990
Finance cost .....	19	5,326,027	70,073
Depreciation and amortisation expense.....		3,956,801	379,956
Other expenses .....	20	250,527,833	37,128,661
<b>Total Expenses .....</b>		<b>539,106,866</b>	<b>73,747,609</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV) ..</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
VI. Exceptional Items .....		-	-
<b>VII. Profit before extraordinary items and tax (V - VI).....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
VIII. Extraordinary items .....		-	-
<b>IX. Profit before tax (VII - VIII) .....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
X. Tax expense			
(1) Current tax.....		-	-
(2) Deferred tax.....		-	-
<b>XI. Profit (Loss) for the period (IX - X).....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
XII. Earnings per equity share:			
(1) Basic.....		(22.56)	(25.21)
(2) Diluted .....		(22.56)	(25.21)
Nominal value per share.....		10	10
Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of Financial Statements	2.2		

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Amar Korde**  
Director

**Parvinder Singh**  
Chief Executive Officer

**Kapil Mittal**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

(Currency: Indian Rupees)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
<b>A . CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Profit before tax</b> .....	<b>(286,937,406)</b>	(33,406,712)
<b>Adjustments for:</b>		
Depreciation & Amortization .....	<b>3,956,801</b>	379,956
Finance Cost .....	<b>5,326,027</b>	70,073
Interest Income.....	<b>(217,519)</b>	(85,110)
<b>Operating profit before working capital changes</b> .....	<b>(277,872,097)</b>	(33,041,792)
<b>Changes in:</b>		
Trade Receivables .....	<b>(6,718,550)</b>	(6,273,989)
Inventories .....	<b>(22,157,700)</b>	(37,165,482)
Loans and Advances.....	<b>5,744,049</b>	(11,589,493)
Trade and other payables.....	<b>37,837,427</b>	34,707,296
<b>Cash generated from Operations</b> .....	<b>14,705,226</b>	(20,321,669)
Income Taxes paid .....	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b> .....	<b>(263,166,870)</b>	(53,363,461)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets .....	<b>(331,396)</b>	(5,468,739)
Decrease in Margin Money deposit.....	-	-
Interest Income .....	<b>217,519</b>	85,110
<b>NET CASH USED IN INVESTING ACTIVITIES</b> .....	<b>(113,877)</b>	(5,383,630)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Share Capital .....	<b>254,900,000</b>	75,000,000
Proceeds from Short Term Borrowings .....	<b>120,000,000</b>	-
Finance Cost Paid .....	<b>(5,326,027)</b>	(70,073)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b> .....	<b>369,573,973</b>	74,929,927
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> .....	<b>106,293,225</b>	16,182,837
<b>CASH AND CASH EQUIVALENTS:</b>		
Opening Balance.....	<b>17,282,715</b>	1,099,878
Closing Balance .....	<b>123,575,940</b>	17,282,715

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Parvinder Singh**  
Chief Executive Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**Amar Korde**  
Director

**Kapil Mittal**  
Chief Financial Officer

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

### 1. CORPORATE INFORMATION

Mahindra Internet Commerce Private Limited (the company) is a private limited company domiciled in India and was incorporated on 3rd November 2008 as Mahindra United Football Club Private Limited (MUFC). On 17th December, 2014, MUFC had discontinued its earlier business of operating professional football club in June 2010. The Company has changed its name and Object clause and started business operations in the area trading on E-Commerce platform from 20th December 2014. Pursuant to issue of shares to Mahindra Retail during the year, the Company has become subsidiary of Mahindra Retail Private Limited and is engaged in business of retailing baby and mother care product on E-Commerce platform (www.babyoye.com).

The company had acquired the assets of Moms Supplies Private Limited and Nest Childcare Private Limited on 20th December 2014 vide Asset Transfer Agreements of even date.

### 2. BASIS OF PREPARATION

The financial statements of the company have been prepared in accordance with the 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 section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

#### 2.1 SIGNIFICANT ACCOUNTING POLICIES

##### a) Use of estimates

The preparation of financial statements in conformity with Generally Indian Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of financial statements and reported amounts of income and expenses during the period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the year in which the results are known/materialized.

##### b) Fixed Assets and Depreciation

###### (i) Tangible Assets.

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost includes all incidental expenses related to acquisition and installation and other pre-operative expenses.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets at the following annual rates which are higher than the SLM rates prescribed in Schedule II to the Companies Act 2013.

Assets	(%)	Useful lives (years)
Furniture & Fixtures	09.50	10 Years
Office equipment's	19.00	5 Years
Computers & Peripherals	31.67	3 Years

###### (ii) Intangible Assets

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses thereon. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured.

The company capitalizes software and related implementation costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life of 3 years.

##### c) Impairment of assets

The carrying amount of cash generating units/assets is reviewed at the balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever carrying amount exceeds the recoverable amount.

##### d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Packing Material and Consumables are valued at cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

##### e) 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:

###### Sales of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually when invoice is generated in the system. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

###### Income from Services

Revenues from services rendered are recognised as and when the services are rendered.

###### Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

##### f) Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian Rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

##### g) Retirement and other employee benefits

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 an 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.

##### h) Income Tax

Tax expense comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws.

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(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets in respect of accumulated losses/unabsorbed depreciation are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax is reviewed at each balance sheet date.

**i) Earnings per Share**

The company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share.

Basic EPS is computed by dividing net profit or loss for the year by the weighted average number of Equity shares outstanding during the year.

**j) Borrowing costs**

Borrowing costs, if any, directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of qualifying assets. Other borrowing costs are expensed as incurred.

**k) Operating Lease**

Operating Lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

**l) Cash Flow statement**

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the company.

**m) Provisions and Contingent Liabilities**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**2.2 EXPLANATORY NOTES**

**(I) SEGMENT REPORTING**

The Company is primarily in the business of retailing of baby and mothercare products through its own website, which in the context of Accounting Standard 17 on 'Segment Reporting' constitutes a single reporting segment.

**(II) LEASING TRANSACTIONS**

Operating lease rental charged to revenue for lease agreements entered on or after 1 April 2007 are:

Particulars	2015-16 Rs.	2014-15 Rs.
Office premises	1,24,08,313	36,16,343

**(III) EARNING PER SHARE (EPS) IS CALCULATED AS FOLLOWS:**

Sr. No.	Particulars	2015-16 Amount in Rs	2014-15 Amount in Rs
1	Profit/(Loss) attributable to equity shareholders	(28,69,37,406)	(3,34,06,712)
2	Weighted Average No. of shares	1,27,18,005	13,25,068
3	Nominal Value per share (Rs.)	10	10
4	Earning Per share (Rs.):		
	– Basic	(22.56)	(25.21)
	– Diluted	(22.56)	(25.21)

**(IV) RELATED PARTY DISCLOSURES**

iEnterprises that directly or indirectly through one or more subsidiaries:

Holding company:-

Mahindra Retail Private Limited

The related party transactions are as under:

Particulars	Year Ended	Sale of goods	Sale of services	Purchase of traded goods	Receipt of Service	Amount in Rs	
						Amount owed by related parties	Amount owed to related parties
Mahindra retail private limited (Holding Company)	31st March, 2016 (31st March, 2015)	186,30,57	93,99,614	140,77,725	16,21,244	–	64,57,046
		(81,41,682)	(NIL)	(20,66,859)	(1,81,726)	(19,35,328)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Mahindra Logistics Limited	31st March, 2016 (31st March, 2015)	–	–	6,28,20,372	–	1,71,97,408
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Inter Corporate Deposit Received	Interest Expenses	Amount in Rs	
						Amount owed by related parties	Amount owed to related parties
Mahindra Logistics Limited	31st March, 2016 (31st March, 2015)	–	–	12,00,00,000	53,26,027	12,17,97,535	
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)	

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Mahindra Integrated Business Solutions Pvt Ltd	31st March, 2016 (31st March, 2015)	–	–	1,92,437	–	16,720
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Lords Freight India Pvt Ltd	31st March, 2016 (31st March, 2015)	–	–	3,63,247	–	–
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

**Other Transactions:**

During the Year ended 31st March 2016, the Company issued 2,79,90,000 shares of Rs 10 each Fully paid up at par to Mahindra Retail Private Limited.

**(V) CONTINGENT LIABILITIES:**

There are no contingent liabilities as on 31st March, 2016.



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**(VI) COMMITMENT (NET OF ADVANCES):**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Capital Commitments	NIL	NIL

The information in respect of commitment has been given only in respect of capital commitments in order to avoid providing excessive details that may not assist users of financial statements.

**(VII) EXPENDITURE IN FOREIGN CURRENCY**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Travelling expenses	NIL	22,219
Web Services	56,69,186	3,68,096
Purchase of Merchandise	4,25,906	23,19,446

**(VIII) INCOME IN FOREIGN CURRENCY**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Advertisement	98,005	50,521

(IX) The Management, based on their strategic future business plans for turnaround of operations and continued support from the Holding Company, assess that the Company will be able to continue its operations in the normal course. During the year, the Holding Company has contributed Rs. 27,99,00,000/- towards equity capital to support the operations of the Company. Accordingly, these financial statements have been prepared by the Management on going concern basis.

(X) Disclosures relating to amounts payable as at the year end together with interest paid/payable to Micro, Small and Medium Enterprises have been made in the accounts, as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent of information available with the Company determined on the basis of intimation received from suppliers.

Particulars	31.3.2016	31.3.2015
	Amount in Rs	Amount in Rs
(i) Principal amount remaining unpaid as on 31st March	63,194	18,41,771
(ii) Interest due thereon remaining unpaid as on 31st March	NIL	NIL
(iii) Interest paid by the Corporation in terms of section 16 of the Micro, Small and Medium enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	NIL	NIL
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	NIL	NIL
(v) Interest accrued and remaining unpaid as at 31st March	NIL	NIL
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	NIL	NIL

(XI) Legal & Professional fees includes Share issue expenses amounting to Rs. 34,64,190. (LY FY 14-15 16,01,000 and Stamp Duty on asset transfer agreement of Rs 13,13,700).

(XII) Previous year's figures have been regrouped/reclassified whenever necessary to correspond with the current year's classification/disclosure.

**Note 3 - Share capital**

Particulars	Mar-16	Mar-15
	Amount in Rs.	Amount in Rs.
<b>a. Authorised :</b>		
3,50,00,000 (Previous Year 1,50,00,000) equity shares of Rs.10 each	<u>350,000,000</u>	<u>150,000,000</u>
<b>b. Issued, subscribed and fully paid up:</b>		
3,30,00,000 (Previous Year 50,10,000) equity shares of Rs. 10 each	<u>330,000,000</u>	<u>50,100,000</u>
<b>Total</b>	<u><u>330,000,000</u></u>	<u><u>50,100,000</u></u>

**c. Reconciliation of share outstanding at the beginning & at the end of the Year**

Particulars	Mar-16		Mar-15	
	Nos	Amount	Nos	Amount in Rs
<b>Equity Shares:</b>				
At the beginning of the period	5,010,000	50,100,000	10,000	100,000
Add: Issued during the year	<u>27,990,000</u>	<u>279,900,000</u>	<u>5,000,000</u>	<u>50,000,000</u>
<b>Outstanding at the end of the period</b>	<u><u>33,000,000</u></u>	<u><u>330,000,000</u></u>	<u><u>5,010,000</u></u>	<u><u>50,100,000</u></u>

During the year the company has issued 279,90,000 equity shares at face value of Rs. 10/- each at par to its holding company Mahindra Retail Private Limited

**d. Shares held by holding company**

Particulars	Mar-16		Mar-15	
	Nos	Amount	Nos	Amount in Rs
Mahindra Retail Private Limited	<u>33,000,000</u>	<u>330,000,000</u>	<u>5,010,000</u>	<u>50,100,000</u>

**e. Details shareholders holding more than 5% shares in the company**

Particulars	Mar-16		Mar-15	
	Nos	% Holdings	Nos	% Holdings
Mahindra Retail Private Limited	<u>33,000,000</u>	<u>100.00%</u>	<u>5,010,000</u>	<u>100.00%</u>

f. The Company has one class of Equity Shares having par value of Rs.10 each. Each Equity shareholder is eligible for one vote per share held and is entitled to dividend as and when the Company declares and pays dividend after obtaining shareholders' approval. Dividends are paid in Indian rupees.

**Note 4 - Reserves and Surplus**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
<b>Deficit in statement of Profit &amp; Loss Account</b>		
1 Opening balance	<u>(32,137,358)</u>	1,269,354
Add: Profit/(Loss) for the Current Year	<u>(286,937,406)</u>	<u>(33,406,712)</u>
<b>Closing Balance</b>	<u><u>(319,074,763)</u></u>	<u><u>(32,137,358)</u></u>

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

**Note 5 - Share Application Money Pending Allotment**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Share Application money pending allotment (Note a)	-	25,000,000
<b>Total</b>	<b>-</b>	<b>25,000,000</b>

(Note a) Share Application money pending allotment represents application received from Holding Company- Mahindra Retail Private Limited which comprises of 25,00,000 Equity shares of face value of 10 each fully paid up proposed to be issued at par. The Company has sufficient authorised capital to cover the share capital amount on allotment of above share.

**Note 6 - Short-term borrowings:**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
<b>Unsecured</b>		
Loans and advances/ICDs from related parties	120,000,000	-
<b>Total</b>	<b>120,000,000</b>	<b>-</b>

ICD from related parties are unsecured & it carries interest rate 11.25 % per annum.

**Note 7 - Trade payables**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Micro, Small & Medium Enterprises (Refer Note 2.2 XII)	63,194	1,841,724
Others	41,422,883	18,137,827
<b>Total</b>	<b>41,486,077</b>	<b>19,979,551</b>

**Note 8 - Other current liabilities**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Statutory dues payable	6,508,971	972,913
Interest accrued but not due on borrowings	1,797,534	-
Other Payables	22,856,684	13,859,374
<b>Total</b>	<b>31,163,189</b>	<b>14,832,287</b>

**Note 9**

Amount in Rs.

Particulars	Gross Block (at cost)				Depreciation				Net block	
	Cost as at 1-Apr-2015	Additions	Deletions/ Adjustments	Cost as at 31-Mar-2016	Up to 1-Apr-2015	For the year	On deletions	Up to 31-Mar-2016	As at 31-Mar-2016	As at 31-Mar-2015
<b>(A) Tangible assets</b>										
i. Computer & Pheripherals	712,250	234,718	-	946,968	59,100	774,845.85		833,945	113,023	653,151
ii. Furnitures & Fixtures	1,150,250			1,150,250	30,237	746,822.62		777,060	373,190	1,120,013
iii. Motor Vehicles	-			-	-	-		-	-	-
iv. Office Equipments	724,847	96,678		821,525	38,109	548,376.94		586,486	235,039	686,738
<b>Total(A)</b>	<b>2,587,348</b>	<b>331,396</b>	<b>-</b>	<b>2,918,744</b>	<b>127,446</b>	<b>2,070,045</b>	<b>-</b>	<b>2,197,491</b>	<b>721,252</b>	<b>2,459,901</b>
<b>(B) Intangible assets</b>										
v. Intangible Assets (Softwares)	2,881,392		-	2,881,392	252,510	1,886,756		2,139,266	742,126	2,628,882
<b>Total (B)</b>	<b>2,881,392</b>	<b>-</b>	<b>-</b>	<b>2,881,392</b>	<b>252,510</b>	<b>1,886,756</b>	<b>-</b>	<b>2,139,266</b>	<b>742,126</b>	<b>2,628,882</b>
<b>GRAND TOTAL (A + B)</b>	<b>5,468,739</b>	<b>331,396</b>	<b>-</b>	<b>5,800,136</b>	<b>379,956</b>	<b>3,956,801</b>	<b>-</b>	<b>4,336,757</b>	<b>1,463,378</b>	<b>5,088,783</b>
<b>PREVIOUS YEAR</b>		<b>2,881,392</b>		<b>2,881,392</b>		<b>252,510</b>		<b>252,510</b>	<b>2,628,882</b>	

**Capital work in progress**

Particulars	Gross Block (at cost)				Depreciation				Net block	
	Cost as at 1-Apr-2015	Additions	Deletions/ Adjustments	Cost as at 31-Mar-2016	Up to 1-Apr-2015	For the year	On deletions	Up to 31-Mar-2016	As at 31-Mar-2016	As at 31-Mar-2015
Capital Work in Progress				-	-	-	-	-	-	-
<b>PREVIOUS YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Note 10 - Long - Term Loans & Advances**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured considered good unless otherwise stated)</b>		
Capital advances	-	-
Security deposits	-	3,150,000
<b>Total</b>	<b>-</b>	<b>3,150,000</b>

**Note 11 - Inventories**

Particulars	Rs. Mar-16	Rs. Mar-15
Stock-in-trade	58,236,112	36,318,474
<small>(valued at lower of cost and net realisable value)</small>		
Packing Materials & Consumables at cost	1,087,070	847,008
<b>Total</b>	<b>59,323,182</b>	<b>37,165,482</b>

**Note 12 - Trade Receivables**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured)</b>		
<b>Trade Receivables outstanding for more than six months from the date they are due for payment</b>		
a) Considered good	-	-
b) Doubtful	-	-
c) Less: Provision for doubtful trade receivables	-	-
<b>Others</b>		
a) Considered good	12,992,539	6,273,989
b) Doubtful	3,542,945	-
c) Less: Provision for doubtful trade receivables	3,542,945	-
<b>Total</b>	<b>12,992,539</b>	<b>6,273,989</b>

**Note 13 - Cash & Bank Balances**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>A. Cash &amp; Cash Equivalents:</b>		
Balances with Banks		
– On current account	122,803,847	16,502,493
Cash on hand	22,093	30,222
<b>B. Other Bank Balances</b>		
FD with bank	750,000	750,000
<b>Total</b>	<b>123,575,940</b>	<b>17,282,715</b>

**Note 14 - Short-term Loans & Advances:**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured considered good unless otherwise stated)</b>		
Loans and advances to related parties	-	-
Advance for goods & services	-	6,385,556
Prepaid Expenses	469,859	846,607
Gratuity Fund	-	-
Security deposits	3,565,000	948,000
Others	2,184,604	633,349
<b>Total</b>	<b>6,219,463</b>	<b>8,813,512</b>

**Note 15 - Revenue from Operations**

Particulars	Rs. Mar-16	Rs. Mar-15
Sale of goods (Trading)	228,925,301	39,757,785
Other operating revenues	23,026,640	402,185
<b>Total</b>	<b>251,951,941</b>	<b>40,159,970</b>

**Note 16 - Other Income**

Particulars	Rs. Mar-16	Rs. Mar-15
Interest Others	217,519	85,110
Credit Balances Written back	-	95,818
Other Non-Operating Income	-	-
<b>Total</b>	<b>217,519</b>	<b>180,928</b>

**Note 17 - Changes in Inventories of stock in trade**

Particulars	Rs. Mar-16	Rs. Mar-15
Opening Stock	36,318,474	-
Less: Closing Stock	58,236,112	36,318,474
<b>Decrease/(Increase) in Stock</b>	<b>(21,917,639)</b>	<b>(36,318,474)</b>

**Note 18 - Employee Benefit Expenses**

Particulars	Rs. Mar-16	Rs. Mar-15
Salaries, wages and bonus	73,212,942	14,316,906
Contribution to provident and other funds	2,258,437	421,026
Staff welfare expenses	725,684	645,058
<b>Total</b>	<b>76,197,063</b>	<b>15,382,990</b>

**Note 19 - Finance Cost**

Particulars	Rs. Mar-16	Rs. Mar-15
Interest		
– loans for fixed period	-	-
– others	5,326,027	-
Bank charges	-	70,073
<b>Total</b>	<b>5,326,027</b>	<b>70,073</b>

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

**Note 20 - Other expenses**

Particulars	Rs.		Particulars	Rs.	
	Mar-16	Mar-15		Mar-16	Mar-15
Rent	13,813,289	3,615,993	Consumables	4,036,678	221,397
Marketing & Advertising expenses	120,237,080	11,307,781	Auditors' Remuneration	300,000	125,000
Power and fuel	2,365,044	484,480	Miscellaneous expenses	839,896	279,432
Commission on Sales/Contracts	2,026,740	1,069,978	Provision for Inventory	3,655,703	–
Legal & Professional fees	14,661,111	7,265,213	Provision for Doubtful Debts	3,542,945	–
Warehousing Charges	75,957,644	7,069,296	<b>Total</b>	<b>250,527,833</b>	<b>37,128,661</b>
Freight Inward	24,580	576,617	<b>Other additional information by way of notes to statement of profit &amp; loss.</b>		
Freight Outward	–	2,323,489	<b>Payment to auditors</b>		
General and Administrative Expenses	5,196,271	1,693,058			
Internet and Broadband Expenses	–	262,880			
Travel & Conveyance	2,166,111	332,687			
Insurance Expenses	72,578	–			
Security Expenses	742,305	407,557			
Rates and taxes	24,225	42,398			
House Keeping	865,633	51,407			

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Amar Korde**  
Director

**Parvinder Singh**  
Chief Executive Officer

**Kapil Mittal**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

## DIRECTORS' REPORT

Your Directors present their Eighth Annual Report together with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### 1) Financial Highlights and State of Company's Affairs:

#### Particulars

Particulars	(Rs. in Lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Total Income	2,521.69	403.41
Profit/(Loss) before Interest, Depreciation and Taxation	(2,776.55)	(330.27)
Less: Interest	53.26	Nil
Depreciation	39.57	3.80
Profit/(Loss) before Taxation	(2,869.38)	(334.07)
Current Tax	Nil	Nil
Profit/(Loss) after Taxation	(2,869.38)	(334.07)
Balance brought forward	(321.37)	12.69
Balance carried to Balance Sheet	(3,190.75)	(321.37)
Networth	109.25	429.63

No material changes and commitments affecting the financial position of the Company occurred after the end of the financial year to which this financial statements relate and the date of this report.

### 2) Operations

The year under review was the first year of full-fledged commercial operations for your Company. Your Company recorded revenues of Rs. 2,521.69 Lakhs and loss after tax for the year was Rs. 2,869.37 Lakhs.

### 4) Dividend

No Dividend was declared for the current financial year due to loss incurred by the Company.

### 5) Share Capital:

#### Authorised Share Capital

During the year under review, the authorised share capital of your Company was increased from Rs. 15,00,00,000 to Rs. 35,00,00,000.

Necessary amendments to the Memorandum of Association of the Company were carried out during the year with respect to the same.

Your Board of Directors at their Meeting held on 23<sup>rd</sup> May, 2016 approved the proposal for increase in Authorised Share Capital of the Company from Rs. 35,00,00,000 to Rs. 60,00,00,000 and subsequent changes in the Memorandum of Association of the Company, subject to the approval of the members at the ensuing Annual General Meeting of the Company.

#### Further Issue of Share Capital

During the year under review, your Company issued 2,79,90,000 Equity Shares of Rs. 10 each on Rights basis and pursuant to the same the issued, subscribed and paid up capital of your company as at the end of the financial year stood increased to Rs. 33,00,00,000/-.

### 6) Board of Directors

#### Composition

Presently the Board comprises of the following:

Name of the Director & DIN	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Prakash Wakankar (DIN: 00020462)	Director	Non-Executive Director	Non-Independent Director
Mr. Amar Korde (DIN: 01013355)	Director	Non-Executive Director	Non-Independent Director
Mr. Srinath Ramamurthy (DIN: 07063293)	Director	Non-Executive Director	Non-Independent Director
Mr. Bharat Upadhyay (DIN: 02189485)	Additional Director	Non-Executive Director	Independent Director
Mr. Ajay Mehta (DIN: 07102804)	Additional Director	Non-Executive Director	Independent Director

Mr. Prakash Wakankar (DIN: 00020462) retire by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

Mr. Bharat Upadhyay and Mr. Ajay Mehta were appointed as Additional (Independent) Directors of the Company with effect from 23<sup>rd</sup> May, 2016. They hold office upto the ensuing Annual General Meeting of the Company.

Your Company has received from Mahindra Retail Private Ltd., member a sum of Rs. 1,00,000/- each for proposing the candidature of Mr. Ajay Mehta and Mr. Bharat Upadhyay as the Directors of the Company.

The members of the Company at their ensuing Annual General Meeting are required to approve the appointment of Mr. Bharat Upadhyay and Mr. Ajay Mehta for a period of two consecutive years with effect from 23<sup>rd</sup> May, 2016 and they would not be liable to retire by rotation.

Mr. Ajay Mehta and Mr. Bharat Upadhyay, who in the opinion of the Board, are persons with integrity and possess relevant expertise and experience, have given declarations to effect that they meet the criteria of Independence as laid down under Section 149 of the Companies Act, 2013.

Your Directors have wide experience in business related to trading, finance and general corporate management.

#### **Board Meetings and Annual General Meeting**

Your Board of Directors met seven times during the year under review on 5<sup>th</sup> May, 2015, 1<sup>st</sup> June, 2015, 30<sup>th</sup> July, 2015, 19<sup>th</sup> October, 2015, 27<sup>th</sup> October, 2015, 4<sup>th</sup> January, 2016 and 23<sup>rd</sup> February, 2016, which were attended by all the Directors of the Company. The seventh Annual General Meeting of the Company was held on 29<sup>th</sup> September, 2015.

#### **Committees of the Board:**

##### **Audit Committee**

The Board at its Meeting held on 23<sup>rd</sup> May, 2016 constituted the Audit Committee comprising of the following members:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Ajay Mehta	Member	Non-Executive Director	Independent Director
Mr. Bharat Upadhyay	Member	Non-Executive Director	Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The meeting of the Audit Committee was held on 23<sup>rd</sup> May, 2016, which was attended by all the Members.

##### **Nomination and Remuneration Committee**

The Board at its Meeting held on 23<sup>rd</sup> May, 2016 constituted the Nomination and Remuneration Committee comprising of the following members:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Ajay Mehta	Member	Non-Executive Director	Independent Director
Mr. Bharat Upadhyay	Member	Non-Executive Director	Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The meeting of the Nomination and Remuneration Committee was held on 23<sup>rd</sup> May, 2016, which was attended by all the Members.

#### **7) Directors' Responsibility Statement**

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received and

after due enquiry confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) The directors had selected such accounting policies and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **8) Key Managerial Personnel's (KMP)**

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, key managerial personnel of your Company are as below:

Sr. No.	Name of the KMP	Designation
1.	Mr. Sanjay Nadkarni	Chief Executive Officer (from 30 <sup>th</sup> July, 2015 to 31 <sup>st</sup> January, 2016)
2.	Mr. Parvinder Singh	Chief Executive Officer (with effect from 23 <sup>rd</sup> May, 2016)
3.	Mr. Kapil Mittal	Chief Financial Officer (from 30 <sup>th</sup> July, 2015 to close of business hours on 23 <sup>rd</sup> May, 2016)
4.	Mr. Rahul Bhargava	Chief Financial Officer (with effect from 25 <sup>th</sup> May, 2016)
5.	Ms. Rinkal Mehta	Company Secretary (from 5 <sup>th</sup> March, 2015 to 31 <sup>st</sup> July, 2015)
6.	Mr. Sandesh Pokhriyal	Company Secretary (from 10 <sup>th</sup> August, 2015 to 19 <sup>th</sup> February, 2016)
7.	Ms. Rupal Jain	Company Secretary w.e.f. 23 <sup>rd</sup> May, 2016

#### **9) Statutory Auditors**

At the Sixth Annual General Meeting, Messrs. B. K. Khare & Co., Chartered Accountants, (Firm registration Number 105102W) were appointed as the Statutory Auditors of your Company for a period of five years. They hold office up to the conclusion of Tenth Annual General Meeting.

Pursuant to the first proviso of Section 139(1) of Companies Act, 2013, members are requested to ratify the appointment of Statutory Auditors and fix their remuneration at the ensuing Eighth Annual General Meeting of the Company.

As required under the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, your Company has obtained a written consent and certificate from Statutory Auditors to the effect that their appointment, if ratified, would be in conformity with the conditions, limits and criteria specified therein.

Your Directors confirm that the Auditors Report does not contain any qualification, reservation or adverse remark.

**10) Frauds Reported 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 Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

**11) Risk Management Policy**

Your Company has formulated Risk Management Policy including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risk and enabling the Company to manage the same, if confronted with.

**12) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

**13) Disclosure of Particulars of Employees as required under Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being unlisted company, provisions of Rule 5 of the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

**14) Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013 and Deposit under Chapter V of the Companies Act, 2013.**

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with the requirements of chapter V of the Companies Act, 2013.

There were no loans granted, securities provided and investments made during the year under review pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances during the year under review which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the ultimate parent company Mahindra and Mahindra Limited.

**15) Particulars of Transactions with Related Parties**

Particulars of contracts or arrangements with related parties are given in the from AOC – 2 as **Annexure II** and the same forms part of this Report.

**16) Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return

as on 31<sup>st</sup> March, 2016 is attached herewith as **Annexure III** and forms part of this report.

**17) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for prevention of sexual harassment.

**18) Mahindra Internet Commerce Private Ltd. (MICPL) EMPLOYEES STOCK OPTION SCHEME – 2015:**

The Members of the Company by way of special resolution passed on 1<sup>st</sup> October, 2015 approved the MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 in order to create, offer and grant from time to time, in one or more tranches, upto 21,74,783 (Twenty One Lakhs Seventy Four Thousand Seven Hundred and Eighty Three) Options.

The Committee under the MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 comprises of the following:

Name of the Director	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Amar Korde	Member	Non-Executive Director	Non-Independent Director
Mr. Srinath R	Member	Non-Executive Director	Non-Independent Director

The ESOP Committee met on 4<sup>th</sup> January, 2016 which was attended by both the Committee members. At the said meeting, the Committee approved grant of 12,47,281 stock options.

The Board at its Meeting held on 23<sup>rd</sup> May 2016, subject to the approval of the Members had approved the revision in MICPL EMPLOYEES STOCK OPTION SCHEME – 2015 by extending the exercise period from 6 months (from the last date of employment) to 5 years.

Details to be disclosed under the said Scheme pursuant to the Companies (Share Capital and Debentures) Rules, 2014 is attached herewith as **Annexure IV** and forms part of this report.

**19) Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry your Directors confirm that they have laid down internal finance controls with reference to the Financial Statements and these controls are adequate.

**20) General Disclosures:**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.

2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders by Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Provisions relating to Corporate Social Responsibility (CSR) enumerated under section 135 of the Companies Act, 2013.

**21) Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016



## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (a) the steps taken or impact on conservation of energy:

The operations of your Company are not energy intensive. Your Company has, however, taken adequate measures to reduce energy consumption.

- (b) the steps taken by the company for utilizing alternate sources of energy: Nil

- (c) the capital investment on energy conservation equipments: Nil

#### B. TECHNOLOGY ABSORPTION

- i) the efforts made towards technology absorption: None

- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Nil

- (a) the details of technology imported: Nil

- (b) the year of import: Nil

- (c) whether the technology been fully absorbed: Nil

- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

- iv) the expenditure incurred on Research and Development: Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: *(in terms of actual inflow and outflow)*

Total Foreign Exchange Earned and Used:

	(Rs. in Lakhs)	
	For the Financial Year ended 31 <sup>st</sup> March, 2016	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	Nil	Nil
Total Foreign Exchange Used	60.95	27.10

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### Particulars of Transactions with Related Parties for year ended 31<sup>st</sup> March 2016 FORM NO. AOC-2

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis - Nil
2. Details of contracts or arrangements or transactions at Arm's length basis

Sr. No.	Particulars	Details
a)	Name(s) of the related party & nature of relationship	Mahindra Retail Private Limited - Holding Company
b)	Nature of contracts/arrangements/transaction	Purchase and Sale of Goods
c)	Duration of the contracts/arrangements/transaction	Annual/ Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Sales: Rs. 1,40,77,725 /- Purchases: Rs.1,86,30,571/- Services provided: 93,99,614 /- Service received: 16,21,244 /-
e)	Date of approval by the Board	#N.A.
f)	Amount paid as advances, if any	Nil

Sr. No.	Particulars	Details
a)	Name(s) of the related party & nature of relationship	Mahindra Logistics Limited – Fellow Subsidiary
b)	Nature of contracts/arrangements/transaction	Logistics Expenses – Freight and Customs Clearing
c)	Duration of the contracts/arrangements/transaction	Annual/ Recurring
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Rs. 6,28,20,372/-
e)	Date of approval by the Board	#N.A.
f)	Amount paid as advances, if any	Rs. 6,28,20,372/-

# Note: The above referred transactions are at arms length and in the ordinary course of business. Accordingly Board approval is not required as per proviso to sub section (1) of Section 188 of the Companies Act, 2013.

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016

## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U52399MH2008PTC187927
2.	<b>Registration Date</b>	3 <sup>rd</sup> November, 2008
3.	<b>Name of the Company</b>	Mahindra Internet Commerce Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non-Government Company
5.	<b>Address of Registered Office and Contact details</b>	Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400018. Tel: 022-24905623
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Retail sale via E commerce	52512	99%

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

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Retail Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018, Maharashtra	U52190MH2007PTC173762	Holding Company	100%	2(46)
2.	Retail Initiative Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018, Maharashtra	U67110MH2008PLC188837	Holding Company	–	2(46)
3.	Mahindra Engineering and Chemical Products Limited Gateway Building, Apollo Bunder, Mumbai 400 001. Tel. No. 022 2202 1031 Fax No. 022 22875485	U74999MH1954PLC019908	Holding Company	–	2(46)
4.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai 400 001. Tel. No. 022 2202 1031 Fax No. 022 22875485	L65990MH1945PLC00455	Holding Company	–	2(46)

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

1. Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	50,10,000	50,10,000	100	–	3,30,00,000	3,30,00,000	100	0
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-Total- A-(1)</b>	–	<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	–	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	<b>0</b>
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/FI	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
<b>Sub Total-A (2)</b>	–	–	–	–	–	–	–	–	–
<b>Total Share holding of Promoters (1+2)</b>		<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	–	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/FI	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Portfolio Corporate	–	–	–	–	–	–	–	–	–
i. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
j. Others	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B (1)</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>									
a. Body Corp.	–	–	–	–	–	–	–	–	–
b. Individual	–	–	–	–	–	–	–	–	–
i. Individual shareholders holding nominal share capital upto ₹ 1 Lakh	–	–	–	–	–	–	–	–	–
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	–	–	–	–	–	–	–	–	–

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

Category of Shareholders	No. of shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>50,10,000</b>	<b>50,10,000</b>	<b>100</b>	-	<b>3,30,00,000</b>	<b>3,30,00,000</b>	<b>100</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Retail Private Limited	50,09,999	100	-	3,29,99,999	100	-	100
2	Mr. Narayan Shankar jointly with Mahindra Retail Private Limited	1	0	-	1	0	-	-
	<b>Total</b>	<b>50,10,000</b>	<b>100</b>	<b>-</b>	<b>3,30,00,000</b>	<b>100</b>	<b>-</b>	<b>100</b>

**iii. Change in Promoters' Shareholding**

Sr. No.	Particulars	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
<b>1</b>	<b>Mahindra Retail Private Limited</b>				
	<b>At the beginning of the year</b>	<b>50,10,000</b>	<b>100</b>	-	-
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):				
	22 <sup>nd</sup> April, 2015 -Increase – Allotment of 25,00,000 Equity Shares			75,10,000	
	11 <sup>th</sup> June, 2015-Increase – Allotment of 50,00,000 Equity Shares			1,25,10,000	
	25 <sup>th</sup> September, 2015-Increase – Allotment of 24,90,000 Equity Shares			1,50,00,000	
	31 <sup>st</sup> March, 2016-Increase – Allotment of 1,80,00,000 Equity Shares.			3,30,00,000	
	<b>At the end of the year</b>			<b>3,30,00,000</b>	<b>100</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
-	-	-	-	-	-

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
-	-	-	-	-	-

**V. INDEBTEDNESS**

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

(Rs. in Lakhs)

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	-	1200	-	1200
- Reduction	-	-	-	-
<b>Net Change</b>	-	<b>1200</b>	-	<b>1200</b>
<b>Indebtedness at the end of the financial year-31.03.2016</b>	-	<b>1200</b>	-	<b>1200</b>
1) Principal Amount	-	1200	-	1200
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	18	-	18
<b>Total of (1+2+3)</b>	-	<b>1218</b>	-	<b>1218</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:**

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
1.	Gross Salary	-	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-	-
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-	-
2.	Stock option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of Profit	-	-	-	-
	- Others, specify	-	-	-	-
5.	Others, please specify	-	-	-	-
	<b>Total (A)</b>	-	-	-	-
	Ceiling as per the Act	-			

**B. Remuneration to other directors:**

**I. Independent Directors:-**

(Rs. in Lakhs)

Particulars of Remuneration	Name of Directors			Total Amount
Fee for attending board/ committee meetings	-	-	-	-
Commission	-	-	-	-
Others	-	-	-	-
<b>Total (1)</b>	-	-	-	-

**II. Other Non-Executive Directors :-**

(Rs. in Lakhs)

Other Non-Executive Directors	Mr. Prakash Wakankar	Mr. Amar Korde	Mr. Srinath R	Total Amount
Fee for attending board/committee meetings	-	-	-	-
Commission	-	-	-	-
Others	-	-	-	-
<b>Total (2)</b>	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-
Ceiling as per the Act	-			

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

(Rs. in Lakhs)

Sr. No	Particulars of Remuneration	Name of the KMP			Total Amount
		CEO	CFO	CS	
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	30.08	–	–	30.08
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–	–
2.	Stock option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission	–	–	–	–
	– As % of profit	–	–	–	–
	– Others, specify	–	–	–	–
5.	Others,				
	Professional Fees	–	–	0.97	0.97
	Contribution to Provident Fund & Gratuity	0.95	–	–	0.95
	<b>Total</b>	<b>31.03</b>	<b>–</b>	<b>0.97</b>	<b>32.00</b>

**VII. Penalties/Punishment/ Compounding of offences:**

Particulars	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	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil
<b>B. Directors</b>						
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil
<b>C. Other Officers in Default</b>						
Penalty	Nil	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil	Nil

**For and on behalf of the Board**

**Amar Korde**  
Director

**Prakash Wakankar**  
Director

Mumbai, May 23, 2016



## ANNEXURE IV TO THE DIRECTORS' REPORT

### ESOP SCHEME

**Disclosure in compliance with Section 62 of the Companies Act 2013 read with Rule 12 (9) of The Companies ( Share Capital and Debenture), Rules 2014**

(a) Options granted (Nos.)	1,247,281
(b) Options vested	NIL (Vesting of options after 1 year of grant)
(c) Options exercised	NIL (Exercise of options post 31.03.2017)
(d) The total number of shares arising as a result of exercise of option	NIL
(e) Options lapsed (Nos.)	932,608
(f) The exercise price per share; (Amount in Rs.)	10
(g) Variation of terms of options	At Board Meeting dated 23 May, 2016, Board approved extension of the exercise period from 6 months to 5 years, subject to shareholders approval
(h) Money realized by exercise of option	NIL
(i) Total number of options in force	314,673
(j) Employee wise details of options granted to	
(i) Key Managerial Personnel	Mr. Sanjay Nadkarni (CEO) - 732,065 (58.7% )
(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	1. Mr. Ranjith Parsuraman -6.9% (No. of Options - 86,413) 2. Mr. Supriyo Bose - 6.9% (No. of Options - 86,413)
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Mr. Sanjay Nadkarni (CEO) - 2.22% (No. of Options - 732,065)

**For and on behalf of the Board**

**Amar Korde**      **Prakash Wakankar**  
Director                      Director

Mumbai, May 23, 2016

## INDEPENDENT AUDITORS' REPORT

To  
**The Members of  
Mahindra Internet Commerce Private Limited**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **MAHINDRA INTERNET COMMERCE PRIVATE LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the period from April 1, 2015 to March 31, 2016.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow 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 (as amended);
  - e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors

- is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. In our opinion and based on the information and explanation given to us, there are no pending litigations against the company.
- ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
- iii. During the year, there were no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

**Padmini Khare Kaicker**  
*Partner*  
*Membership Number 044784*

*Place: Mumbai*  
*Dated: 23<sup>rd</sup> May, 2016*

## ANNEXURE I TO THE AUDITOR'S REPORT

**Referred to in paragraph 9 of our report of even date on the financial statements of Mahindra Internet Commerce Private Limited for the year ended March 31, 2016**

**Annexure to the Auditor's Report referred to in our report of even date:**

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not have any immovable property.
- II. (a) The Inventory has been physically verified during the year by the management. On the basis of the information and explanations given to us discrepancies noticed on physical verification of inventory of apparels, non-apparels, packing material and consumables have been properly dealt with in the books of accounts.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory of apparels, non apparels, packing material and consumables followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The procedures followed by the management for physical verification of inventory of apparels, non-apparels, packing material and consumables are adequate in relation to the size of the company and the nature of its business.
- III. There are no companies, firms or other parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The provisions of section 185 of the Act are not applicable to the Company. The Company has complied with the provisions of section 186 of the Act to the extent applicable.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority.
- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- IX. In our opinion and according to the information and explanations given to us, during the year, no term loans were obtained by the Company. During the year, there were no moneys raised by way of initial public offer or further public offer.
- X. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted accounting practices and according to the information and explanations given to us, we have neither come across any instances of frauds by the company or any fraud on the Company by its officers or employees have been noticed nor have been reported during the year.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Act, where applicable. The

Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.

XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Order is not applicable to the company.

XV. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

**Padmini Khare Kaicker**  
*Partner*  
*Membership Number 044784*

*Place: Mumbai*  
*Dated: 23<sup>rd</sup> May, 2016*

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA INTERNET COMMERCE PRIVATE LIMITED

### Report 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 Mahindra Internet Commerce Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

### Management's Responsibility for Internal Financial Controls

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner

Place: Mumbai  
Dated: 23<sup>rd</sup> May, 2016

Membership Number 044784

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

(Currency: Indian Rupees)

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital .....	3	330,000,000	50,100,000
(b) Reserves and surplus .....	4	(319,074,763)	(32,137,358)
<b>(2) Share Application money pending allotment .....</b>	<b>5</b>	<b>–</b>	<b>25,000,000</b>
<b>(3) Current liabilities</b>			
(a) Short term Borrowings .....	6	120,000,000	
(b) Trade payables .....	7	41,486,077	19,979,551
(c) Other current liabilities.....	8	31,163,189	14,832,287
<b>TOTAL</b>		<b>203,574,502</b>	<b>77,774,481</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed Assets	9		
(i) Tangible assets .....		721,252	2,459,901
(ii) Intangible assets.....		742,126	2,628,882
(iii) Capital work in progress.....		–	–
(b) Long term loans and advances .....	10	–	3,150,000
<b>(2) Current assets</b>			
(a) Inventories.....	11	59,323,182	37,165,482
(b) Trade Receivables.....	12	12,992,539	6,273,989
(c) Cash and Bank Balances.....	13	123,575,940	17,282,715
(d) Short term loans and advances.....	14	6,219,463	8,813,512
<b>TOTAL</b>		<b>203,574,502</b>	<b>77,774,481</b>
Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of Financial Statements	2.2		

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Parvinder Singh**  
Chief Executive Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

**Amar Korde**  
Director

**Kapil Mittal**  
Chief Financial Officer

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

(Currency: Indian Rupees)

Particulars	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
I. Revenue from operations.....	15	251,951,941	40,159,970
II. Other income.....	16	217,519	180,928
<b>III. Total Revenue (I + II).....</b>		<b>252,169,460</b>	<b>40,340,898</b>
<b>IV. Expenses:</b>			
Purchase of stock in trade.....		225,016,780	57,104,403
Changes in inventories of stock in trade .....	17	(21,917,639)	(36,318,474)
Employee benefits expense.....	18	76,197,063	15,382,990
Finance cost .....	19	5,326,027	70,073
Depreciation and amortisation expense.....		3,956,801	379,956
Other expenses .....	20	250,527,833	37,128,661
<b>Total Expenses .....</b>		<b>539,106,866</b>	<b>73,747,609</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV) ..</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
VI. Exceptional Items .....		-	-
<b>VII. Profit before extraordinary items and tax (V - VI).....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
VIII. Extraordinary items .....		-	-
<b>IX. Profit before tax (VII - VIII) .....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
X. Tax expense			
(1) Current tax.....		-	-
(2) Deferred tax.....		-	-
<b>XI. Profit (Loss) for the period (IX - X).....</b>		<b>(286,937,406)</b>	<b>(33,406,712)</b>
 XII. Earnings per equity share:			
(1) Basic.....		(22.56)	(25.21)
(2) Diluted .....		(22.56)	(25.21)
Nominal value per share.....		10	10
 Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of Financial Statements	2.2		

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
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Chief Executive Officer

**Kapil Mittal**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

(Currency: Indian Rupees)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
<b>A . CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before tax .....	(286,937,406)	(33,406,712)
<b>Adjustments for:</b>		
Depreciation & Amortization .....	3,956,801	379,956
Finance Cost .....	5,326,027	70,073
Interest Income.....	(217,519)	(85,110)
<b>Operating profit before working capital changes .....</b>	<b>(277,872,097)</b>	<b>(33,041,792)</b>
<b>Changes in:</b>		
Trade Receivables .....	(6,718,550)	(6,273,989)
Inventories .....	(22,157,700)	(37,165,482)
Loans and Advances.....	5,744,049	(11,589,493)
Trade and other payables.....	37,837,427	34,707,296
<b>Cash generated from Operations .....</b>	<b>14,705,226</b>	<b>(20,321,669)</b>
Income Taxes paid .....	-	-
<b>NET CASH FROM OPERATING ACTIVITIES .....</b>	<b>(263,166,870)</b>	<b>(53,363,461)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets .....	(331,396)	(5,468,739)
Decrease in Margin Money deposit.....	-	-
Interest Income .....	217,519	85,110
<b>NET CASH USED IN INVESTING ACTIVITIES.....</b>	<b>(113,877)</b>	<b>(5,383,630)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Share Capital .....	254,900,000	75,000,000
Proceeds from Short Term Borrowings .....	120,000,000	-
Finance Cost Paid .....	(5,326,027)	(70,073)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES .....</b>	<b>369,573,973</b>	<b>74,929,927</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>106,293,225</b>	<b>16,182,837</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Opening Balance.....	17,282,715	1,099,878
Closing Balance .....	123,575,940	17,282,715

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
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**Rupal Jain**  
Company Secretary  
Membership No. A38366

**Amar Korde**  
Director

**Kapil Mittal**  
Chief Financial Officer

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

## 1. CORPORATE INFORMATION

Mahindra Internet Commerce Private Limited (the company) is a private limited company domiciled in India and was incorporated on 3rd November 2008 as Mahindra United Football Club Private Limited (MUFC). On 17th December, 2014, MUFC had discontinued its earlier business of operating professional football club in June 2010. The Company has changed its name and Object clause and started business operations in the area trading on E-Commerce platform from 20th December 2014. Pursuant to issue of shares to Mahindra Retail during the year, the Company has become subsidiary of Mahindra Retail Private Limited and is engaged in business of retailing baby and mother care product on E-Commerce platform (www.babyoye.com).

The company had acquired the assets of Moms Supplies Private Limited and Nest Childcare Private Limited on 20th December 2014 vide Asset Transfer Agreements of even date.

## 2. BASIS OF PREPARATION

The financial statements of the company have been prepared in accordance with the 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 section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

### 2.1 SIGNIFICANT ACCOUNTING POLICIES

#### a) Use of estimates

The preparation of financial statements in conformity with Generally Indian Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of financial statements and reported amounts of income and expenses during the period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the year in which the results are known/materialized.

#### b) Fixed Assets and Depreciation

##### (i) Tangible Assets.

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost includes all incidental expenses related to acquisition and installation and other pre-operative expenses.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets at the following annual rates which are higher than the SLM rates prescribed in Schedule II to the Companies Act 2013.

Assets	(%)	Useful lives (years)
Furniture & Fixtures	09.50	10 Years
Office equipment's	19.00	5 Years
Computers & Peripherals	31.67	3 Years

##### (ii) Intangible Assets

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses thereon. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured.

The company capitalizes software and related implementation costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life of 3 years.

#### c) Impairment of assets

The carrying amount of cash generating units/assets is reviewed at the balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever carrying amount exceeds the recoverable amount.

#### d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Packing Material and Consumables are valued at cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

#### e) 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:

##### Sales of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually when invoice is generated in the system. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

##### Income from Services

Revenues from services rendered are recognised as and when the services are rendered.

##### Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

#### f) Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian Rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

#### g) Retirement and other employee benefits

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 an 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.

#### h) Income Tax

Tax expense comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws.

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Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets in respect of accumulated losses/unabsorbed depreciation are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax is reviewed at each balance sheet date.

**i) Earnings per Share**

The company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share.

Basic EPS is computed by dividing net profit or loss for the year by the weighted average number of Equity shares outstanding during the year.

**j) Borrowing costs**

Borrowing costs, if any, directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of qualifying assets. Other borrowing costs are expensed as incurred.

**k) Operating Lease**

Operating Lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

**l) Cash Flow statement**

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the company.

**m) Provisions and Contingent Liabilities**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**2.2 EXPLANATORY NOTES**

**(I) SEGMENT REPORTING**

The Company is primarily in the business of retailing of baby and mothercare products through its own website, which in the context of Accounting Standard 17 on 'Segment Reporting' constitutes a single reporting segment.

**(II) LEASING TRANSACTIONS**

Operating lease rental charged to revenue for lease agreements entered on or after 1 April 2007 are:

Particulars	2015-16 Rs.	2014-15 Rs.
Office premises	1,24,08,313	36,16,343

**(III) EARNING PER SHARE (EPS) IS CALCULATED AS FOLLOWS:**

Sr. No.	Particulars	2015-16 Amount in Rs	2014-15 Amount in Rs
1	Profit/(Loss) attributable to equity shareholders	(28,69,37,406)	(3,34,06,712)
2	Weighted Average No. of shares	1,27,18,005	13,25,068
3	Nominal Value per share (Rs.)	10	10
4	Earning Per share (Rs.):		
	– Basic	(22.56)	(25.21)
	– Diluted	(22.56)	(25.21)

**(IV) RELATED PARTY DISCLOSURES**

iEnterprises that directly or indirectly through one or more subsidiaries:

Holding company:-

Mahindra Retail Private Limited

The related party transactions are as under:

Particulars	Year Ended	Sale of goods	Sale of services	Purchase of traded goods	Receipt of Service	Amount in Rs	
						Amount owed by related parties	Amount owed to related parties
Mahindra retail private limited (Holding Company)	31st March, 2016 (31st March, 2015)	186,30,57	93,99,614	140,77,725	16,21,244	–	64,57,046
		(81,41,682)	(NIL)	(20,66,859)	(1,81,726)	(19,35,328)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Mahindra Logistics Limited	31st March, 2016 (31st March, 2015)	–	–	6,28,20,372	–	1,71,97,408
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Inter Corporate Deposit Received	Interest Expenses	Amount in Rs	
						Amount owed by related parties	Amount owed to related parties
Mahindra Logistics Limited	31st March, 2016 (31st March, 2015)	–	–	12,00,00,000	53,26,027	12,17,97,535	
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)	

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Mahindra Integrated Business Solutions Pvt Ltd	31st March, 2016 (31st March, 2015)	–	–	1,92,437	–	16,720
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

Particulars	Year Ended	Sale of goods	Sale of services	Services received	Amount in Rs	
					Amount owed by related parties	Amount owed to related parties
Lords Freight India Pvt Ltd	31st March, 2016 (31st March, 2015)	–	–	3,63,247	–	–
		(NIL)	(NIL)	(NIL)	(NIL)	(NIL)

**Other Transactions:**

During the Year ended 31st March 2016, the Company issued 2,79,90,000 shares of Rs 10 each Fully paid up at par to Mahindra Retail Private Limited.

**(V) CONTINGENT LIABILITIES:**

There are no contingent liabilities as on 31st March, 2016.

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

**(VI) COMMITMENT (NET OF ADVANCES):**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Capital Commitments	NIL	NIL

The information in respect of commitment has been given only in respect of capital commitments in order to avoid providing excessive details that may not assist users of financial statements.

**(VII) EXPENDITURE IN FOREIGN CURRENCY**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Travelling expenses	NIL	22,219
Web Services	56,69,186	3,68,096
Purchase of Merchandise	4,25,906	23,19,446

**(VIII) INCOME IN FOREIGN CURRENCY**

Particulars	As at	As at
	31.03.2016	31.03.2015
	Amount in Rs	Amount in Rs
Advertisement	98,005	50,521

(IX) The Management, based on their strategic future business plans for turnaround of operations and continued support from the Holding Company, assess that the Company will be able to continue its operations in the normal course. During the year, the Holding Company has contributed Rs. 27,99,00,000/- towards equity capital to support the operations of the Company. Accordingly, these financial statements have been prepared by the Management on going concern basis.

(X) Disclosures relating to amounts payable as at the year end together with interest paid/payable to Micro, Small and Medium Enterprises have been made in the accounts, as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent of information available with the Company determined on the basis of intimation received from suppliers.

Particulars	31.3.2016	31.3.2015
	Amount in Rs	Amount in Rs
(i) Principal amount remaining unpaid as on 31st March	63,194	18,41,771
(ii) Interest due thereon remaining unpaid as on 31st March	NIL	NIL
(iii) Interest paid by the Corporation in terms of section 16 of the Micro, Small and Medium enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	NIL	NIL
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	NIL	NIL
(v) Interest accrued and remaining unpaid as at 31st March	NIL	NIL
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	NIL	NIL

(XI) Legal & Professional fees includes Share issue expenses amounting to Rs. 34,64,190. (LY FY 14-15 16,01,000 and Stamp Duty on asset transfer agreement of Rs 13,13,700).

(XII) Previous year's figures have been regrouped/reclassified whenever necessary to correspond with the current year's classification/disclosure.

**Note 3 - Share capital**

Particulars	Mar-16	Mar-15
	Amount in Rs.	Amount in Rs.
<b>a. Authorised :</b>		
3,50,00,000 (Previous Year 1,50,00,000) equity shares of Rs.10 each	<u>350,000,000</u>	<u>150,000,000</u>
<b>b. Issued, subscribed and fully paid up:</b>		
3,30,00,000 (Previous Year 50,10,000) equity shares of Rs. 10 each	<u>330,000,000</u>	<u>50,100,000</u>
<b>Total</b>	<u><u>330,000,000</u></u>	<u><u>50,100,000</u></u>

**c. Reconciliation of share outstanding at the beginning & at the end of the Year**

Particulars	Mar-16		Mar-15	
	Nos	Amount	Nos	Amount in Rs
<b>Equity Shares:</b>				
At the beginning of the period	5,010,000	50,100,000	10,000	100,000
Add: Issued during the year	<u>27,990,000</u>	<u>279,900,000</u>	<u>5,000,000</u>	<u>50,000,000</u>
<b>Outstanding at the end of the period</b>	<u><u>33,000,000</u></u>	<u><u>330,000,000</u></u>	<u><u>5,010,000</u></u>	<u><u>50,100,000</u></u>

During the year the company has issued 279,90,000 equity shares at face value of Rs. 10/- each at par to its holding company Mahindra Retail Private Limited

**d. Shares held by holding company**

Particulars	Mar-16		Mar-15	
	Nos	Amount	Nos	Amount in Rs
Mahindra Retail Private Limited	<u>33,000,000</u>	<u>330,000,000</u>	<u>5,010,000</u>	<u>50,100,000</u>

**e. Details shareholders holding more than 5% shares in the company**

Particulars	Mar-16		Mar-15	
	Nos	% Holdings	Nos	% Holdings
Mahindra Retail Private Limited	<u>33,000,000</u>	<u>100.00%</u>	<u>5,010,000</u>	<u>100.00%</u>

f. The Company has one class of Equity Shares having par value of Rs.10 each. Each Equity shareholder is eligible for one vote per share held and is entitled to dividend as and when the Company declares and pays dividend after obtaining shareholders' approval. Dividends are paid in Indian rupees.

**Note 4 - Reserves and Surplus**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
<b>Deficit in statement of Profit &amp; Loss Account</b>		
1 Opening balance	<u>(32,137,358)</u>	1,269,354
Add: Profit/(Loss) for the Current Year	<u>(286,937,406)</u>	<u>(33,406,712)</u>
<b>Closing Balance</b>	<u><u>(319,074,763)</u></u>	<u><u>(32,137,358)</u></u>

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**Note 5 - Share Application Money Pending Allotment**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Share Application money pending allotment (Note a)	-	25,000,000
<b>Total</b>	<b>-</b>	<b>25,000,000</b>

(Note a) Share Application money pending allotment represents application received from Holding Company- Mahindra Retail Private Limited which comprises of 25,00,000 Equity shares of face value of 10 each fully paid up proposed to be issued at par. The Company has sufficient authorised capital to cover the share capital amount on allotment of above share.

**Note 6 - Short-term borrowings:**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
<b>Unsecured</b>		
Loans and advances/ICDs from related parties	120,000,000	-
<b>Total</b>	<b>120,000,000</b>	<b>-</b>

ICD from related parties are unsecured & it carries interest rate 11.25 % per annum.

**Note 7 - Trade payables**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Micro, Small & Medium Enterprises (Refer Note 2.2 XII)	63,194	1,841,724
Others	41,422,883	18,137,827
<b>Total</b>	<b>41,486,077</b>	<b>19,979,551</b>

**Note 8 - Other current liabilities**

Particulars	Rs.	Rs.
	Mar-16	Mar-15
Statutory dues payable	6,508,971	972,913
Interest accrued but not due on borrowings	1,797,534	-
Other Payables	22,856,684	13,859,374
<b>Total</b>	<b>31,163,189</b>	<b>14,832,287</b>

**Note 9**

Amount in Rs.

Particulars	Gross Block (at cost)				Depreciation				Net block	
	Cost as at 1-Apr-2015	Additions	Deletions/ Adjustments	Cost as at 31-Mar-2016	Up to 1-Apr-2015	For the year	On deletions	Up to 31-Mar-2016	As at 31-Mar-2016	As at 31-Mar-2015
<b>(A) Tangible assets</b>										
i. Computer & Pheripherals	712,250	234,718	-	946,968	59,100	774,845.85	-	833,945	113,023	653,151
ii. Furnitures & Fixtures	1,150,250	-	-	1,150,250	30,237	746,822.62	-	777,060	373,190	1,120,013
iii. Motor Vehicles	-	-	-	-	-	-	-	-	-	-
iv. Office Equipments	724,847	96,678	-	821,525	38,109	548,376.94	-	586,486	235,039	686,738
<b>Total(A)</b>	<b>2,587,348</b>	<b>331,396</b>	<b>-</b>	<b>2,918,744</b>	<b>127,446</b>	<b>2,070,045</b>	<b>-</b>	<b>2,197,491</b>	<b>721,252</b>	<b>2,459,901</b>
<b>(B) Intangible assets</b>										
v. Intangible Assets (Softwares)	2,881,392	-	-	2,881,392	252,510	1,886,756	-	2,139,266	742,126	2,628,882
<b>Total (B)</b>	<b>2,881,392</b>	<b>-</b>	<b>-</b>	<b>2,881,392</b>	<b>252,510</b>	<b>1,886,756</b>	<b>-</b>	<b>2,139,266</b>	<b>742,126</b>	<b>2,628,882</b>
<b>GRAND TOTAL (A + B)</b>	<b>5,468,739</b>	<b>331,396</b>	<b>-</b>	<b>5,800,136</b>	<b>379,956</b>	<b>3,956,801</b>	<b>-</b>	<b>4,336,757</b>	<b>1,463,378</b>	<b>5,088,783</b>
<b>PREVIOUS YEAR</b>		<b>2,881,392</b>		<b>2,881,392</b>		<b>252,510</b>		<b>252,510</b>	<b>2,628,882</b>	

**Capital work in progress**

Particulars	Gross Block (at cost)				Depreciation				Net block	
	Cost as at 1-Apr-2015	Additions	Deletions/ Adjustments	Cost as at 31-Mar-2016	Up to 1-Apr-2015	For the year	On deletions	Up to 31-Mar-2016	As at 31-Mar-2016	As at 31-Mar-2015
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-
<b>PREVIOUS YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

**Note 10 - Long - Term Loans & Advances**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured considered good unless otherwise stated)</b>		
Capital advances	-	-
Security deposits	-	3,150,000
<b>Total</b>	<b>-</b>	<b>3,150,000</b>

**Note 11 - Inventories**

Particulars	Rs. Mar-16	Rs. Mar-15
Stock-in-trade	58,236,112	36,318,474
<small>(valued at lower of cost and net realisable value)</small>		
Packing Materials & Consumables at cost	1,087,070	847,008
<b>Total</b>	<b>59,323,182</b>	<b>37,165,482</b>

**Note 12 - Trade Receivables**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured)</b>		
<b>Trade Receivables outstanding for more than six months from the date they are due for payment</b>		
a) Considered good	-	-
b) Doubtful	-	-
c) Less: Provision for doubtful trade receivables	-	-
<b>Others</b>		
a) Considered good	12,992,539	6,273,989
b) Doubtful	3,542,945	-
c) Less: Provision for doubtful trade receivables	3,542,945	-
<b>Total</b>	<b>12,992,539</b>	<b>6,273,989</b>

**Note 13 - Cash & Bank Balances**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>A. Cash &amp; Cash Equivalents:</b>		
Balances with Banks		
– On current account	122,803,847	16,502,493
Cash on hand	22,093	30,222
<b>B. Other Bank Balances</b>		
FD with bank	750,000	750,000
<b>Total</b>	<b>123,575,940</b>	<b>17,282,715</b>

**Note 14 - Short-term Loans & Advances:**

Particulars	Rs. Mar-16	Rs. Mar-15
<b>(Unsecured considered good unless otherwise stated)</b>		
Loans and advances to related parties	-	-
Advance for goods & services	-	6,385,556
Prepaid Expenses	469,859	846,607
Gratuity Fund	-	-
Security deposits	3,565,000	948,000
Others	2,184,604	633,349
<b>Total</b>	<b>6,219,463</b>	<b>8,813,512</b>

**Note 15 - Revenue from Operations**

Particulars	Rs. Mar-16	Rs. Mar-15
Sale of goods (Trading)	228,925,301	39,757,785
Other operating revenues	23,026,640	402,185
<b>Total</b>	<b>251,951,941</b>	<b>40,159,970</b>

**Note 16 - Other Income**

Particulars	Rs. Mar-16	Rs. Mar-15
Interest Others	217,519	85,110
Credit Balances Written back	-	95,818
Other Non-Operating Income	-	-
<b>Total</b>	<b>217,519</b>	<b>180,928</b>

**Note 17 - Changes in Inventories of stock in trade**

Particulars	Rs. Mar-16	Rs. Mar-15
Opening Stock	36,318,474	-
Less: Closing Stock	58,236,112	36,318,474
<b>Decrease/(Increase) in Stock</b>	<b>(21,917,639)</b>	<b>(36,318,474)</b>

**Note 18 - Employee Benefit Expenses**

Particulars	Rs. Mar-16	Rs. Mar-15
Salaries, wages and bonus	73,212,942	14,316,906
Contribution to provident and other funds	2,258,437	421,026
Staff welfare expenses	725,684	645,058
<b>Total</b>	<b>76,197,063</b>	<b>15,382,990</b>

**Note 19 - Finance Cost**

Particulars	Rs. Mar-16	Rs. Mar-15
Interest		
– loans for fixed period	-	-
– others	5,326,027	-
Bank charges	-	70,073
<b>Total</b>	<b>5,326,027</b>	<b>70,073</b>

MAHINDRA INTERNET COMMERCE PRIVATE LIMITED  
(FORMERLY KNOWN AS MAHINDRA UNITED FOOTBALL CLUB PRIVATE LIMITED)

**Note 20 - Other expenses**

Particulars	Rs.		Particulars	Rs.	
	Mar-16	Mar-15		Mar-16	Mar-15
Rent	13,813,289	3,615,993	Consumables	4,036,678	221,397
Marketing & Advertising expenses	120,237,080	11,307,781	Auditors' Remuneration	300,000	125,000
Power and fuel	2,365,044	484,480	Miscellaneous expenses	839,896	279,432
Commission on Sales/Contracts	2,026,740	1,069,978	Provision for Inventory	3,655,703	–
Legal & Professional fees	14,661,111	7,265,213	Provision for Doubtful Debts	3,542,945	–
Warehousing Charges	75,957,644	7,069,296	<b>Total</b>	<b>250,527,833</b>	<b>37,128,661</b>
Freight Inward	24,580	576,617	<b>Other additional information by way of notes to statement of profit &amp; loss.</b>		
Freight Outward	–	2,323,489	<b>Payment to auditors</b>		
General and Administrative Expenses	5,196,271	1,693,058			
Internet and Broadband Expenses	–	262,880			
Travel & Conveyance	2,166,111	332,687			
Insurance Expenses	72,578	–			
Security Expenses	742,305	407,557			
Rates and taxes	24,225	42,398			
House Keeping	865,633	51,407			

As per our report of even date attached

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place: Mumbai  
Date: 23<sup>rd</sup> May 2016

For and on behalf of the Board of Directors of

**MAHINDRA INTERNET COMMERCE PRIVATE LIMITED**

**Prakash Wakankar**  
Chairman

**Amar Korde**  
Director

**Parvinder Singh**  
Chief Executive Officer

**Kapil Mittal**  
Chief Financial Officer

**Rupal Jain**  
Company Secretary  
Membership No. A38366

## DIRECTORS' REPORT

Your Directors present their Ninth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS:

	(Rs. in Crores)	
	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Operating Income .....	<b>2,014.92</b>	1,916.54
Other Income .....	<b>12.43</b>	7.64
Total Income.....	<b>2,027.35</b>	1,924.18
Less Expenses:		
Purchase of Stock in Trade.....	<b>20.08</b>	34.76
Change in Inventories of Stock in Trade .....	<b>(0.13)</b>	(1.25)
Operating, Administrative & Other Expenses.....	<b>1,799.47</b>	1,704.48
Personnel .....	<b>144.43</b>	118.17
Finance Costs .....	<b>0.01</b>	0.02
Depreciation and Amortization.....	<b>6.62</b>	5.90
Total Expenses.....	<b>1970.48</b>	1,862.08
Profit/(Loss) Before Tax .....	<b>56.87</b>	62.10
Less:		
Provision for Taxation		
– Current Tax .....	<b>21.45</b>	22.37
– Deferred Tax Income.....	<b>(1.89)</b>	(1.36)
Profit/(Loss) After Tax .....	<b>37.30</b>	41.09
Balance of Profit from earlier years .....	<b>105.79</b>	64.89
Transitional depreciation charge on re-computation of depreciation as per Companies Act, 2013. ....	<b>–</b>	(0.19)
Balance Carried Forward .....	<b>143.09</b>	105.79
Amount carried forward to Reserves .....	<b>–</b>	–
Net-worth.....	<b>303.75</b>	266.45

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of your Company.

### OPERATIONS:

Your company recorded gross income of ₹2,027.35 crores for the year under review as against gross income of ₹1,924.18 crores in the previous year registering a growth of 5.36%. The net profit after tax (after accounting of deferred tax income of ₹1.89 crores) is ₹37.30 crores as compared to ₹41.09 crores (after accounting of deferred tax income of ₹1.36 crores) registering a decline of 9.22%.

The slowdown in the automotive industry which is one of the major industry segment which your company serves resulted in subdued revenue growth and resultant pressure on the

margins. In line with Company's strategy of building world class 3PL business, the Company engaged a global consulting firm which is helping the Company to achieve operational and execution excellence. The significant investment made by the Company towards this initiative also impacted the profitability of the Company. The company hopes to reap the benefits of this initiative in the years to come. As a part of the continued diversification of industry verticals served, the Company has successfully established a significant ecommerce logistics business during the year and is in the process of establishing itself in pharma logistics as well. Several world class processes and practices – like transportation control towers, warehouse model accounts and clean sheet costing tools – have also been established and a strong focus on digitization of business processes has been undertaken.



The Non-Mahindra Group Supply Chain business continues to grow year after year and grew by over 40% in the current year. The company grew its supply chain business by winning new customer accounts as well as by way of penetration in major supply chain management customers in the focus industry verticals served. In all verticals marquee customers are served by the company and business relationship with each has widened and enhanced significantly in the period.

The consolidated gross income of the year is at ₹2,096.67 crores with a net profit of ₹36.44 crores.

**DIVIDEND:**

Your Directors have not recommended dividend with a view to conserve resources for the future growth of your Company.

**SUBSIDIARIES:**

**1) Lords Freight (India) Private Limited ('Lords')**

Lords has recorded gross income of ₹75.02 crores for the year under review as against gross income of ₹69.46 crores in the previous year registering a growth of 8.00%. The net loss after tax (after accounting of deferred tax income of ₹0.08 crores) stood at ₹1.37 crores as compared to ₹2.71 crores (after accounting of deferred tax expense of ₹0.18 crores) registering a decrease in loss by 49.45% over previous year.

The gross margin in Air Export business increased significantly by 22% over last year, in spite of reduction in revenue by 6.4%, due to focus on working with profitable assignments. The Air import business was another major contributor to growth, growing 76% over previous year. With the focus on working with profitable assignments, the

company hopes to improve its performance significantly in the coming years.

**2) 2X2 Logistics Private Limited ('2X2')**

During the year 2X2 has purchased 86 car carriers and also engaged market vehicles to increase the business in automotive logistics services. 2X2 has recorded gross income of ₹16.00 crores and Net loss after Tax of ₹0.07 crores for the year under review. Higher depreciation burden due to acquisition of car carriers throughout the year resulted in minor loss for the year and company hopes to turn profitable during the next financial year.

**CONSOLIDATED FINANCIAL STATEMENT:**

In accordance with Section 134(7) of the Companies Act, 2013 and Accounting Standard (AS) - 21, the audited consolidated financial statement of your Company forms part of this Annual Report.

A Report on the performance and financial position of each of the subsidiaries included in the Consolidated Financial Statement is provided in Form AOC-1 and forms part of this Annual Report.

**SHARE CAPITAL:**

The authorized share capital of your Company is Rupees One hundred and five crores.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at ₹100,70,80,151/- divided into 6,12,77,860 Equity shares of the face value of ₹10/- each aggregating ₹59,82,20,951 and 81,77,184 Non-cumulative Compulsorily Convertible Preference Shares of the face value of ₹50/- each, aggregating ₹40,88,59,200.

**BOARD OF DIRECTORS**

**Composition of Board:**

Sr. No.	Name of the Director	DIN	Executive/ Non-Executive	Independent/ Non-Independent	No. of Board Meetings attended
1	Mr. Anjani Kumar Choudhari	00234208	Non-Executive	Non-Independent	5
2	Mr. Zhooben Bhiwandiwala	00110373	Non-Executive	Non-Independent	5
3	Mr. K. Chandrasekar	01084215	Non-Executive	Non-Independent	4
4	Mr. Parag Shah	00374944	Non-Executive	Non-Independent	5
5	Mr. Ruzbeh Irani	01831944	Non-Executive	Non-Independent	3
6	Mr. Sanjeev Aga	00022065	Non-Executive	Non-Independent	4
7	Mr. Sunish Sharma	00274432	Non-Executive	Non-Independent	4
8	Ms. Neelam Deo	02817083	Non-Executive	Independent	3
9	Mr. Ajay Mehta	07102804	Non-Executive	Independent	5

Mr. Ruzbeh Irani and Mr. K. Chandrasekar retire by rotation at the forthcoming Annual General Meeting, and being eligible, have offered themselves for re-appointment.

Mr. Ajay Mehta and Ms. Neelam Deo has given declarations to the effect that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

#### NUMBER OF BOARD MEETINGS:

The Board met Five times during the year under review, i.e. on 30<sup>th</sup> April, 2015, 4<sup>th</sup> August, 2015, 26<sup>th</sup> October, 2015, 3<sup>rd</sup> February, 2016 and 22<sup>nd</sup> March, 2016.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management and after due enquiry, confirm that:

- (a) in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the profit of the Company for the financial Year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis; and
- (e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### FRAUDS REPORTED BY AUDITORS

During the year under review, the Statutory Auditors and Secretarial Auditor have not reported any instances of frauds committed in the Company by its officers or employees to the Board/Audit Committee under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### EVALUATION OF PERFORMANCE:

The Board of Directors has adopted a process for annual evaluation of its own performance and that of its committees and individual Directors. Questionnaires/Feedback templates for annual evaluation, based on the criteria approved by the Board, were circulated to each Board member and responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation.

#### CODES OF CONDUCT:

Your Company has in place Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management Personnel and Employees. The Codes enunciate the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company's ethos.

Your Company has for the year under review, received declarations under the Codes from the Board of Directors and the Senior Management Personnel and Employees affirming compliance with the respective Codes.

#### KEY MANAGERIAL PERSONNEL:

Pursuant to provisions of Section 2(51) and Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Key Managerial Personnel of your Company are as below:

- Mr. Pirojshaw Sarkari appointed as Chief Executive Officer of the Company w.e.f. 25<sup>th</sup> July, 2014
- Mr. Nikhil Nayak appointed as Chief Financial Officer of the Company w.e.f. 1<sup>st</sup> April, 2014
- Mr. Vilas Chaubal appointed as Company Secretary of the Company w.e.f. 25<sup>th</sup> July, 2014

#### COMMITTEES OF THE BOARD:

##### Audit Committee (AC)

The Composition of Audit Committee is follows:-

Director	Designation	No. of AC Meetings attended
Mr. Ajay Mehta	Member	3
Ms. Neelam Deo	Member	1
Mr. K. Chandrasekar	Member	3
Mr. Sanjeev Aga	Permanent Invitee	2

The Audit Committee met thrice during year under review, i.e. on 30<sup>th</sup> April, 2015, 26<sup>th</sup> October, 2015 and 3<sup>rd</sup> February, 2016.

##### Nomination and Remuneration Committee (NRC)

The composition of Nomination and Remuneration Committee is follows:-

Director	Designation	No. of NRC Meetings attended
Mr. Ajay Mehta	Member	2
Ms. Neelam Deo	Member	-
Mr. Sanjeev Aga	Member	2
Mr. Anjani Kumar Choudhari	Member	2

The Nomination and Remuneration Committee met twice during year under review, i.e. on 30<sup>th</sup> April, 2015 and 26<sup>th</sup> October, 2015.

**Corporate Social Responsibility (CSR) Committee**

The Composition of Corporate Social Responsibility Committee is follows:-

Director	Designation	No. of CSR committee Meetings attended
Mr. Ajay Mehta	Member	1
Mr. Ruzbeh Irani	Member	1
Mr. Sanjeev Aga	Member	1

The Corporate Social Responsibility Committee met once during year under review, i.e. on 26<sup>th</sup> October, 2015.

**MLL Key Executives Stock Option (MLL KESO) Committee**

The Composition of MLL Key Executives Stock Option Scheme Committee is follows:-

Director	Designation	No. of MLL KESO committee Meeting attended
Mr. Zhooben Bhiwandiwala	Member	1
Mr. Parag Shah	Member	1
Mr. Ruzbeh Irani	Member	1
Mr. Sunish Sharma	Member	1

The MLL Key Executives Stock Option Scheme Committee met once during year under review, i.e. on 26<sup>th</sup> October, 2015.

**Meeting of the Independent Director**

One meeting of the Independent Directors of the Company was held on 24<sup>th</sup> December, 2015 without the presence of Non-Independent Directors, Chief Executive Officer and Chief Financial Officer of the Company.

The aforesaid Meeting was conducted in a formal but flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors) and to assess the quality, quantity and timeliness of flow of information between the Company Management and the Board which is necessary for the Board to effectively and reasonably perform their duties.

**POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL:**

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved

- Policy on the appointment/removal of Directors and Senior Management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors
- Policy on the remuneration of Directors, Key Managerial Personnel and other employees

These policies are provided as Annexure I and form part of this report.

**RISK MANAGEMENT POLICY:**

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

**STATUTORY AUDITORS:**

At the Eight Annual General Meeting, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration number 105102W) were appointed as the Statutory Auditors of your Company to hold office from the conclusion of the Eight Annual General Meeting till the conclusion of Ninth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants have given a written consent to act as Statutory Auditor of your Company, if appointed, and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint statutory auditors of the Company at the ensuing Annual General Meeting and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

**SECRETARIAL AUDITORS:**

Your Company has appointed Mr. Umesh Maskeri (FCS 4831, CP 12704), the practicing Company Secretary as the Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 for the Financial Year 2015-16.

In terms of provisions of sub-section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Board Report, a secretarial audit report given by the Secretarial Auditors, and the said secretarial report, in prescribed form MR 3 provided in Annexure II, forms part of this report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure III and form part of this report.

**PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

**CORPORATE SOCIAL RESPONSIBILITY:**

Your Board has approved a Corporate Social Responsibility Policy in accordance with the relevant provisions of Companies Act, 2013. Report on Corporate Social Responsibility containing particulars specified in Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014 is given in Annexure IV and forms part of this report.

**PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS:**

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013

Particulars of loans given, investments made and guarantees and securities provided pursuant to Section 186 of the Companies Act, 2013 are given under Note No. IX and Note No. XI annexed to balance sheet and Note No. B (10) of Notes to financial statements and the same form part of this Report.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

**PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES:**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC-2 as Annexure V and the same forms part of this report.

**EXTRACT OF ANNUAL RETURN:**

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

Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in form MGT-9 is annexed as Annexure VI and forms part of this report.

**MLL KEY EXECUTIVES STOCK OPTION SCHEME ('Scheme'):**

During the year under review, the Company has amended the Scheme vide shareholders resolution dated 27<sup>th</sup> October, 2015 and granted 5,45,866 Stock Options to the employees under the Scheme. Details of the shares vested, exercised and issued under the aforesaid Scheme, as also the disclosures in compliance with Rule 12(9) of the Companies (Share Capital and Debentures) Rules 2014 are set out in Annexure VII and form part of this Report

**THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment at the work place.

**INTERNAL FINANCIAL CONTROLS:**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

**GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

**ACKNOWLEDGEMENT:**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

**Parag Shah**      **Zhooben Bhiwandiwala**  
Director                      Director

Mumbai, 29<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### A. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Logistics Limited.

“**Employee**” means employee of the Company including employees in the Senior Management Team of the Company.

“**Key Managerial Personnel**” (**KMP**) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Chief Executive Officer (CEO);
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (**NRC**) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of

the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

Senior Management Personnel are appointed or promoted and removed/relieved with the authority of CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

### II. SUCCESSION PLANNING:

#### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

#### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

We have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Ready now
2. Ready in 1 to 2 years
3. Ready in 2 to 5 years
4. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

**B. Remuneration Policy for Directors, Key Managerial Personnel and other Employees.**

**Overall Intent of Compensation Policy**

At Mahindra Logistics Ltd. (MLL), we want our employees to understand and appreciate their role in providing value to the business. On its part, the organization recognizes that its success depends upon the skills, competencies and performance of its employees. We also believe that the way in which we compensate, reward and recognize as well as promote our employees is a crucial factor in achieving our business and financial objectives. Towards achievement of these objectives, we promote an entrepreneurial, team-based performance and result oriented culture.

**Objectives of the Compensation Policy-**

- To attract, motivate and retain employees by compensating them competitively, based on periodic comparison with other companies in relevant industries.
- To provide an overall package of remuneration and benefits which addresses the normal requirements of employees and their families.
- To align levels of compensation with the expected output of employees in terms of role responsibility, skills and experience.
- To link elements of compensation with performance of each individual as well as the business.

**Compensation Strategy**

- We will regularly track market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys and informal consultation with a select group of comparable organizations. This information will be used to internally review our compensation policies and levels.
- Our package of remuneration and benefits will be designed to provide a degree of flexibility to individual employee officers to structure key benefits in a way that best suits individual personal and family requirements.
- Recognizing the need for long-term security, the compensation will include all statutory and other retirement benefits.

- Broad bands of compensation levels will be equitably defined for each grade to reflect levels of responsibility and provide a template when recruiting new employees.
- A pre-determined portion of remuneration will be linked directly to the annual performance of each individual and the business. This proportion will vary for each grade in keeping with the levels of responsibility.

**Compensation Structure**

The compensation structure consists of two categories of elements, summarized below. The details of each are given in subsequent parts.

- A. Total Cost to Company
- B. Reimbursements & Benefits

**Current Levels & Designations**

Level	Title
01	CEO
02	COO /Senior Vice President
03	CFO/Vice President
04	Senior General Manager/General Manager
05	Deputy General Manager
06	Senior Manager
07	Manager
08	Deputy Manager
09	Senior Executive
10	Executive
MT	Management Trainee
GT	Graduate Trainee
FTC	Fixed Term Contract

**A. Total Cost to Company**

The first category consists of elements of compensation that are applicable to every individual and are calculated on a 'Total Cost to Company' basis.

**A.1 Fixed Pay**

This consists of basic salary, allowances and retiral benefits

**Table A**

Grade	01	02	03	04	05	06	07	08/MT	09/MT	10/GT
Basic Salary (% of CTC)	30%	30%	30%	30%	30%	30%	30%	25%	25%	25%
HRA (% of Basic)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Conveyance Allow. Per month	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600
Education Allow. Per month	200	200	200	200	200	200	200	200	200	200
Medical Reimbursement Per month	NA	NA	NA	NA	NA	NA	NA	1250	1250	1250
PF (% of Basic)	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Gratuity (% of Basic)	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%
Superannuation (% of Basic)	15%	15%	15%	15%	15%	15%	15%	NA	NA	NA

Employees can also opt for contribution to superannuation fund, in that case Superannuation allowance will not be a component of monthly salary.

From Flexible benefit allowance an amount as per grade can be declared for availing LTA amount as per limits mentioned in below.

**Table B:**

Grade	Leave Travel Allowance
01 to 03	2,00,000
04 to 07	1,00,000
08	30,000
09	20,000
10	10,000

**A.2 Variable Pay**

This consists of an annual performance incentive. The amount paid is based on the individual’s annual performance as well as the performance of the business vertical and company. Each employee is informed of individual entitlement in the appointment or compensation letter.

Performance pay is applicable for Grade 07 and above as per below:

**Table C:**

Grade	Performance Pay (% of CTC)
01	20%
02	20%
03	20%
04	20%
05	18%
06	15%
07	10%

Appraisal year is April to March. Employees joined till 31<sup>st</sup> December will be eligible for Performance pay provided the employee is on rolls as on 30<sup>th</sup> June on the day of disbursement through salary. New joiners effective 1<sup>st</sup> January will be eligible for performance pay prorated in next appraisal cycle.

Employees in Sales/Business Development Department, who are in Grade 07 and above are eligible for Sales Incentive Plan (SIP), which is paid on the basis of achievement of sales targets on quarterly basis.

**B. Reimbursements & Benefits**

In addition to the above, the company provides certain other reimbursements and benefits. These are applicable to all or certain grades based on business requirements and articulated in the HR policy manual. These are, therefore, kept outside the calculation of Cost to Company. These consist of the following:

1. Medical Reimbursements (For Grade 7 & Above)
2. Group Medclaim (Hospitalization) insurance policy
3. Group Personal Accident insurance policy

4. Group Term Life policy
5. Workmen Compensation policy
6. Mobile Reimbursement policy
7. Cellular phone handset policy
8. Laptops and data card policy
9. Transfer Relocation allowance policy

**Hiring Process:**

For hiring talent from the market, MLL has an Employee Requisition process which has the Job description, candidate profile, grade and the Budgeted CTC. The candidate is given an offer as per the Table A with a maximum increase of 20% on present CTC of the candidate. Any increase proposed above 20% of CTC an approval is taken from CEO.

**Payment of Salary:**

Salaries are credited to (company nominated) employee’s salary bank account. A salary slip detailing the total of pay and the various deductions made is also provided. Salary gets credited to the bank on or before 7<sup>th</sup> day of the subsequent month.

**Annual Increments/Promotions**

Based on annual performance appraisals, competency evaluation and Bell curve guidelines, the permanent employees are given ratings on a 5 point scale and applicable increment percentage on CTC is applicable to derive the revised compensation. Promotion criteria is based movement to a higher responsibility and consistently rated Expectations Surpassed/Superior. For promotions an additional increment is also added.

Appraisal year is April to March. Employees joined till 1<sup>st</sup> February are eligible for Annual increments effective 1<sup>st</sup> August and new joinees from 2<sup>nd</sup> February will be eligible for increments prorated in the next appraisal cycle.

**Fixed Term Contract (FTC) Employees**

Based on Customer requirement, Fixed Term Contract (FTC) employees are recruited mainly for Operations. The Employment Term of these employees is for one year and it is renewed based on the Customer Agreement for further period. In case of closure of the Customer Agreement, we try to accommodate these employees in other projects based on the requirement else their services are terminated as per the clause mentioned in their appointment letter.

Compensation structure and components of compensation for FTC employees depends on the Location and Customer requirement.

Basic Salary, Provident Fund and Bonus are the mandatory components of the compensation structure, whereas House Rent Allowance, Conveyance Allowance, Child Education Allowance, Supplementary Allowance, Canteen Allowance, Skill Allowance, Attendance Bonus, Production Incentive are paid on the basis of available budgets for the respective customer.

FTC employees are covered under:

1. Employee State Insurance (ESI) or Workmen Compensation (WC) based on the location.
2. Group Medclaim (Hospitalization) insurance policy.
3. Group Personal Accident insurance policy.
4. Group Term Life policy.

For annual increments for FTC's we have 2 cycles of annual increment – 1<sup>st</sup> October and 1<sup>st</sup> April depending on the customer agreement contracts.

**Policy for Non-Executive Directors including Independent Directors:**

The Nomination and Remuneration Committee shall decide the basis for determining the compensation, both fixed and variable, to the Non-Executive Directors including Independent Directors whether as commission or otherwise. The Committee shall take into consideration various factors such as director's

participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Companies Act, 2013 and such other factors as the committee may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the shareholders resolution.

For and on behalf of the Board

<b>Parag Shah</b>	<b>Zhooben Bhiwandiwala</b>
Director	Director

Mumbai, 29<sup>th</sup> April, 2016



## ANNEXURE II TO THE DIRECTORS' REPORT

### Form No. MR-3 SECRETARIAL AUDIT REPORT

For the Financial Year ended March 31, 2016

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

To,  
The Members,  
Mahindra Logistics Limited  
Mahindra Towers Limited  
P. K. Kurne Chowk, Worli  
Mumbai 400 018

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Logistics Limited (hereinafter called the company) incorporated on August 24, 2007 having CIN U63000MH2007PLC173466 and Registered Office at Mahindra Towers Limited, P K Kurne Chowk, Worli, Mumbai - 400018. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by Mahindra Logistics Limited and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Mahindra Logistics Limited ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under; Not applicable during the year
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; Not applicable
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; Not applicable during the year
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; Not applicable during the year
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; Not applicable
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; Not applicable
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; Not applicable
- (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; Not applicable
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; Not applicable
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: Not applicable

We have relied on the representation made by the Company and its officers for the systems and the mechanism formed by the Company for the compliances under the applicable Acts/laws and regulations to the Company. The list of major head/groups of Acts/laws and regulations applicable to the Company is enclosed and marked as Annexure A.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India : Applicable with effect from July 1, 2015
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges : Not applicable as the securities of the Company are not listed.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for

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

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes-All the resolutions were passed unanimously-

I further report that based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the Company has adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the shareholders of the company at the Extra Ordinary General Meeting held on October 27, 2015 approved the amendment the "MLL Key executives stock options scheme.

**Umesh P. Maskeri**

Practicing Company Secretary

FCS No.: 4831

COP No.: 12704

Place: Mumbai

Date: 27<sup>th</sup> April, 2016

*Note: This report is to be read with our letter of even date which is annexed as ANNEXURE II and forms an integral part of this report.*

#### ANNEXURE A

- |   |  |
|---|--|
| 1. The Companies Act, 2013                      | 8. Indian Registration Act, 1908   |
| 2. The Income-tax Act, 1961                     | 9. Motor Vehicle Act, 1988   |
| 3. Service Tax Act, 1994                        | 10. The Minimum Wages Act, 1948  |
| 4. The Employees Provident Fund Act, 1952       | 11. Weekly Holidays Act, 1942  |
| 5. The Payment of Gratuity Act, 1972            | 12. Maharashtra Shops and Establishment Act, 1948                                    |
| 6. The Maharashtra Stamp Act (Bom. Act LX 1958) | 13. The Employees State Insurance Act, 1948  |
| 7. Negotiable Instruments Act, 1881             | 14. Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 |

#### ANNEXURE B

To  
The Members  
Mahindra Logistics Limited  
Mahindra Towers Limited  
P. K. Kurne Chowk, Worli  
Mumbai-400 018

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

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

**Umesh P. Maskeri**

Practicing Company Secretary

FCS No. : 4831

COP No. : 12704

Place: Mumbai

Date: 27<sup>th</sup> April, 2016



## ANNEXURE IV TO THE DIRECTORS' REPORT

### FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

- (1) Mahindra Logistics Limited (MLL) is a subsidiary of Mahindra & Mahindra Limited. The CSR vision of MLL is to serve and give back to the communities within which it works. From April 2014, in line with Companies Act, 2013, MLL pledges 2% of average net profits made during the three immediately preceding financial years specifically towards CSR initiatives. The commitment to CSR will be manifested by investing resources in the following areas:
- Community Welfare Program – Under privileged Children Scholarships, Rest Room Facilities, Medical Insurance for the underprivileged.
  - Village Adoption – Infrastructure, Education and Health.
  - MLL employees have been encouraged to volunteer for various CSR projects in the areas of education, health and environment through Employees Social Options program (ESOPS). Some of the projects to which employees have extended their volunteering efforts are skill development of youth, HIV/AIDS awareness, health camps, donations to orphanages and homes for the senior citizens etc.
- Web-link to the CSR policy -  
<http://www.mahindralogistics.com/csr.html>
- (2) The Composition of the CSR Committee.
- The CSR Committee of the Board comprises of the following Board members:
- Mr. Ajay Mehta (Independent Director)
- Mr. Ruzbeh Irani
- Mr. Sanjeev Aga
- (3) Average net profit of the company for last three financial years. Rs. 5,087.53 Lacs
- (4) Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) Rs. 101.75 lacs
- (5) Details of CSR spent during the financial year.
- (a) Total amount spent for the financial year: ₹ 102.74 lacs
- (b) Amount unspent, if any: Nil
- (c) Manner in which the amount spent during the financial year is detailed below

S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programme (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget project or programme wise	Amount spent on the project or programme Sub Heads;	Cumulative expenditure up to the reporting period	Amount Spent direct or through implementing agency
					(1) Direct expenditure on projects or programmes (2) Overheads		
					Rs. in lacs	Rs. in lacs	
1	Nanhi Kali	Education & special education, employment enhancing vocational skills & livelihood enhancement projects	PAN India	51.19	51.19	87.19	Through implementing agency*
2	Gram Vikas	Rural Development	Thane, Maharashtra.		35.38	50.59	Direct
3	Samantar	Health, Safe drinking water, eradicating hunger & poverty & contribution to Swacch Bharat Kosh, education & special education, employment enhancing vocational skills & livelihood enhancement projects, promoting gender equality, homes/Hostels/day care for women, orphans, senior citizens	Chandigarh-Haryana and Punjab, Hyderabad-AP, Jaipur-Rajasthan, Indore-MP, Mumbai-Maharashtra, Lonawala-Maharashtra, Pune-Maharashtra, Zaheerabad-Telangana, Delhi, Haridwar-Uttaranchal, Kolkatta-West Bengal		6.23	17.05	Direct
4	Gyandeep	Education & special education, employment enhancing vocational skills & livelihood enhancement projects	PAN India		9.76	19.77	Direct

S. No	CSR project or activity identified	Sector in which the project is covered	Projects or programme (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget project or programme wise	Amount spent on the project or programme Sub Heads; (1) Direct expenditure on projects or programmes (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent direct or through implementing agency
5	Arogyam	Health, Safe drinking water, eradicating hunger & poverty & contribution to Swacch Bharat Kosh,	Haridwar-Uttranchal, Hyderabad-AP, Mumbai-Maharashtra, Thane-Maharashtra	–	–	0.59	Direct
6	Sehat	Healthcare including preventive healthcare	Mumbai-Maharashtra, Ahmedabad-Gujarat	–	0.18	0.18	Direct
7	Swach Bharat	Ensuring environmental sustainability	Chennai-Tamil Nadu, Delhi	–	–	0.08	Direct
8	Green Guardians	Ensuring environmental sustainability	Mumbai-Maharashtra, Thane-Maharashtra	–	–	0.07	Direct
	<b>Total</b>			–	<b>102.74</b>	<b>175.52</b>	–

\* Project Nanhi Kali, is implemented and executed through K. C. Mahindra Education Trust.

Address:

3<sup>rd</sup> Floor, Cecil Court, Mahakavi Bhushan Marg,  
Mumbai – 400 001.

- (6) In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report - N.A, since the Company believes that the above projects and activities fall within the purview of Schedule VII of the Companies Act, 2013.
- (7) A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

The implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

**Pirojshaw Sarkari**  
Chief Executive Officer

**Sanjeev Aga**  
Member CSR Committee

Mumbai, 29<sup>th</sup> April, 2016

**ANNEXURE V TO THE DIRECTORS' REPORT**  
**FORM NO. AOC-2**

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.)

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in Sub section (1) of Section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis- Nil

2. Details of material contracts or arrangements or transactions at arm's length basis.

1	Particulars	
a)	Name (s) of the related party & nature of relationship	a. Mahindra & Mahindra Limited – Holding Company b. Mahindra Vehicle Manufacturing Limited – Fellow subsidiary
b)	Nature of Contracts/arrangements/transaction	Transportation services, Stores & Line Feed and warehousing services
c)	Duration of the contracts/arrangements/transaction	Ongoing contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	a. Income from freight, manpower & other charges with management fees – Rs. 1,21,458.52 lacs b. Expenses include rent, information technology support and training – Rs. 479.93 lacs
e)	Date of approval by the Board	29/04/2016
f)	Amount Paid as Advances, if any	Nil

Note:

Contracts/transactions for rendering of services for an amount exceeding 10% of turnover of the Company or Rupees fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Parag Shah**  
Director

**Zhooben Bhiwandiwala**  
Director

Mumbai, 29<sup>th</sup> April, 2016

## ANNEXURE VI TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on 31<sup>st</sup> March, 2016

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

## I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U63000MH2007PLC173466
2.	<b>Registration Date</b>	24 <sup>th</sup> August, 2007
3.	<b>Name of the Company</b>	Mahindra Logistics Limited
4.	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400018. Tel : 022-24905828
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	Sharepro Services India Private Limited 13 AB Samitha Warehousing Complex, 2 <sup>nd</sup> Floor,Saki Naka Telephone Exchange Lane, Sakinaka, Andheri East Mumbai – 400072 Tel : 022-67720400/300 Email: sharepro@shareproservices.com

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

Sr. No	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Supply Chain Management	4912, 4923, 5120, 5210	86.54%
2	People Logistics	4922	12.41%

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

Sr. No	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited	L65990MH1945PLC004558	Holding Company	84.01%	2(46)
2.	2x2 Logistics Private limited	U63000MH2012PTC237062	Subsidiary Company	55.00%	2(87)(ii)
3.	LORDS Freight (India) Private limited	U63030MH2011PTC216628	Subsidiary Company	60.00%	2(87)(ii)

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

i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	5,14,78,424	6	5,14,78,430	84.01%	5,14,78,424	6	5,14,78,430	84.01%	-
e. Bank/Fl	-	-	-	-	-	-	-	-	-
f. Any Other	16,22,047	-	16,22,047	2.65%	16,22,047	-	16,22,047	2.65%	-
<b>Sub-Total- A-(1)</b>	<b>5,31,00,471</b>	<b>6</b>	<b>5,31,00,477</b>	<b>86.66%</b>	<b>5,31,00,471</b>	<b>6</b>	<b>5,31,00,477</b>	<b>86.66%</b>	<b>-</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Foreign</b>	–	–	–	–	–	–	–	–	–
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/Fl	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
<b>Sub Total- A (2)</b>	–	–	–	–	–	–	–	–	–
Total Share Holding of Promoters (1+2)	5,31,00,471	6	5,31,00,477	86.66%	5,31,00,471	6	5,31,00,477	86.66%	–
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	–	–	–	–	–	–	–	–	–
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/Fl	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Portfolio Corporate	–	–	–	–	–	–	–	–	–
i. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
j. Others	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B(1)</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>	–	–	–	–	–	–	–	–	–
a. Body Corp.	3,34,156	–	3,34,156	0.55%	3,34,156	–	3,34,156	0.55%	–
b. Individual	–	–	–	–	–	–	–	–	–
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	–
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	–
c. Others	–	–	–	–	–	–	–	–	–
i. NRI (Rep)	–	–	–	–	–	–	–	–	–
ii. NRI (Non-Rep)	–	–	–	–	–	–	–	–	–
iii. Foreign National	78,43,227	–	78,43,227	12.80%	78,43,227	–	78,43,227	12.80%	–
iv. OCB	–	–	–	–	–	–	–	–	–
v. Trust	–	–	–	–	–	–	–	–	–
vi. In Transit	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B (2)</b>	81,77,383	–	81,77,383	13.34%	81,77,383	–	81,77,383	13.34%	–
<b>Net Total (1+2)</b>	81,77,383	–	81,77,383	13.34%	81,77,383	–	81,77,383	13.34%	–
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	–	–	–	–	–	–	–	–	–
Public	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	6,12,77,854	6	6,12,77,860	100%	6,12,77,854	6	6,12,77,860	100%	–



ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra & Mahindra Limited	5,14,78,324	84.01%	–	5,14,78,324	84.01%	–	–
2	Mahindra Engineering & Chemical Products Limited	100	0.00%	–	100	0.00%	–	–
3	Mahindra Partners Employee Options Trust	16,22,047	2.65%	–	16,22,047	2.65%	–	–
4	Mahindra & Mahindra Limited jointly with Mr. Zhooben Bhiwandiwala *	1	–	–	1	–	–	–
5	Mahindra & Mahindra Limited jointly with Mr. K.Chandrasekar *	1	–	–	1	–	–	–
6	Mahindra & Mahindra Limited jointly with Mr. Parag Shah *	1	–	–	1	–	–	–
7	Mahindra & Mahindra Limited jointly with Mr. Ruzbeh Irani *	1	–	–	1	–	–	–
8	Mahindra & Mahindra Limited jointly with Mr. Narayan Shankar *	1	–	–	1	–	–	–
9	Mahindra & Mahindra Limited jointly with Mr. S. V. Rao *	1	–	–	1	–	–	–

\* The joint shareholders with Mahindra and Mahindra Limited are employees of Mahindra and Mahindra Limited and their name has been added for complying with the statutory provisions.

iii. Change in Promoters' Shareholding:

Particulars Promoter – 1 Mahindra & Mahindra Limited	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	5,14,78,324	84.01%	5,14,78,324	84.01%
Decrease/Increase	–	–	–	–
At the end of the year	5,14,78,324	84.01%	5,14,78,324	84.01%

Particulars Promoter – 2 Mahindra Partners Employee Option Trust	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	16,22,047	2.65%	16,22,047	2.65%
Decrease/Increase	–	–	–	–
At the end of the year	16,22,047	2.65%	16,22,047	2.65%

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Normandy Holdings Limited	78,43,227	12.80%	78,43,227	12.80%
2.	Kedaara Capital Alternative Investment Fund - Kedaara Capital AIF 1	334,156	0.55%	334,156	0.55%

## v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

## V. INDEBTEDNESS

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

(₹ In Crores)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>				
+ Addition	–	–	–	–
– Reduction	–	–	–	–
Net change	–	–	–	–
<b>Indebtedness at the end of the financial year- 31.03.2016</b>				
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ in Lakhs)
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	–	–	–
	b) Value of perquisites u/s. 17(2) Income Tax Act, 1961	–	–	–
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission			
	– As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify Provident Fund & other Funds	–	–	–
6.	Performance Bonus	–	–	–
	<b>Total (A)</b>	–	–	<b>Nil</b>
	Ceiling as per the Act	5% of the net profits of the Company		

B. Remuneration of other directors:

I. Independent Directors:-

Particulars of Remuneration	Name of Directors		Total Amount (₹ In Lacs)
	Ajay Mehta	Neelam Deo	
Fee for attending board committee meetings	1.91	0.82	2.73*
Commission	5.75	5.75	11.50*
Others	-	-	-
<b>Total (1)</b>	<b>7.66</b>	<b>6.57</b>	<b>14.23*</b>

\* inclusive of service tax

II. Other Non-Executive Directors:

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>							
<b>Total B = (1+2)</b>							
Ceiling as per the Act	1% of the Net profits of the Company						

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD:

Sr. No	Particulars of Remuneration	Name of the KMP			Total Amount (₹ In Lacs)
		Pirojshaw Sarkari-CEO	Nikhil S Nayak-CFO	Vilas Chaubal-CS	
1.	Gross Salary	-	-	-	-
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	137.27	62.07	-	199.34
	b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.40	-	-	0.40
	c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-	-
5.	Others	5.26	2.34	5.00	12.60
6.	Performance Bonus	-	-	-	-
	<b>Total (C)</b>	<b>142.93</b>	<b>64.41</b>	<b>5.00</b>	<b>212.34</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):**

	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)
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**A. COMPANY**

Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

**B. DIRECTORS**

Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

**C. OTHER OFFICERS IN DEFAULT**

Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

For and on behalf of the Board

**Parag Shah**  
Director

**Zhooben Bhiwandiwala**  
Director

Mumbai, 29<sup>th</sup> April, 2016

## **ANNEXURE VII TO THE DIRECTORS' REPORT**

### **Disclosure pursuant to Employee Stock Option and Employee Stock Purchase Schemes**

The Board of Directors, shall, inter alia, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) Options granted; 5,45,866 during the current year.
- (b) Options vested; 3,55,451 Shares
- (c) Options exercised; Nil shares
- (d) The total number of shares arising as a result of exercise of option; Nil shares
- (e) Options lapsed; Nil
- (f) The exercise price; NA
- (g) Variation of terms of options; Nil
- (h) Money realized by exercise of options - Rs. Nil
- (i) Total number of options in force - 19,22,907 shares
- (j) Employee wise details of options granted to;
  - (i) Key Managerial Personnel - Nil
  - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year: Gulam Taha Khalid (29,786), Neeraj Balani (58,979), Jayant Chitnis (32,919), Amit Kamat (59,962)
  - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: Nil

For and on behalf of the Board

**Parag Shah**  
Director

**Zhooben Bhiwandiwala**  
Director

Mumbai, 29<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of **MAHINDRA LOGISTICS LIMITED**

### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **MAHINDRA LOGISTICS LIMITED** ("the Company"), which comprise the balance sheet as at 31<sup>st</sup> March, 2016, and the statements of profit and loss and cash flow for the period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. 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.
5. 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.
6. 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.
7. 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

8. 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 31<sup>st</sup> March, 2016, and its profit and its cash flows for the period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow 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 (as amended);
  - e. on the basis of written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
  - 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 16 to the financial statements.
    - ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**H. P. Mahajani**  
Partner  
Membership No. 030168

Mumbai  
29<sup>th</sup> April, 2016

**ANNEXURE I TO THE AUDITOR'S REPORT**

Referred to in para 9 in our report of even date on the standalone financial statements of Mahindra Logistics Limited for the year ended 31<sup>st</sup> March, 2016.

**Annexure to the Auditor's Report referred to in our report of even date:**

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) These fixed assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
- (c) The title deeds of immovable property are held in the name of the Company.
- II. Physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed in the books of accounts.
- III. The Company has not granted any loans to parties covered in the register maintained under Section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The Company has not granted any loans or made any investments, or provided any guarantees or securities to the parties covered under Section 185 & 186 of the Companies Act, 2013. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the company.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The clause 3(v), therefore is not applicable to the company.
- VI. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no disputed dues of income tax or sales tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess which have not been deposited on account of any dispute except for :

Name of Statute	Nature of Dues	Amounts (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	77.77	2008-09	CIT(A)
The Income Tax Act, 1961	Income Tax	59.51	2009-10	CIT(A)
The Income Tax Act, 1961	Income Tax	47.60	2010-11	CIT(A)
The Income Tax Act, 1961	Income Tax	669.11	2011-12	CIT(A)
The Income Tax Act, 1961	Income Tax	1,533.16	2012-13	CIT(A)
Service Tax Laws	Service Tax	38.59	2001-02	High Court
Service Tax Laws	Service Tax	20.84	2002-03	High Court
Service Tax Laws	Service Tax	14.08	2004-05	CESTAT
Service Tax Laws	Service Tax	26.67	2005-06	CESTAT
Service Tax Laws	Service Tax	42.41	2006-07	CESTAT
Service Tax Laws	Service Tax	79.89	2008-09	Commissioner
Service Tax Laws	Service Tax	156.82	2009-10	Commissioner

- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.
- IX. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year, and accordingly, Para 3(ix) of the Order is not applicable to the Company.
- X. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such cases by the Management.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not paid or provided any managerial remuneration. Hence, the provisions of Section 197 read with Schedule V to the Companies Act, 2013 is not applicable to the Company.
- XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**H. P. Mahajani**  
Partner  
Membership No. 030168

Mumbai  
29<sup>th</sup> April, 2016



**ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE  
STANDALONE FINANCIAL STATEMENTS OF MAHINDRA LOGISTICS LIMITED**

**Report 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 **Mahindra Logistics Limited** ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016.

**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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**H. P. Mahajani**  
Partner  
Membership No. 030168

Mumbai  
29<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	Note No.	As at 31 <sup>st</sup> March'16 (Rs. in Lakhs)	As at 31 <sup>st</sup> March'15 (Rs. in Lakhs)
<b>I EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholder's Fund</b>			
(a) Share Capital	I	10,070.80	10,070.80
(b) Reserves and Surplus	II	20,304.42	16,574.42
<b>(2) Non-Current Liabilities</b>			
(a) Other Long Term Liabilities	III	203.43	212.03
(b) Long Term Provisions	IV	1,166.23	875.55
<b>(3) Current Liabilities</b>			
(a) Trade Payables	V	21,784.80	21,297.29
(b) Other Current Liabilities	VI	1,852.74	1,379.58
(c) Short Term Provisions	VII	240.69	184.52
<b>Total</b>		<b>55,623.11</b>	<b>50,594.19</b>
<b>II ASSETS:</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets	VIII		
(i) Tangible Assets		2,079.38	1,967.07
(ii) Intangible Assets		38.20	57.61
(iii) Capital Work-in Progress		1.01	1.78
(iv) Intangible Assets under development		42.11	-
(b) Non Current Investments	IX	1,021.82	1,021.90
(c) Deferred Tax Assets (Net)		859.05	670.38
(d) Long Term Loans and Advances	X	942.78	719.98
<b>(2) Current Assets</b>			
(a) Current Investments	XI	6,802.25	11,012.54
(b) Inventories	XII	289.49	276.37
(c) Trade Receivables	XIII	23,484.69	18,825.10
(d) Cash and Cash Equivalents	XIV	9,058.52	9,744.68
(e) Short Term Loans and Advances	XV	10,063.50	5,570.12
(f) Other Current Assets	XVI	940.31	726.66
<b>Total</b>		<b>55,623.11</b>	<b>50,594.19</b>
<b>Summary of Significant Accounting Policies &amp; Notes to Financial Statements</b>	<b>A &amp; B</b>		

"As per our Report of Even Date"

For **B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

For and on behalf of Board of Directors

**Mahindra Logistics Limited**

**Anjanikumar Choudhari**  
Chairman

**Parag Shah**  
Director

**Nikhil Nayak**  
Chief Financial Officer

**Vilas Vasant Chaubal**  
Company Secretary

Place : Mumbai  
Date : 29<sup>th</sup> April, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Note No.	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
I Revenue from Operations	XVII	2,01,491.56	1,91,653.55
II Other Income	XVIII	1,243.21	764.90
III Total Revenue (I+II)		2,02,734.77	1,92,418.45
IV Expenses:			
Purchase of Stock in Trade		2,008.49	3,476.42
Change in Inventories of Stock in Trade	XIX	(13.12)	(125.25)
Operating, Administrative & Other Expenses	XX	1,79,946.75	1,70,448.22
Employee Benefit Expenses	XXI	14,442.94	11,816.87
Finance Cost	XXII	0.69	2.25
Depreciation and Amortization	XXIII	662.33	589.62
Total Expenses		1,97,048.08	1,86,208.13
V Profit Before Tax (III-IV)		5,686.69	6,210.32
VI Tax Expenses			
(i) Current Tax (Including earlier year's provision of Rs. 14.95 lakhs)		2,145.37	2,237.13
(ii) Deferred Tax		(188.68)	(135.73)
VII Profit/(Loss) After Tax (V-VI)		3,730.00	4,108.92
VIII Earning Per Equity Share:			
(i) Basic (Rs.)		6.24	6.95
(ii) Diluted (Rs.)		5.34	6.68

**Summary of Significant Accounting Policies & Notes to Financial Statements****A & B**

"As per our Report of Even Date"

For **B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
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M.No. 030168

For and on behalf of Board of Directors

**Mahindra Logistics Limited**

**Anjanikumar Choudhari**  
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**Parag Shah**  
Director

**Nikhil Nayak**  
Chief Financial Officer

**Vilas Vasant Chaubal**  
Company Secretary

Place : Mumbai  
Date : 29<sup>th</sup> April, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Current Year		(Rs. in Lakhs)	
	Rs.	Rs.	Rs.	Previous Year Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) before tax		5,686.69		6,210.32
<b>ADJUSTMENTS FOR:</b>				
Depreciation	602.22		486.01	
Amortisation	60.11		103.61	
Provision for Doubtful Debts/Advances	177.60		(68.27)	
Loss on sale of Fixed Assets/disposal (Net)	1.62		29.42	
Finance Charges	0.69		2.25	
Dividend Income	(153.25)		(48.49)	
Interest Income	(871.02)		(674.67)	
Profit on Sale of Mutual Fund	(174.86)		(0.25)	
		(356.89)		(170.39)
<b>Operating Profit/(Loss) before working capital changes</b>		<b>5,329.80</b>		<b>6,039.93</b>
<b>ADJUSTMENTS FOR WORKING CAPITAL CHANGES:</b>				
(Increase)/Decrease in Trade and Other Receivables	(8,105.26)		(4,267.22)	
(Increase)/Decrease in Inventories	(13.12)		(125.25)	
Increase/(Decrease) in Trade Payables and Other Liabilities	1,227.85		2,971.33	
		(6,890.53)		(1,421.14)
<b>Cash flow from/(used in) operations</b>		<b>(1,560.73)</b>		<b>4,618.79</b>
Less: Taxes paid and refund (Income Tax)		(3,737.72)		(1,423.31)
<b>Net cash flow from/(used in) operating activities</b>		<b>(5,298.45)</b>		<b>3,195.48</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets (including Capital WIP, Intangible assets under development and Capital Advances)		(808.53)		(988.83)
Sale of Fixed Assets		12.01		21.07
Investment in Equity/Government Securities/Mutual Fund		4,210.37		(12,032.08)
Dividend Income		153.25		48.49
Interest Income		871.02		674.67
Profit on Sale of Mutual Fund		174.86		0.25
<b>Net cash flow from/(used in) investing activities</b>		<b>4,612.98</b>		<b>(12,276.43)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issue of Share Capital		-		4,164.76
Share Premium		-		5,952.43
Interest Paid		(0.69)		(2.25)
<b>Net cash flow from/(used in) financing activities</b>		<b>(0.69)</b>		<b>10,114.94</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>(686.16)</b>		<b>1,033.98</b>
<b>Cash and cash equivalents – Opening balance</b>		<b>9,744.68</b>		<b>8,710.70</b>
<b>Cash and cash equivalents – Closing balance</b>		<b>9,058.52</b>		<b>9,744.68</b>
<b>Net increase/(decrease) as disclosed above</b>		<b>(686.16)</b>		<b>1,033.98</b>
<b>Components of cash and cash equivalents</b>				
Cash/Cheques on hand		7.70		66.40
With Banks – on Current Account/Fixed Deposit/Balance in Cash Credit Accounts		9,050.82		9,678.28
		<b>9,058.52</b>		<b>9,744.68</b>

**Notes:**

1 The above Cash Flow Statement has been prepared under the Indirect Method setout in Accounting Standard 3.

2 Figures in bracket indicates cash outgo.

Accounting Policies and notes forming part of the accounts are given in Notes

“As per our Report of Even Date”

For **B. K. Khare & Co.**

Chartered Accountants

FRN: 105102W

**H. P. Mahajani**

Partner

M.No. 030168

For and on behalf of Board of Directors

**Mahindra Logistics Limited**

**Anjanikumar Choudhari**

Chairman

**Parag Shah**

Director

**Nikhil Nayak**

Chief Financial Officer

**Vilas Vasant Chaubal**

Company Secretary

Place : Mumbai

Date : 29<sup>th</sup> April, 2016

## NOTES

Note: I

### Share Capital :

#### A) Details of Authorised, Issued, Subscribed and Paid up Shares

Particulars	As at 31 <sup>st</sup> March'16		As at 31 <sup>st</sup> March'15	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
<b>Authorised:</b>				
Equity Share of Rs. 10 each	6,40,00,000	6,400.00	6,40,00,000	6,400.00
0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares of Rs. 50 each	82,00,000	4,100.00	82,00,000	4,100.00
Total.....	–	10,500.00	–	10,500.00
<b>Issued:</b>				
Equity Share of Rs. 10 each fully paid	6,12,77,860	6,127.79	6,12,77,860	6,127.79
0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares of Rs. 50 each	81,77,184	4,088.59	81,77,184	4,088.59
<b>Subscribed and Fully Paid up:</b>				
Equity Share of Rs. 10 each fully paid	5,96,55,813	5,965.58	5,96,55,813	5,965.58
0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares of Rs. 50 each	81,77,184	4,088.59	81,77,184	4,088.59
<b>Subscribed but Not Fully Paid up:</b>				
Equity Share of Rs. 10 each (Rs. 2 paid up)	40,774	0.82	40,774	0.82
Equity Share of Rs. 10 each (Re. 1 paid up)	15,81,273	15.81	15,81,273	15.81
Total.....	–	10,070.80	–	10,070.80

#### B) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

##### (i) Equity Shares

Particulars	As at 31 <sup>st</sup> March'16		As at 31 <sup>st</sup> March'15	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
<b>Issued, Subscribed and Paid up</b>				
Balance as at the beginning of the year	6,12,77,860	5,982.21	6,08,42,383	5,906.04
Add:- Issued during the year	–	–	435,477	76.17
Balance as at the end of the year	6,12,77,860	5,982.21	6,12,77,860	5,982.21

##### (ii) 0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares of Rs. 50 each

Particulars	As at 31 <sup>st</sup> March'16		As at 31 <sup>st</sup> March'15	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
<b>Issued, Subscribed and Paid up</b>				
Balance as at the beginning of the year	81,77,184	4,088.59	–	–
Add:- Issued during the year	–	–	81,77,184	4,088.59
Balance as at the end of the year	81,77,184	4,088.59	81,77,184	4,088.59

#### C) Shares held by Holding Company/Fellow Subsidiaries

Particulars	Shares held by	Numbers as at	
		March'16	March'15
Mahindra & Mahindra Limited	Holding Company	5,14,78,330	5,14,78,330
Mahindra Engineering & Chemical Products Limited	Fellow Subsidiary Company	100	100

#### D) Shareholders holding more than 5% of Share Capital

##### (i) Equity Shares

Particulars	As at 31 <sup>st</sup> March'16		As at 31 <sup>st</sup> March'15	
	No of Shares Held	% of Holding	No of Shares Held	% of Holding
Mahindra & Mahindra Limited	5,14,78,330	84.01%	5,14,78,330	84.01%
Normandy Holdings Limited	78,43,227	12.80%	78,43,227	12.80%

##### (ii) 0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares of Rs. 50 each

Particulars	As at 31 <sup>st</sup> March'16		As at 31 <sup>st</sup> March'15	
	No of Shares Held	% of Holding	No of Shares Held	% of Holding
Normandy Holdings Limited	78,43,036	95.91%	78,43,036	95.91%

#### E) Shares reserved for issue under Stock Options (For details of shares issued under Key Executive Stock Option Scheme 2012, Refer Note B (11)).

#### F) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. 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.

#### G) Terms/rights attached to 0.001% Non Cumulative fully paid Compulsorily Convertible Preference Shares ("CCPS")

- Each CCPS is issued at subscription price of Rs. 122.29 having a par value of Rs. 50 each.
- Each CCPS shall convert into one equity share of Rs. 10/- each subject to the terms provided under the agreement with the holder of CCPS.
- CCPS shall be convertible into equity share (a) at any time at the option of the holders, or (b) at the option of the Company on and after completion of 5 (five) years from the date of investment by holder of CCPS i.e. 19<sup>th</sup> March, 2014.
- Each CCPS shall be entitled to a preferred dividend of 0.001% (zero point zero zero one percent) per annum, in priority to the holders of the equity shares. In any given financial year the Company may not declare any dividend or other distribution to its holders of equity shares unless it has first declared the preferential dividend of such financial year to the holders of the CCPS. If the Company declares any dividend or other distribution to its holders of equity shares, in cash or otherwise, each holder of the CCPS shall have right, in priority to the holders of the equity shares, to receive the aggregate amount of dividend or other distribution which such holder of CCPS would have received if, on the record date for each distribution made during the financial year during which the dividend or other distribution is made (including the record date for the dividend or distribution at stake), it were the holder of the maximum number of equity shares representing deemed shareholding into which its CCPS can be converted on the record date for such distribution.

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: II</b>		
<b>Reserves and Surplus:</b>		
(a) Securities Premium		
Opening Balance	5,995.93	43.50
Add: Additions during the year	-	5,952.43
Total.....	<u>5,995.93</u>	<u>5,995.93</u>
(b) Surplus in Profit & Loss Statement		
Opening Balance	10,578.49	6,489.04
Less:- Transitional depreciation charge (net of deferred tax) on recomputation of depreciation based on the useful life of the assets as prescribed in Schedule II (Section 123) of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil	-	(19.47)
Add:- Profit for the Current Year	3,730.00	4,108.92
Total.....	<u>14,308.49</u>	<u>10,578.49</u>
Grand Total (a+b) .....	<u>20,304.42</u>	<u>16,574.42</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: III</b>		
<b>Other Long Term Liabilities:</b>		
Deposit Received from Customers/Vendors	203.43	212.03
Total.....	<u>203.43</u>	<u>212.03</u>
<b>Note: IV</b>		
<b>Long Term Provisions:</b>		
Provision for Employee Benefits	1,166.23	875.55
Total.....	<u>1,166.23</u>	<u>875.55</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: V</b>		
<b>Trade Payables:</b>		
(a) Total outstanding dues of Micro and Small Enterprises (Refer Note No B (4))	-	-
(b) Total outstanding dues of creditors other than Micro and Small Enterprises	21,784.80	21,297.29
Total.....	<u>21,784.80</u>	<u>21,297.29</u>
<b>Note: VI</b>		
<b>Other Current Liabilities:</b>		
(a) Deposit Received from Customers/Vendors	202.40	136.76
(b) Employee Liabilities	1,079.21	938.01
(c) Statutory Liabilities	331.57	185.73
(d) Payable for Fixed Assets	36.94	55.07
(e) Gratuity Liability (Net of Fund)	202.62	64.01
Total.....	<u>1,852.74</u>	<u>1,379.58</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: VII</b>		
<b>Short Term Provisions:</b>		
(a) Provision for Wealth Tax	-	0.61
(b) Provision for Employee Benefits	240.69	183.91
Total.....	<u>240.69</u>	<u>184.52</u>

**Note: VIII**

**Fixed Assets :**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31 <sup>st</sup> March, 2015	Additions during the year	Deductions and adjustments during the year	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	For the Year	Adjustments/ Deductions	As at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2015
<b>(A) Tangible Assets</b>										
Plant and Machinery	2,188.74	574.18	45.96	2,716.96	632.55	496.39	38.77	1,090.17	1,626.79	1,556.19
Furniture and Fittings	482.83	153.98	3.10	633.71	122.02	84.43	2.59	203.86	429.85	360.81
Vehicles, Cycles, etc.	182.46	-	44.82	137.64	132.39	21.40	38.89	114.90	22.74	50.07
<b>TOTAL (A)</b>	<b>2,854.03</b>	<b>728.16</b>	<b>93.88</b>	<b>3,488.31</b>	<b>886.96</b>	<b>602.22</b>	<b>80.25</b>	<b>1,408.93</b>	<b>2,079.38</b>	<b>1,967.07</b>
Previous Year	1,912.79	1,093.69	152.45	2,854.03	473.13	486.01	72.18	886.96	1,967.07	1,439.66
<b>(B) Intangible Assets</b>										
Goodwill	114.78	-	-	114.78	114.78	-	-	114.78	-	-
Computer Software	1,067.85	40.70	-	1,108.55	1,010.24	60.11	-	1,070.35	38.20	57.61
Congeries of Rights	912.00	-	-	912.00	912.00	-	-	912.00	-	-
<b>TOTAL (B)</b>	<b>2,094.63</b>	<b>40.70</b>	<b>-</b>	<b>2,135.33</b>	<b>2,037.02</b>	<b>60.11</b>	<b>-</b>	<b>2,097.13</b>	<b>38.20</b>	<b>57.61</b>
Previous Year	2,061.43	33.20	-	2,094.63	1,933.41	103.61	-	2,037.02	57.61	128.02
<b>TOTAL (A+B)</b>	<b>4,948.66</b>	<b>768.86</b>	<b>93.88</b>	<b>5,623.64</b>	<b>2,923.98</b>	<b>662.33</b>	<b>80.25</b>	<b>3,506.06</b>	<b>2,117.58</b>	<b>2,024.68</b>
Previous Year	3,974.22	1,126.89	152.45	4,948.66	2,406.54	589.62	72.18	2,923.98	2,024.68	1,567.68
<b>(C) Capital Work in Progress</b>	<b>1.78</b>	<b>1.01</b>	<b>1.78</b>	<b>1.01</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.01</b>	<b>1.78</b>
Previous Year	16.74	1.78	16.74	1.78	-	-	-	-	1.78	16.74
<b>(D) Intangible assets under development</b>	<b>-</b>	<b>42.11</b>	<b>-</b>	<b>42.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42.11</b>	<b>-</b>
Previous Year	1.01	-	1.01	-	-	-	-	-	-	1.01
<b>TOTAL (A+B+C+D)</b>	<b>4,950.44</b>	<b>811.98</b>	<b>95.66</b>	<b>5,666.76</b>	<b>2,923.98</b>	<b>662.33</b>	<b>80.25</b>	<b>3,506.06</b>	<b>2,160.70</b>	<b>2,026.46</b>
Previous Year	3,991.97	1,128.68	170.20	4,950.45	2,406.54	589.62	72.18	2,923.98	2,026.47	1,585.43

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: IX</b>		
<b>Non-Current Investments:</b>		
(a) Investment in Equity Shares		
(i) Trade Investment in Subsidiaries		
2x2 Logistics Private Limited (22,05,500 Equity Shares @ Rs. 10 each fully paid up)	220.55	220.55
LORDS Freight (India) Private limited (14,17,509 Equity Shares @ Rs. 10 each fully paid up)	799.99	799.99
(ii) Non Trade Investment		
The Zoroastrian Co-Operative Bank Limited (4,000 Equity Shares @ Rs. 25 each fully paid up)	1.00	1.00
(b) Investment in Government Securities (lien to Sales Tax)		
National Saving Certificates	0.28	0.36
Total.....	<u>1,021.82</u>	<u>1,021.90</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: X</b>		
<b>Long Term Loans and Advances:</b>		
Unsecured, Considered Good		
(a) Capital Advance	0.91	2.58
(b) Security Deposit	911.34	677.96
(c) Prepaid Expenses	30.53	39.44
Total.....	<u>942.78</u>	<u>719.98</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XI</b>		
<b>Current Investments:</b>		
Investment in Government Securities (lien to Sales Tax)	0.25	0.17
National Saving Certificates		
<b>Unquoted Investment</b>		
Investment in Mutual Fund	6,802.00	11,012.37
Less : Adjustment of cost as lower than fair value	-	-
Total.....	<u>6,802.25</u>	<u>11,012.54</u>
<b>Other Disclosures</b>		
Aggregate amount of unquoted investments (Gross)	6,802.00	11,012.37
Market Value of unquoted investments	6,808.50	11,032.38

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XII</b>		
<b>Inventories:</b>		
Stock in Trade	289.49	276.37
(At lower of Cost or Net Realisable Value)		
Total.....	<u>289.49</u>	<u>276.37</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XIII</b>		
<b>Trade Receivables:</b>		
Outstanding for more than six months from the date they are due for payment		
Unsecured, Considered Good	1,981.72	367.05
Considered Doubtful	625.44	376.07
	<u>2,607.16</u>	<u>743.12</u>
Less : Provision for Doubtful Debts	625.44	376.07
	<u>1,981.72</u>	<u>367.05</u>
Outstanding for less than six months from the date they are due for payment		
Unsecured, Considered Good	21,502.97	18,458.05
Total.....	<u>23,484.69</u>	<u>18,825.10</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XIV</b>		
<b>Cash and Cash Equivalents:</b>		
(a) Cash on Hand	3.26	6.66
(b) Cheques, Drafts on Hand	4.44	59.74
(c) Balance With Banks		
(i) With Current Accounts	7.32	11.89
(ii) Fixed Deposit Account	6,800.00	7,954.98
(iii) Balances in Cash Credit Accounts	2,242.83	1,710.74
(iv) Fixed Deposit (lien to Sales Tax)	0.67	0.67
Total.....	<u>9,058.52</u>	<u>9,744.68</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XV</b>		
<b>Short Term Loans and Advances:</b>		
Unsecured, Considered Good		
(a) Security Deposit	756.93	710.09
(b) Loans and Advances to Related party		
(i) Inter Corporate Deposit	2,700.00	1,000.00
(ii) Others	51.83	51.83
(c) Other Loans & Advances		
(i) Loans and Advances to Employees	97.40	82.33
(ii) Advance Income Tax/ TDS Receivable (Net off Provision for Tax)	2,469.22	876.87
(iii) Service Tax/Vat Recoverable (Net)	369.19	234.44
(iv) Advances to Vendors	3,421.21	2,453.42
(v) Prepaid Expenses	148.66	151.79
(vi) Others	49.06	9.35
Considered Doubtful		
(a) Security Deposit	13.93	-
(b) Other Loans and Advances	238.65	324.34
	<u>10,316.08</u>	<u>5,894.46</u>
Less:- Provision for Doubtful Advance	252.58	324.34
Total.....	<u>10,063.50</u>	<u>5,570.12</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVI</b>		
<b>Other Current Assets:</b>		
(a) Land held for sale (Refer Notes B (3))	190.90	190.90
(b) Accrued Interest	306.10	21.36
(c) Claim Receivable	443.31	514.40
Total.....	<u>940.31</u>	<u>726.66</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVII</b>		
<b>Revenue from:</b>		
Sale of Goods:	2,102.19	3,562.25
Sale of Services:		
(a) Supply Chain Logistics	1,74,381.29	1,62,896.59
(b) People Logistics	25,008.08	25,194.71
Total.....	<u>2,01,491.56</u>	<u>1,91,653.55</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVIII</b>		
<b>Other Income:</b>		
Interest Income	871.02	674.67
Dividend Income	153.25	48.49
Miscellaneous Income	218.94	41.74
Total.....	<u>1,243.21</u>	<u>764.90</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XIX</b>		
<b>Change in Inventories of Stock in Trade:</b>		
Stock in Trade at the end of the year	289.49	276.37
Stock in Trade at the beginning of the year	276.37	151.12
(Increase)/Decrease of the Traded Products.....	<u>(13.12)</u>	<u>(125.25)</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XX</b>		
<b>Operating, Administrative &amp; Other Expenses:</b>		
Freight & Other Related Expenses	1,60,403.74	1,54,627.61
Labour & Other Related Expenses	9,610.29	7,751.58
Direct Expenses - Traded Products	41.31	142.82
Power & Fuel	241.36	211.32
Rent including lease rentals	3,264.17	2,889.57
Rates and Taxes	52.25	20.26
Insurance	53.28	22.22

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XXI</b>		
<b>Repairs &amp; Maintenance:</b>		
Buildings	30.47	38.13
Machinery	167.78	121.41
Others	208.85	168.74
Legal & Professional Fees	1,307.56	729.93
Travelling Expenses	610.81	535.96
Provision for Doubtful Debts/Advances	249.36	
Add:- Bad Debts/Advances written off during the year	156.45	
Less:- Provision for Doubtful Debts/Advances no longer required	71.76	317.05
Payment to Auditors (Refer Note No B (7))	20.29	12.72
Loss on Sale of Fixed Assets (Net)	1.62	29.42
Miscellaneous Expenses	3,598.92	2,829.48
Total.....	<u>1,79,946.75</u>	<u>1,70,448.22</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XXII</b>		
<b>Employee Benefit Expenses:</b>		
Salaries, Wages, Bonus, etc.	12,299.79	10,072.95
Contribution to Provident and other funds	656.90	591.39
Gratuity (Refer Note No B (8))	205.63	122.41
Staff Welfare	1,280.62	1,030.12
Total.....	<u>14,442.94</u>	<u>11,816.87</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XXIII</b>		
<b>Finance Cost:</b>		
Interest Expenses	0.64	2.25
Other Borrowing Cost	0.05	-
Total.....	<u>0.69</u>	<u>2.25</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XXIII</b>		
<b>Depreciation and Amortization:</b>		
Depreciation	602.22	486.01
Amortisation of Intangible assets	60.11	103.61
Total.....	<u>662.33</u>	<u>589.62</u>



**Note A & B – Summary of Significant Accounting Policies and Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2016.**

**Note A – Summary of Significant Accounting Policies**

**Corporate Information**

Mahindra Logistics Limited is a public limited company incorporated on 24<sup>th</sup> August, 2007 under the Companies Act, 1956. The Company's main activities are transportation, 3PL services such as warehousing, cargo logistics, supply chain solution, people logistics and trading of goods.

**1. Basis for Preparation of Financial Statements:**

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (GAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 (the Act) and the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Assets and Liabilities are classified as Current or Non Current as per the provisions of Schedule III to the Companies Act, 2013 and Company's Normal Operating Cycle. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the classification of assets and liabilities.

The financial statements are presented in Indian Rupees denominated in Lakhs.

**2. Use of Estimates:**

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (Including Contingent Liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revision to accounting estimates is recognized prospectively in current and future periods.

**3. Fixed Assets:**

- i. All Fixed Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- ii. When an asset is scrapped or otherwise disposed off, cost and related depreciation are removed from books of accounts and resultant profit/loss, if any, is reflected in the Statement of Profit and Loss.
- iii. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

**4. Depreciation:**

Depreciation on tangible assets is charged by the Straight Line Method (SLM) in accordance with the useful lives specified in Part – C of Schedule II of the Companies Act, 2013 on a pro-rata basis except in the case of:

- i. Certain items of Plant & Machinery individually costing more than Rs. 5,000 - over their useful lives ranging from 5 years to 10 years as determined by the company and also based on the contractual arrangements wherever applicable.
- ii. Assets capitalised which are attached to the leasehold office premises shall be depreciated upto 75% of its value over the lease period assuming a realisable value of 25% after the end of original lease period. In case of an extension of a lease period, the remaining 25% will be depreciated over the extended period of lease.

**5. Intangible Assets:**

All Intangible Assets are initially measured at cost /fair value and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

**i. Software Expenditure:**

The expenditure incurred is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

**ii. Congeries of Rights:**

The expenditure incurred is amortised over the estimated period of benefit, not exceeding four financial years equally commencing from the year in which the expenditure is incurred.

**iii. Goodwill:**

The expenditure incurred is amortised over the estimated period of benefit, not exceeding four financial years equally commencing from the year in which, the expenditure is incurred.

**6. Inventories:**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined by the First in First Out (F.I.F.O.) method.

**7. 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.

Incomes from logistics services rendered are recognised on the completion of the services as per the terms of contract.

Sale of products are recognised when the products are despatched which coincides with the transfer of risk and rewards to the buyer of products. Sales are exclusive of sales tax & sales returns.

Interest income is accounted on accrual basis at the contracted rate. Dividend income is recognised when right to receive is established.

**8. Investments:**

All long-term investments are valued at cost. However provision for diminution in value is made to recognise a decline other than temporary in the value of investments. Current investments are valued at the lower of cost and fair value, determined by category of investment.

**9. Foreign exchange transactions and translations:**

**i. Initial recognition:**

Transactions in foreign currencies are recognised at the exchange rate between the reporting currency and the foreign currency prevailing on the transaction dates.

**ii. Conversion:**

- a. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.
- b. Non-monetary items, if any are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

**iii. Exchange differences**

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

- a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.
- b. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

**10. Employee Benefits:**

**i. Defined Contribution Plan:**

Company's contributions paid/payable during the year to the Superannuation Fund, ESIC, Provident Fund and Labour Welfare Fund are recognised in the Statement of Profit and Loss.

- ii. **Defined Benefits:**  
Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using the projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.
- 11. Borrowing Cost:**  
Borrowing Cost that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue in the year of incurrence.
- 12. Segment Reporting:**  
Accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenues and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".
- 13. Operating Leases:**  
The Company's significant operating leasing arrangements are in respect of office premises, warehouse, warehouse equipments and IT related equipments. Lease rentals are recognised as per the terms of lease.
- 14. Earnings Per Share:**  
Basic and diluted earnings per share is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares outstanding during the year.
- 15. Income Tax:**  
Income taxes are accounted for in accordance with the Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprises of Current tax and Deferred tax.  
Current tax is determined as the amount of tax payable in respect of taxable income for the year using the applicable tax rates and tax laws.  
Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using the tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets are not recognised unless in the management judgment, there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except in case of deferred tax assets arising from brought forward tax losses wherein deferred tax assets is only recognized when there is virtual certainty. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.
- 16. Impairment of Assets:**  
The Management of the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.
- 17. Provisions, Contingent Liabilities and Contingent Assets:**  
Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.  
Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.  
Contingent assets are neither recognised nor disclosed in the financial statements.
- 18. Employee Stock Options:**  
The Company follows Intrinsic Value Method of accounting for accruing compensation cost arising from issue of Employee Stock Options. Compensation cost is amortised over the vesting period of the option on a straight line basis.
- Note B – Notes to the Financial Statements:**
- 1. Change in accounting policy:**  
The Company has changed its policy of depreciating the non-movable assets or the assets which are attached to the lease-hold premises as stated in the Summary of Significant accounting policies under Note A4.  
Management believes that this change will result in more appropriate presentation and will give a systematic basis of depreciation charge, representative of the time pattern in which the economic benefits will be derived from the use of these assets.  
Accordingly, excess depreciation on account of change in the method of depreciation net of residual value of assets as on 1<sup>st</sup> April, 2015 amounting to Rs. 14.69 lakhs/- is debited to the Statement of Profit and Loss.
- 2. Loans:**  
Credit Facilities from Banks are secured by a *pari-passu* charge on the Company's entire present and future book debts, outstanding monies, receivables, claims, and bills in terms of the Letter of hypothecation executed by the Company.  
Cash Credit facilities are repayable on demand and carry interest based on applicable rate plus agreed spreads and/or negotiated rates. The rates of interest during the year ranged between 11.55 % to 12.25%.
- 3. Tangible Assets:**  
During the financial year 2011-2012 cost of land situated at Sembiya Manali Village, Ponneri taluka, Tiruvallore District, amounting to Rs. 189.42 Lakhs and related development costs of the land amounting to Rs. 1.48 Lakhs was transferred to Current Assets as it is held for sale.
- 4.** Based on the information available with the Company, no trade payables have been registered as 'supplier' within the meaning of 'Micro Small & Medium Enterprises Development Act, 2006 as on 31<sup>st</sup> March 2016.
- 5.** Trade Receivables, Loans and Advances and Trade Payables are subject to confirmation and Reconciliations. Provision is however made for doubtful debt based on decided policy.
- 6. Corporate Social Responsibility:**  
During the year, the Company has incurred an aggregate expenditure of Rs. 102.74 lakhs equivalent to 2% of average net profits of three immediately preceding financial years on various Corporate Social Responsibility (CSR) activities as per the requirements of Section 135 of the Companies Act, 2013. The said aggregate expenditure represents contributions/donations made to trusts which are engaged in activities prescribed under the said section read with Schedule VII to the Act and certain CSR activities undertaken by the Company as per the requirements of the Act.

7. Payment to Auditors includes:

Particulars	(Rs. in Lakhs)	
	*2016	*2015
Statutory Audit Fees	12.08	8.99
Tax Audit Fees	4.28	1.54
Fees for Other services	3.55	2.01
Out of Pocket expenses	0.38	0.18
<b>Total</b>	<b>20.29</b>	<b>12.72</b>

\* Including Service Tax

8. Employee Defined Benefits:

Defined benefit plans – as per Actuarial valuation on 31<sup>st</sup> March 2016  
Gratuity (Funded)

Particulars	(Rs. in Lakhs)	
	2016	2015

I. Expense recognised in the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016.

1. Current Service Cost	156.28	113.03
2. Interest	38.65	30.81
3. Expected Return on Plan Assets	(33.51)	(34.46)
4. Actuarial (Gain)/Loss	41.66	13.86
5. Total expense	203.08	123.24

II. Net Asset/ (Liability) recognised in the Balance Sheet as at 31<sup>st</sup> March, 2016.

1. Present value of Defined Benefit Obligation as at 31 <sup>st</sup> March	660.42	(481.26)
2. Fair value of plan assets as at 31 <sup>st</sup> March	457.80	417.25
3. Funded status [Surplus/(Deficit)] (2-1)	(202.62)	(64.01)
4. Net Asset/(Liability) as at 31 <sup>st</sup> March	(202.62)	(64.01)

III. Change in the obligation during the year ended 31<sup>st</sup> March, 2016.

1. Present value of Defined Benefit Obligation at the beginning of the year	481.26	330.96
2. Current Service Cost	156.28	113.03
3. Interest Cost	38.65	30.81
4. Actuarial (Gain)/Loss	43.98	23.39
5. Benefits Paid	(59.74)	(16.93)
6. Present Value of Defined Benefit Obligation at the end of the year	660.42	481.26

IV. Change in Fair Value of Assets during the year ended 31<sup>st</sup> March, 2016

1. Fair Value of Plan assets at the beginning of the year	417.25	370.18
2. Expected return on plan asset	33.51	34.46
3. Contributions by employer	64.47	20.01
4. Actual benefits paid	(59.74)	(16.93)
5. Actuarial gain/(loss) on plan assets	2.32	9.53
6. Fair value of Plan assets at the end of the year	457.80	417.25

V. The major categories of plan assets as a percentage of total plan

Funded with Life Insurance Corporation of India	100%	100%
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VI. Expected Contribution in next 12 months

	314.11	125.00
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VII. Actuarial assumptions

1. Discount Rate	7.96%	8.03%
2. Expected rate of return on plan assets	7.96%	8.03%
3. In service Mortality	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate

(Rs. in Lakhs)

Particulars	(Rs. in Lakhs)	
	2016	2015
4. Turnover Rate	2% depending on Age	2% depending on Age
5. Salary escalation	8%	8%

9. As per the Accounting Standard 17, "Segment Reporting" the Company has disclosed Segment Reporting as follows:

(Rs. in Lakhs)

Particulars	Supply Chain Management	People Logistics	Trading Activity	Total
Income from Operations	1,74,364.18 (1,62,896.59)	25,008.08 (25,194.71)	2,119.30 (3,562.25)	2,01,491.56 (1,91,653.55)
Direct Expenses of Operations	1,62,349.87 (1,51,606.82)	22,681.73 (22,913.07)	2,047.92 (3,494.00)	1,87,079.52 (1,78,013.89)
Segment Result	12,014.31 (11,289.77)	2,326.35 (2,281.64)	71.38 (68.25)	14,412.04 (13,639.66)
Unallocated Corporate Expenses (net of other income)				8,725.35 (7,429.34)
<b>Operating Profit/(Loss)</b>				5,686.69 (6,210.32)
<b>Provision for taxation – Current Tax</b>				2,145.37 (2,237.13)
Deferred Tax Expense/(Income)				(188.68) (-135.73)
<b>Profit after tax</b>				3,730.00 4,108.92
<b>Other Information</b>				
Segment Assets	30,154.36 (22,411.43)	9,340.07 (8,519.09)	289.49 (276.37)	39,783.92 (31,206.89)
Unallocable Corporate Assets				15,871.04 (19,422.80)
<b>Total Assets</b>				55,654.96 (50,629.69)
Segment Liabilities	18,128.28 (19,371.49)	4,104.35 (2,210.75)	381.30 (36.13)	22,613.93 (21,618.37)
Unallocable Corporate Liabilities				2,665.82 (2,366.11)
<b>Total Liabilities</b>				25,279.75 (23,984.47)

10. Related Party disclosure as per Accounting Standard 18:

a. List of Related parties:

A	Holding Company	Mahindra & Mahindra Limited
B	Subsidiary Companies	2x2 Logistics Private Limited LORDS Freight (India) Private Limited (w.e.f. 7 <sup>th</sup> Aug, 2014)
C	Fellow Subsidiaries	Bristlecone India Limited EPC Industrie Limited Defence Land Systems India Limited Mahindra Consulting Engineers Limited Mahindra Aerostructures Private Limited Mahindra Auto Steel Private Limited Mahindra Defence Naval Systems Private Limited Mahindra Defence Systems Limited Mahindra Susten Private Limited Mahindra First Choice Services Limited Mahindra Gujarat Tractors Limited Mahindra Holidays & Resorts India Limited Mahindra Insurance Brokers Limited

Mahindra Intertrade Limited  
 Mahindra Lifespace Developers Limited  
 Mahindra & Mahindra Financial Services Limited  
 Mahindra Trucks & Buses Limited  
 Mahindra Heavy Engines Private Limited  
 Mahindra Reva Electric Vehicles Private Limited  
 Mahindra Retail Private Limited  
 Mahindra Sona Limited  
 Mahindra Steel Service Centre Limited  
 Mahindra Agri Solutions Limited  
 (formerly Mahindra Shubhalabh Services Ltd.)  
 Mahindra Two Wheelers Limited  
 Mahindra Internet Commerce Private Limited  
 Mahindra Univeg Private Limited  
 Mahindra Vehicle Manufacturers Limited  
 Mahindra Sanyo Special Steel Private Limited  
 Mahindra Integrated Township Limited  
 NBS International Limited  
 Mahindra Integrated Business Solutions Private Limited

D Key Management Personnel Pirojshaw Sarkari (C.E.O.)

b. The related party transactions are as under: (Rs. in Lakhs)

Sr. No.	Nature of Transactions	Holding Company	Subsidiary Company	Fellow Subsidiary	Key Management Personnel
1.	<b>Finance:</b>				
	Issue of ESOP Share during the year	-	-	-	(6.74)
	Inter Corporate Deposits Given	(-)	50.00	2,700.00	(-)
	Inter Corporate Deposits Refunded back	(-)	50.00	1,000.00	(-)
	Interest Income on Inter-corporate deposit given	(-)	1.35	190.22	(-)
		(-)	(0.20)	(54.21)	(-)
2.	<b>Investment:</b>				
	Investment in Equity Shares	(-)	(-)	(-)	(-)
3.	<b>Purchases:</b>				
	Tangible Assets/ Intangible Assets Services	(0.07)	(-)	7.50	(-)
		217.95	2,146.37	16.25	(-)
		(133.04)	(132.61)	(68.76)	(-)
4.	<b>Sales:</b>				
	Tangible Assets	(-)	(-)	(-)	(-)
	Services	1,16,228.67	22.42	10,935.26	(-)
		(1,21,298.25)	(10.75)	(9,576.33)	(-)
5.	<b>Other Transactions:</b>				
	Reimbursements made to Parties	261.98	(-)	(-)	(-)
		(309.69)	(-)	(-)	(-)
	Reimbursements received from Parties	(-)	18.09	(-)	(-)
6.	<b>Parties</b>				
	Payable	328.27	111.37	17.91	(-)
		(182.46)	(53.61)	(37.13)	(-)
	Receivable	4,954.75	48.23	1,847.90	(-)
		(4,151.72)	(82.08)	(1,637.44)	(-)
	Inter Corporate Deposits	(-)	(-)	2,700.00	(-)
		(-)	(-)	(1,000.00)	(-)
7.	<b>Managerial Remuneration</b> (refer note 1 below)	(-)	(-)	(-)	142.93
		(-)	(-)	(-)	(126.51)

**Notes:**

- It does not include the charge for gratuity and provision for leave en-cashable on separation as separate actuarial valuation figures are not available.
- Previous year's figures are given in brackets.

- The Company has introduced a MLL - Key Executives Stock Option Scheme, 2012 ("Plan") as approved at its Board Meeting held on 27<sup>th</sup> April, 2012 and subsequently amended on 5<sup>th</sup> February, 2014 and on 27<sup>th</sup> October, 2015. The plan provides that eligible employees and the Mahindra Partners Employees Options Trust (the Trust) as defined in the Plan are granted options to acquire equity shares of the Company that vests in a graded manner. The vested options can be exercised within a specified period from the date on which the shares of the Company get listed on a recognized stock exchange or on happening of an event as specified in the Plan.

The details of options granted under the plan are as follows:

Year of grant	No. of options	Exercise price
2012-13	51,02,791	13.90
2013-14	4,30,952	23.88
2015-16	5,45,866	44.30

Since the exercise price is equal to fair value of shares based on valuation by an independent valuer as on the date of the grant, no compensation costs is recorded in the books of account.

Information in Respect of Options Outstanding:

Particulars	Tranche I
No. of Options outstanding as on 1 <sup>st</sup> April 2015	15,44,163
No. of Options granted during the year	5,45,866
No. of Options forfeited during the year	1,60,140
No. of Options exercised during the year	-
No. of Options outstanding as on 31 <sup>st</sup> March 2016	19,29,889

- Fair value of options

The fair value of options used to compute proforma net profit and earnings per share have been estimated on the date of grant using the black-scholes model. The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

**Grants covered under Scheme 2012:**

Variables	25-Jun-12	02-Nov-12	14-Oct-13	27-Oct-15
1) Risk free interest rate	8.12%	8.54%	9.14%	8.19%
2) Expected life	9.02 years	8.66 years	7.69 years	5.83 years
3) Expected volatility	38.88%	38.88%	52.62%	54.03%
4) Dividend yield	0.00%	0.00%	0.00%	0.00%

- Earnings Per Share

As per the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India the Company has calculated the compensation cost using intrinsic value method. Had the Company used fair value method, the net profit after tax and basic and diluted earnings per share would have been as follows:

Particulars		Intrinsic Value Method		Fair Value Method *	
		Mar. 2016	Mar. 2015	Mar. 2016	Mar. 2015
Net profit after tax (Rs. in Lakhs)	Rs. in Lakhs	3,730.00	4,108.92	3,641.60	4,022.49
Weighted average number of equity shares of Rs.10/- each - Basic	No. in Lakhs	598.22	591.13	598.22	591.13
Weighted Average number of equity shares of Rs.10/- each - Diluted	No. in Lakhs	698.38	614.88	698.38	614.88
Basic Earnings Per Share (Rs.)	in Rs.	6.24	6.95	6.09	6.80
Diluted Earnings Per Share # (Rs.)	in Rs.	5.34	6.68	5.21	6.54

# Dilution in Earnings per share is on account of 19,29,889 options (March 2015: 15,44,163 options) outstanding under the Employees Stock Option Scheme and 81,77,184 convertible preference shares (March 2015: 81,77,184 convertible preference shares).

\* Earnings Per Share under fair value method is computed on proforma net profit after tax after adjusting for employee compensation costs under fair value method. Employee compensation cost under fair value method as compared to intrinsic value method is higher by Rs. 88.40 Lakhs (March 2015: Rs. 86.43 Lakhs).

12. Earnings Per Share:

Particulars		Year Ended	Year Ended
		31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
<b>Basic Earnings Per Share</b>			
Net Profit/(Loss) after Tax (A)	Rs. in Lakhs	3,730.00	4,108.92
Weighted Average No. of Shares used for computing Basic EPS (B)	No. in Lakhs	598.22	591.13
Basic Earnings Per Share (A/B)	in Rs.	6.24	6.95
Nominal value of equity share	in Rs.	10.00	10.00
<b>Diluted Earnings Per Share</b>			
Net Profit/(Loss) after Tax (A)	Rs. in Lakhs	3,730.01	4,108.92
Weighted Average No. of Shares used for computing Diluted EPS (C)	No. in Lakhs	698.38	614.88
Diluted Earnings Per Share (A/C)*	in Rs.	5.34	6.68
Nominal value of equity share	in Rs.	10.00	10.00

\* Dilution in Earnings per share is on account of 19,29,889 options (March 2015 : 15,44,163 options) outstanding under the Employees Stock Option Scheme and 81,77,184 convertible preference shares (March 2015: 81,77,184 convertible preference shares).

13. The Company's significant leasing arrangements are in respect of operating leases for commercial and residential premises.

a. Sub-lease income from operating lease is recognised on a straight line basis over the period of the lease. The particulars of the premises and equipment given under operating leases are as under:

Particulars	(Rs. in Lakhs)	
	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
(i) Gross Carrying Amount of Premises	Nil	Nil
(ii) Accumulated Depreciation	Nil	Nil
(iii) Depreciation for the year	Nil	Nil
(iv) Future minimum Lease payments		
– not later than one year	1,370.04	1,088.05
– later than one year and not later than 5 years	1,180.93	1,377.87
– later than 5 years	Nil	Nil

b. Lease payments from operating lease is recognised on a straight line basis over the period of the lease. The particulars of the premises given under operating leases are as under:

Particulars	(Rs. in Lakhs)	
	31 <sup>st</sup> March 2016 Amount	31 <sup>st</sup> March 2015 Amount
Future minimum Lease payments		
– not later than one year	1,957.28	1,652.97
– later than one year and not later than 5 years	2,401.95	2,648.26
– later than 5 years	Nil	Nil

14. The components of Net Deferred Tax Assets as at the year-end are as under:

Deferred Tax Assets:	(Rs. in Lakhs)	
	31 <sup>st</sup> March 2016 Amount	31 <sup>st</sup> March 2015 Amount
On Provision for doubtful debts	216.45	130.15
On Provision for doubtful advances	87.41	112.25
On Provision for employee benefits	486.91	366.66
On Depreciation	176.62	169.66
<b>Total (A)</b>	<b>967.39</b>	<b>778.72</b>
<b>Deferred Tax Liabilities:</b>		
On VAT payment allowed u/s 43B but not provided in books	108.34	108.34
<b>Total (B)</b>	<b>108.34</b>	<b>108.34</b>
<b>Net Deferred Tax Assets (A-B)</b>	<b>859.05</b>	<b>670.38</b>

15. The year end foreign currency exposures that have not been hedged by a derivative instrument or forward contracts are given below:

Particulars	Currency	31 <sup>st</sup> March 2016		31 <sup>st</sup> March 2015	
		Value in foreign currency	Value in Rupees (Lakhs)	Value in foreign currency	Value in Rupees (Lakhs)
Trade Receivables	USD	–	–	1,861.78	1.17
Trade Payables	USD	50,835.71	33.94	50,835.71	31.84

16. Contingent Liabilities not provided for:

Sr. No.	Particulars	(Rs. in Lakhs)	
		2016	2015
a.	<b>Guarantees given by the Bankers of the Company</b>	76.73	94.22
b.	<b>Claim against the Company not acknowledged by the Company</b>		
	VAT	528.08	528.08
	Service Tax	379.31	349.01
	Income Tax	2,287.05	1,308.89
	Other matters (excluding claims where amount is not ascertainable)	289.41	153.35

17. The estimated amount of contracts remaining to be executed on capital account and not provided for as at 31<sup>st</sup> March 2016 is **Rs. 44.13 Lakhs** (2015: Rs. 42.45 lakhs).

18. Additional information pursuant to the provisions of paragraphs 5 (viii) (a), (b), (c),(d),(e) of Part II of Schedule III to the Companies Act, 2013 are as follows:

<b>(a) Expenditure in Foreign Currencies:</b>	
(i) For Travel	Rs. 11.03 Lakhs (2015: Rs. 9.89 lakhs)
(ii) For Services	Rs. Nil (2015: Rs. 70.25 lakhs)
(iii) For Others	Rs. 15.54 Lakhs (2015: Rs. 1.55 lakhs)
<b>(b) Earnings in Foreign Exchange:</b>	
(i) Services Rendered	Rs. 983.78 Lakhs (2015: Rs. 21.00 lakhs)
<b>(c) Share Capital:</b>	
(i) Consideration for Share Capital	Rs. Nil (2015: Rs. 9,591.25 lakhs)

19. Previous Years figures have been regrouped/reclassified wherever necessary.

For **B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 29<sup>th</sup> April, 2016

For and on behalf of Board of Directors

**Mahindra Logistics Limited**

**Anjanikumar Choudhari**  
Chairman

**Parag Shah**  
Director

**Nikhil Nayak**  
Chief Financial Officer

**Vilas Vasant Chaubal**  
Company Secretary

**Form AOC-1**

(Pursuant to first proviso to Sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	2x2 Logistics Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N/A
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR
4.	Share capital	4,01,00,000.00
5.	Reserves & surplus	3,35,859.72
6.	Total assets	30,04,20,803.21
7.	Total Liabilities	25,99,84,943.49
8.	Investments	Nil
9.	Turnover	15,99,88,366.76
10.	Profit before taxation	(9,58,079.94)
11.	Provision for taxation	(2,92,885.00)
12.	Profit after taxation	(6,65,194.94)
13.	Proposed Dividend	Nil
14.	% of shareholding	55.00%

Sl. No.	Particulars	Details
1.	Name of the subsidiary	LORDS Freight (India) Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N/A
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR
4.	Share capital	2,36,26,000.00
5.	Reserves & surplus	42,81,989.08
6.	Total assets	15,59,59,591.84
7.	Total Liabilities	12,80,51,602.76
8.	Investments	62,800.00
9.	Turnover	75,01,63,528.15
10.	Profit before taxation	(1,44,94,321.90)
11.	Provision for taxation	(8,29,000.00)
12.	Profit after taxation	(1,36,65,321.90)
13.	Proposed Dividend	Nil
14.	% of shareholding	60.00%

**Notes:** The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations
- Names of subsidiaries which have been liquidated or sold during the year.

**Part "B": Associates and Joint Ventures****Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures: – "Not applicable"**

Name of associates/Joint Ventures	Name
1. Latest audited Balance Sheet Date	–
2. Shares of Associate/Joint Ventures held by the company on the year end	–
No.	–
Amount of Investment in Associates/Joint Venture	–
Extend of Holding%	–
3. Description of how there is significant influence	–
4. Reason why the associate/joint venture is not consolidated	–
5. Net worth attributable to shareholding as per latest audited Balance Sheet	–
6. Profit/Loss for the year	–
i. Considered in Consolidation	–
ii. Not Considered in Consolidation	–

- Names of associates or joint ventures which are yet to commence operations.
- Names of associates or joint ventures which have been liquidated or sold during the year.

**Note:** This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

For **B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M. No. 030168  
Place : Mumbai  
Date : 29<sup>th</sup> April, 2016

For and on behalf of Board of Directors  
**Mahindra Logistics Limited**

**Anjanikumar Choudhari**  
Chairman

**Parag Shah**  
Director

**Nikhil Nayak**  
Chief Financial Officer

**Vilas Vasant Chaubal**  
Company Secretary

**DIRECTORS' REPORT**

Your directors present their Fifth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

**FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS**

	<b>For the year ended 31<sup>st</sup> March, 2016</b>	<b>(Rs in cr) For the year ended 31<sup>st</sup> March, 2015</b>
Income .....		
Revenue from Operations .....	<b>74.74</b>	68.97
Other Income .....	<b>0.28</b>	0.49
Total Income.....	<b>75.02</b>	69.46
Less Expenses :		
Cost of Raw Material and Components Consumed .....	-	-
(Increase)/decrease in inventories .....	-	-
Personnel .....	<b>5.75</b>	6.38
Operating, Administrative & Other Expenses.....	<b>70.03</b>	65.30
Depreciation and Amortization.....	<b>0.23</b>	0.09
Finance Costs.....	<b>0.46</b>	0.22
Total Expenses.....	<b>76.47</b>	71.99
Profit/(Loss) Before Tax .....	<b>(1.45)</b>	(2.53)
Less:		
Provision for Taxation .....	-	-
- Current Tax .....	<b>0.00</b>	0.00
- Deferred Tax .....	<b>(0.08)</b>	0.18
Profit/(Loss)After Tax for the year.....	<b>(1.37)</b>	(2.71)
Balance of Profit from earlier years .....	<b>(4.43)</b>	(1.72)
Balance Carried Forward .....	<b>(5.80)</b>	(4.43)
Amount carried forward to Reserves .....	-	-
Networth.....	<b>2.79</b>	4.16

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company.

**OPERATIONS**

Your Company recorded gross income of Rs. 75.02 crores for the year under review as against gross income of Rs. 69.46 crores in the previous year registering a growth of 8.00 %. The net loss after tax (after accounting of deferred tax income of Rs. 0.08 cr) is Rs. 1.37 crores as compared to Rs. 2.71 crores (after accounting of deferred tax expense of Rs. 0.18 cr) registering a decrease in loss by 49.45% over previous year.

The gross margin in Air Export business increased significantly by 22% over the last year, in spite of reduction in revenue by 6.40% due to focus on working with profitable assignments. The Air Import business was another contributor to growth increasing 76% over the previous year.

With the focus on working with profitable assignments, the company hopes to improve its performance significantly in the coming years.

**DIVIDEND**

Your Directors do not recommend any dividend for the year under review.

**SHARE CAPITAL**

The authorized share capital of your Company is Rupees Two Crore Fifty Lakhs, divided into Twenty Five Lakhs equity shares of face value of Rs. 10/- each.

The paid-up share capital of your Company as on 31<sup>st</sup> March 2016 stood at Rs. 2,36,25,090 divided into 23,62,509 equity shares of face value of Rs. 10/- each.

**BOARD OF DIRECTORS AND KMP**

Mr. V Krishnan (DIN – 03408266) has been appointed as the Additional Director of the Company with effect from 26<sup>th</sup> April, 2016. Mr. V Krishnan to be appointed as the Whole Time Director of the Company at the ensuring Annual General Meeting of the Company for a period of three (3) years.

\*Mr. Sumit Varma (DIN – 03426844) Whole Time Director resigned from directorship of the Company with effect from 26<sup>th</sup> April, 2016.

Mr. Anant Gupta (DIN - 06946611) retires by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

#### Composition of Board

Name	DIN	Executive/ Non Executive	Independent/ Non Independent	No. of Board meetings attended
Mr. Parag Shah	00374944	Non Executive	Non Independent	6
Mr. Pirojshaw Sarkari	00820860	Non Executive	Non Independent	6
Mr. Shamsudheen Ahmed	02833556	Non Executive	Non Independent	5
Mr. Sushil Rathi	05358211	Non Executive	Non Independent	4
Mr. Anant Gupta	06946611	Non Executive	Non Independent	6
Mr. Sumit Varma*	03426844	Executive	Non Independent	6
Mr. V Krishnan	03408266	Executive	Non Independent	NA

#### NUMBER OF BOARD MEETINGS

The Board met Six times during the year under review, i.e. on 28<sup>th</sup> April, 2015, 28<sup>th</sup> July, 2015, 21<sup>st</sup> October, 2015, 5<sup>th</sup> November, 2015, 16<sup>th</sup> December, 2015 and 1<sup>st</sup> February, 2016.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management, and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the profit/loss of the Company for the financial year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### FRAUDS REPORTED BY AUDITORS

During the year under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### RISK MANAGEMENT POLICY

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### STATUTORY AUDITORS

At the Fourth Annual General Meeting, held on 28<sup>th</sup> July, 2015, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration number 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the Fourth Annual General Meeting till the conclusion of Ninth Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration number 105102W) have given a written consent to act as Auditors of your Company, if appointment is ratified, and have also confirmed that the said ratification of appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to ratify the appointment of statutory auditors of the Company at the ensuing Annual General Meeting and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and forms part of this report.

#### PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.



## **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Particulars of loans given, investments made, and guarantees and securities provided pursuant to Section 186 of the Companies Act, 2013 are given under Note No. IX annexed to Balance Sheet and the same form part of this Report.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

## **PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES**

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC-2 as Annexure II and the same forms part of this report.

## **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31st March 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

## **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

## **INTERNAL FINANCIAL CONTROLS**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

## **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

## **ACKNOWLEDGEMENT**

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

Place: Mumbai  
Date: 26<sup>th</sup> April, 2016

**Parag Shah**  
Chairman - 00374944

**Pirojshaw Sarkari**  
Director - 00820860

**V Krishnan**  
Whole Time  
Director – 03408266

**ANNEXURE I TO THE DIRECTORS' REPORT**

**PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY:**

- (i) The steps taken or impact on conservation of energy:

The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.

- (ii) the steps taken by the company for utilizing alternate sources of energy: Nil

- (iii) the capital investment on energy conservation equipment's: Nil

**B. TECHNOLOGY ABSORPTION:**

- i) the efforts made towards technology absorption : Nil

- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – None

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

- iv) the expenditure incurred on Research and Development : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

	<b>(Rs. in Lakhs)</b>	
	<b>For the Financial Year ended 31<sup>st</sup> March 2016</b>	For the Financial Year ended 31 <sup>st</sup> March 2015
Total Foreign Exchange Earned	<b>687.71</b>	684.65
Total Foreign Exchange Used	<b>3,133.91</b>	3,032.82

For and on behalf of the Board

Place: Mumbai

Date: 26<sup>th</sup> April, 2016

**Parag Shah**  
Chairman - 00374944

**Pirojshaw Sarkari**  
Director - 00820860

**V Krishnan**  
Whole Time  
Director - 03408266

**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. AOC-2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2)  
of the Companies (Accounts) Rules, 2014.)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms' length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at arm's length basis- Nil****2. Details of material contracts or arrangements or transactions at arm's length basis.**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
a)	Name (s) of the related party & nature of relationship	Mahindra Logistics Ltd- Holding Company
b)	Nature of Contracts/arrangements/transaction	Freight Forwarding and transportation
c)	Duration of the contracts/arrangements/transaction	Ongoing contract
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Income from freight forwarding - Rs. 834.42 lacs
e)	Date of approval by the Board	26/04/2016
f)	Amount Paid as Advances, if any	Nil

Note:

Contracts/transactions for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

Place: Mumbai  
Date: 26<sup>th</sup> April, 2016

**Parag Shah**  
Chairman - 00374944

**Pirojshaw Sarkari**  
Director - 00820860

**V Krishnan**  
Whole Time  
Director - 03408266

**ANNEXURE III TO THE DIRECTORS' REPORT****FORM NO. MGT-9****Extract of Annual Return  
as on the financial year ended on 31<sup>st</sup> March, 2016****[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES  
(MANAGEMENT AND ADMINISTRATION) RULES, 2014]****I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U63030MH2011PTC216628
2.	<b>Registration Date</b>	25 <sup>th</sup> APRIL, 2011
3.	<b>Name of the Company</b>	Lords Freight (India) Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Limited by shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Unit No. 511, 5 <sup>th</sup> Floor, Crescent Business Park, Sumitha Complex, Safedpul, Sakinaka, Andheri (E), Mumbai – 400 072. Tel: +91-22-28565531 Email address: jain.rupal@mahindra.com
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, address and contact details of Registrar and Transfer Agent, if any</b>	Bigshare Services Pvt Ltd, E-2/3, Anissa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai-400072. Tel: 022 – 28470653

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

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

Sr. No.	Name and Description of main Product/Services	NIC Code of the Product	% to total turnover of the Company
1	Freight Forwarding Business via Sea	50120	47.86%
2	Freight Forwarding Business via Air	51201	48.25%

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

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra Logistics Limited	U63000MH2007PLC173466	Holding	60%	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical in lacs	Total in lacs	% of Total Shares	Demat	Physical in lacs	Total in lacs	% of Total Shares	
<b>A. Promoters</b>									
1. Indian									
a. Individuals/HUF	–	7.40	7.40	31.31%	–	7.40	7.40	31.31%	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical in lacs	Total in lacs	% of Total Shares	Demat	Physical in lacs	Total in lacs	% of Total Shares	
d. Bodies Corp.	–	14.18	14.18	60%	–	14.18	14.18	60%	–
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-Total- A-(1)</b>	–	21.58	21.58	91.31%	–	21.58	21.58	91.31%	–
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/ FI	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
<b>Sub Total- A (2)</b>	–	–	–	–	–	–	–	–	–
<b>Total shareholding of Promoters (1+2)</b>	–	21.58	21.58	91.31%	–	21.58	21.58	91.31%	–
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>	–	–	–	–	–	–	–	–	–
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/ FI	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Portfolio Corporate	–	–	–	–	–	–	–	–	–
i. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
j. Others	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(1):</b>	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>	–	–	–	–	–	–	–	–	–
a. Body Corp.	–	–	–	–	–	–	–	–	–
b. Individual	0.26	1.79	2.05	8.69%	0.26	1.79	2.05	8.69%	–
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	–	–	–	–	–	–	–	–	–
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	–	–	–	–	–	–	–	–	–
c. Others	–	–	–	–	–	–	–	–	–
(i) NRI (Rep)	–	–	–	–	–	–	–	–	–
(ii) NRI (Non-Rep)	–	–	–	–	–	–	–	–	–
(iii) Foreign National	–	–	–	–	–	–	–	–	–
(iv) OCB	–	–	–	–	–	–	–	–	–
(v) Trust	–	–	–	–	–	–	–	–	–
(vi) In Transit	–	–	–	–	–	–	–	–	–
<b>Sub-Total-B (2)</b>	0.26	1.79	2.05	8.69%	0.26	1.79	2.05	8.69%	–
<b>Net Total (1+2)</b>	0.26	1.79	2.05	8.69%	0.26	1.79	2.05	8.69%	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical in lacs	Total in lacs	% of Total Shares	Demat	Physical in lacs	Total in lacs	% of Total Shares	
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	0.26	23.37	23.63	100%	0.26	23.37	23.63	100%	-

## (ii) Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares in lacs	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares in lacs	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mr. Shamsudeen Ahmed	2.61	11.06%	Nil	2.61	11.06%	Nil	-
2	Mr. Sumit S. Varma	1.20	5.06%	Nil	1.20	5.06%	Nil	-
3	Mr. S. Rajagopalan	1.20	5.06%	Nil	1.20	5.06%	Nil	-
4	Mr. V. Krishnan	1.20	5.06%	Nil	1.20	5.06%	Nil	-
5	Mr. Santhosh Kannambra	1.20	5.06%	Nil	1.20	5.06%	Nil	-
6	Mahindra Logistics Limited	14.18	60.00%	Nil	14.18	60.00%	Nil	-

## iii. Change in Promoters' Shareholding (please specify, if there is no change):-

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of shares in lacs	% of total shares of the Company	No of shares in lacs	% of total shares of the Company
<b>At the beginning of the year</b>	-	-	-	-
Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity /etc.)	-	-	-	-
<b>At the end of the year</b>	-	-	-	-

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares in lacs	% of total shares of the company	No. of shares in lacs	% of total shares of the company
1.	Mr. Noushad Parakott	0.630	2.67%	0.630	2.67%
2.	Mr. A. Mohan	0.630	2.67%	0.630	2.67%
3.	Mr. Rajan A.	0.135	0.57%	0.135	0.57%
4.	Mr. Vinod Kumar	0.135	0.57%	0.135	0.57%
5.	Mr. P. G. Jayankumar	0.135	0.57%	0.135	0.57%
6.	Mr. S. Murali	0.090	0.38%	0.090	0.38%
7.	Mr. Jaswant Karasi	0.090	0.38%	0.090	0.38%
8.	Mr. Gijo Mathew	0.090	0.38%	0.090	0.38%
9.	Mr. John Soloman	0.045	0.19%	0.045	0.19%
10.	Mr. Chintamani Dhuri	0.036	0.15%	0.036	0.15%
11.	Mr. Vinaya Kumar	0.036	0.15%	0.036	0.15%

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares in lacs	% of total shares of the company	No. of shares in lacs	% of total shares of the company
1.	Mr. Shamsudeen Ahmed	2.61	11.06%	2.61	11.06%
2.	Mr. Sumit S. Varma*	1.20	5.06%	1.20	5.06%
	Mr. V Krishnan**	-	-	-	-

\* Mr. Sumit S. Varma, Whole Time Director resigned from the directorship of the Company from 26<sup>th</sup> April, 2016.

\*\* Mr. V Krishnan, is appointed as the Whole Time Director of the Company with effect from 26<sup>th</sup> April, 2016 subject to shareholders approval at the ensuing Annual General Meeting of the Company.

**V. INDEBTEDNESS****Indebtedness of the Company including interest outstanding/accrued but not due for payment:**

(₹ in Crores)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
i) Principal Amount	3.12	0.77		3.89
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total of (1+2+3)	3.12	0.77		3.89
<b>Change in Indebtedness during the financial year</b>				
+ Addition	-	-	-	-
- Reduction	0.41	-	-	0.41
Net Change	0.41	-	-	0.41
<b>Indebtedness at the end of the financial year-31.03.2015</b>				
i) Principal Amount	2.71	0.77	-	3.48
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	<b>2.71</b>	<b>0.77</b>	<b>-</b>	<b>3.48</b>

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

Sr. No.	Particulars of Remuneration	Name of the KMP	
		Mr. Sumit. S. Varma (WTD)	Total Amount (₹ In Lacs)
1.	Gross Salary	-	-
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	24.00	24.00
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission	-	-
	- As % of Profit	-	-
	- Others, specify	-	-
5.	Others, please specify	-	-
	Contribution to Provident Fund	-	-
	Performance Bonus	4.80	4.80
	<b>Total (A)</b>	<b>28.80</b>	<b>28.80</b>

## B. Remuneration of other directors:

## I. Independent Directors:- Not applicable

Particulars of Remuneration	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

## II. Other Non-Executive Directors:- Nil

Other Non-Executive Directors	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-
<b>Total B = (1+2)</b>						

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

Sr. No.	Particulars of Remuneration	Name of the KMP				Total Amount (₹ In Lacs)
1.	Gross Salary	-	-	-	-	-
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-	-
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission	-	-	-	-	-
	- As % of Profit	-	-	-	-	-
	- Others, specify	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
	Contribution to Provident Fund	-	-	-	-	-
	Performance Bonus	-	-	-	-	-
	<b>Total (C)</b>	-	-	-	-	-

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): Nil

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)
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board

Mumbai, 26<sup>th</sup> April, 2016Parag Shah  
Chairman - 00374944Pirojshaw Sarkari  
Director - 00820860V Krishnan  
Whole Time  
Director - 03408266



## INDEPENDENT AUDITOR'S REPORT

To the Members of **LORDS FREIGHT (INDIA) PRIVATE LIMITED**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **LORDS FREIGHT (INDIA) PRIVATE LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the aforesaid financial statements comply with the Accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
  - 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position.
    - ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**  
**Chartered Accountants**  
Firm's Registration No.: 105102W

**H. P. Mahajani**  
**Partner**  
Membership No.: 030168  
Mumbai, 26<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of **LORDS FREIGHT (INDIA) PRIVATE LIMITED** for the year ended March 31, 2016.

### Annexure to the Auditor's Report referred to in our report of even date:

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) These fixed assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
- (c) The Company does not own any immovable properties. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- II. The Company is in the business of freight forwarding & transportation services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
- III. The Company has not granted any loans to parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The clause 3(v), therefore is not applicable to the company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, duty of excise, duty of customs, value added tax, and cess which have not been deposited on account of any dispute.
- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.
- IX. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year, and accordingly, Para 3(ix) of the Order is not applicable to the Company.
- X. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- XII. The Company is not a 'Nidhi Company'. Therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
**Chartered Accountants**  
 Firm's Registration No.: 105102W

**H. P. Mahajani**  
**Partner**  
 Membership No.: 030168  
 Mumbai, 26<sup>th</sup> April, 2016

## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF LORDS FREIGHT (INDIA) PRIVATE LIMITED**

### **Report 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 **LORDS FREIGHT (INDIA) PRIVATE LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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.

#### **Auditor's 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
**Chartered Accountants**  
Firm's Registration No.: 105102W

**H. P. Mahajani**  
**Partner**  
Membership No.: 030168  
Mumbai  
26<sup>th</sup> April, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	Note No.	As at 31 <sup>st</sup> March, 2016 (Rs. in Lakhs)	As at 31 <sup>st</sup> March, 2015 (Rs. in Lakhs)
<b>I EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholder's Fund</b>			
(a) Share Capital.....	I	236.26	236.26
(b) Reserves and Surplus.....	II	42.82	179.48
<b>(2) Non-Current Liabilities</b>			
(a) Long Term Provisions.....	III	33.83	25.40
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings.....	IV	347.82	388.58
(b) Trade Payables.....	V	818.37	955.43
(c) Other Current Liabilities.....	VI	76.92	85.44
(d) Short-Term Provisions.....	VII	3.58	2.91
<b>Total</b> .....		<b>1,559.60</b>	<b>1,873.50</b>
<b>II ASSETS:</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets.....	VIII		
(i) Tangible Assets.....		62.21	87.03
(ii) Intangible Assets.....		7.84	8.60
(iii) Capital Work-In Progress.....		-	-
(b) Non-Current Investment.....	IX	0.63	0.63
(c) Deferred Tax Assets (Net).....		16.84	8.56
(d) Long Term Loans and Advances.....	X	13.35	13.98
<b>(2) Current Assets</b>			
(a) Trade Receivables.....	XI	1,077.59	1,305.77
(b) Cash and Cash Equivalents.....	XII	43.76	104.17
(c) Short-Term Loans and Advances.....	XIII	337.38	344.76
<b>Total</b> .....		<b>1,559.60</b>	<b>1,873.50</b>
<b>Summary of Significant Accounting Policy &amp; Notes to Financial Statements</b> .....	A & B		

"As per our Report of Even Date"

**For B.K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

For and on behalf of Board of Directors  
**LORDS Freight (India) Private Limited**

**Parag Shah**  
Chairman

**Pirojshaw Sarkari**  
Director

**Shamsudheen Ahmed**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Note No.	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
I Revenue from Operation .....	XIV	7,474.21	6,896.50
II Other Income .....	XV	27.43	49.23
III Total Revenue (I+II) .....		<u>7,501.64</u>	<u>6,945.73</u>
IV Expenses:			
Operating, Administrative & Other Expenses .....	XVI	7,002.85	6,530.58
Employee Benefits expense .....	XVII	574.72	637.92
Finance Cost .....	XVIII	46.12	21.71
Depreciation and Amortization .....	XIX	22.89	8.57
Total Expenses .....		<u>7,646.58</u>	<u>7,198.78</u>
V Profit Before Tax (III-IV) .....		<u>(144.94)</u>	<u>(253.05)</u>
VI Tax Expenses			
(i) Current Tax (Including earlier year's provision of Rs. 0.13 lacs) .....		-	0.13
(ii) Deferred Tax .....		(8.29)	17.74
VII Profit/(Loss) After Tax (V-VI) .....		<u>(136.65)</u>	<u>(270.92)</u>
VIII Earning Per Equity Share:			
(i) Basic (Rs.) .....		(5.78)	(13.71)
(ii) Diluted (Rs.) .....		(5.78)	(13.71)

**Summary of Significant Accounting Policy & Notes to Financial Statements .....**

A &amp; B

"As per our Report of Even Date"

**For B.K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

For and on behalf of Board of Directors  
**LORDS Freight (India) Private Limited**

**Parag Shah**  
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**Pirojshaw Sarkari**  
Director

**Shamsudheen Ahmed**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Rs.	31 <sup>st</sup> March, 2016 Rs.	Rs.	31 <sup>st</sup> March, 2015 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) before tax .....		(144.94)		(253.05)
<b>ADJUSTMENTS FOR:</b>				
Depreciation .....	21.57		7.30	
Amortisation .....	1.32		1.27	
Provision for Doubtful Debts/Advances .....	15.70		9.88	
Loss on sale of Fixed Assets/disposal (Net) .....	4.75		10.45	
Finance Charges .....	46.12		21.71	
		<b>89.46</b>		50.62
<b>Operating Profit/(Loss) before working capital changes</b>		<b>(55.48)</b>		<b>(202.43)</b>
<b>ADJUSTMENTS FOR WORKING CAPITAL CHANGES:</b>				
(Increase)/Decrease in Trade and Other Receivables .....	253.90		1.20	
Increase/(Decrease) in Trade Payables and Other Liabilities .....	(136.48)		(376.59)	
		<b>117.42</b>		<b>(375.40)</b>
<b>Cash flow used in operations .....</b>		<b>61.94</b>		<b>(577.83)</b>
Less: Taxes paid and refund (Income Tax, Fringe Benefit Tax and Wealth Tax) .....		<b>(33.42)</b>		<b>(93.06)</b>
<b>Net cash flow from/(used in) operating activities</b>		<b>28.52</b>		<b>(670.89)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets (including Capital WIP and Capital Advances) .....		(2.73)		(42.77)
Sale of Fixed Assets .....		0.67		-
Investment in Equity/Government Securities .....		-		(0.63)
Dividend Income .....		-		-
Interest Income .....		-		-
<b>Net cash used in investing activities</b>		<b>(2.06)</b>		<b>(43.40)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issue of Share Capital .....		-		110.26
Share Premium .....		-		359.75
Proceeds from Borrowings .....		(40.76)		312.08
Repayment of Borrowings .....		-		(15.00)
Interest Paid .....		(46.12)		(21.71)
<b>Net cash from financing activities</b>		<b>(86.88)</b>		<b>745.38</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C) .....</b>		<b>(60.41)</b>		<b>31.09</b>
<b>Cash and cash equivalents – Opening balance .....</b>		<b>104.17</b>		<b>73.08</b>
<b>Cash and cash equivalents – Closing balance .....</b>		<b>43.76</b>		<b>104.17</b>
<b>Net increase/(decrease) as disclosed above .....</b>		<b>(60.41)</b>		<b>31.09</b>
<b>Components of cash and cash equivalents</b>				
Cash/Cheques on hand .....		6.02		53.91
With Banks – on Current account/Fixed Deposit/Balance in Cash Credit Accounts .....		37.73		50.26
		<b>43.76</b>		<b>104.17</b>

**Notes :**

1 The above Cash Flow Statement has been prepared under the Indirect Method set out in Accounting Standard 3.

2 Figures in bracket indicates cash outgo.

**Accounting Policies and notes forming part of the accounts are given in Notes**

“As per our Report of Even Date”

**For B.K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

For and on behalf of Board of Directors  
**LORDS Freight (India) Private Limited**

**Parag Shah**  
Chairman

**Pirojshaw Sarkari**  
Director

**Shamsudheen Ahmed**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## Note: I

## Share Capital:

## (A) Details of Authorised, Issued, Subscribed and Paid up Shares

Particulars	As on March, 2016		As on March, 2015	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
<b>Authorised:</b>				
Equity share of Rs. 10 each.....	25,00,000	250.00	25,00,000	250.00
Total.....	-	250.00	-	250.00
<b>Issued:</b>				
Equity Share of Rs. 10 each fully paid....	23,62,509	236.25	23,62,509	236.25
<b>Subscribed and Fully Paid up:</b>				
Equity Share of Rs. 10 each fully paid....	23,62,509	236.25	23,62,509	236.25
Total.....	23,62,509	236.25	23,62,509	236.25

## (B) Reconciliation of number of Ordinary (Equity) Shares and amount outstanding

Particulars	As on March, 2016		As on March, 2015	
	Nos.	Rs. in Lakhs	Nos.	Rs. in Lakhs
<b>Issued, Subscribed and Paid up:</b>				
Balance as at the beginning of the year....	23,62,509	236.25	12,60,000	126.00
Add: Issued during the year.....	-	-	11,02,509	110.25
Balance as at the end of the year.....	23,62,509	236.25	23,62,509	236.25

## (C) Shares held by Holding Company/Fellow Subsidiaries

Particulars	Numbers as at March, 2016		Numbers as at March, 2015	
	Shares held by Holding Company			
Mahindra Logistics Limited	14,17,509		14,17,509	

## (D) Shareholders holding more than 5% of Share Capital

Particulars	As on March, 2016		As on March, 2015	
	No of Shares Held	% of Holding	No of Shares Held	% of Holding
Mahindra Logistics Limited	14,17,509	60.00%	14,17,509	60.00%
Mr. Shamsudeen Ahmed	2,61,360	11.06%	2,61,360	11.06%
Mr. Sumit S. Varma	1,19,610	5.06%	1,19,610	5.06%
Mr. S. Rajagopalan	1,19,610	5.06%	1,19,610	5.06%
Mr. V. Krishnan	1,19,610	5.06%	1,19,610	5.06%
Mr. Santhosh Kannambra	1,19,610	5.06%	1,19,610	5.06%
Mr. Noushad Parakkot	63,000	2.67%	63,000	2.67%
Mr. Mohan. A	63,000	2.67%	63,000	2.67%

## (E) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. 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.

## Note: II

## Reserves and Surplus:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
(a) Share Premium		
Opening Balance.....	622.75	263.00
Add: Additions during the year .....	-	359.75
Total.....	622.75	622.75
(b) Surplus in Profit & Loss Statement		
Opening Balance.....	(443.27)	(172.35)
Add: Profit for the Current Year .....	(136.66)	(270.92)
Total.....	(579.93)	(443.27)
<b>Grand Total (a+b).....</b>	<b>42.82</b>	<b>179.48</b>

## Note: III

## Long Term Provisions:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Provision for Employee Benefits.....	33.83	25.40
Total.....	33.83	25.40

## Note: IV

## Short Term Borrowings:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Secured</b>		
Cash Credit from Bank.....	271.32	312.08
<b>Unsecured</b>		
Loan from others .....	76.50	76.50
Total.....	347.82	388.58

## Note: V

## Trade payables:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
(a) Total outstanding dues of Micro and Small Enterprises (Refer Note No. B (2))	-	-
(b) Total outstanding dues of creditors other than Micro and Small Enterprises	818.37	955.43
Total.....	818.37	955.43

## Note: VI

## Other Current Liabilities:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
(a) Deposit Received from Vendors/ Customers.....	4.46	4.86
(b) Employee Liabilities .....	38.18	49.71
(c) Statutory Liabilities.....	7.74	12.82
(d) Advances received from Customer.....	16.01	8.65
(e) Others.....	10.53	9.40
Total.....	76.92	85.44

## Note: VII

## Short Term Provisions:

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Provision for Employee Benefits.....	3.58	2.91
Total.....	3.58	2.91

**Note: VIII**  
**Fixed Assets:**

(Rs. in Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31 <sup>st</sup> March, 2015	Additions during the year	Deductions and adjustments during the year	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	For the Year	Adjustments/ Deductions	As at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2015
<b>(A) Tangible Assets</b>										
Land	–	–	–	–	–	–	–	–	–	–
Buildings	–	–	–	–	–	–	–	–	–	–
Office Equipment	27.65	0.07	2.36	<b>25.36</b>	9.08	7.64	1.05	<b>15.67</b>	<b>9.69</b>	18.57
Furniture and Fittings	66.50	0.51	5.80	<b>61.22</b>	10.53	6.63	1.90	<b>15.26</b>	<b>45.96</b>	55.97
Computer	32.95	1.59	2.08	<b>32.46</b>	20.46	7.30	1.87	<b>25.90</b>	<b>6.56</b>	12.49
<b>TOTAL (A)</b>	<b>127.10</b>	<b>2.17</b>	<b>10.24</b>	<b>119.04</b>	<b>40.07</b>	<b>21.57</b>	<b>4.82</b>	<b>56.83</b>	<b>62.21</b>	<b>87.03</b>
Previous Year	97.60	42.37	12.87	127.10	35.20	26.92	22.05	40.07	87.03	62.40
<b>(B) Intangible Assets</b>										
Computer Software	12.82	0.56	–	<b>13.38</b>	4.22	1.32	–	<b>5.54</b>	<b>7.84</b>	8.60
<b>TOTAL (B)</b>	<b>12.82</b>	<b>0.56</b>	<b>–</b>	<b>13.38</b>	<b>4.22</b>	<b>1.32</b>	<b>–</b>	<b>5.54</b>	<b>7.84</b>	<b>8.60</b>
Previous Year	12.43	0.39	–	12.82	2.95	1.27	–	4.22	8.60	9.48
<b>TOTAL (A+B)</b>	<b>139.92</b>	<b>2.73</b>	<b>10.24</b>	<b>132.42</b>	<b>44.29</b>	<b>22.89</b>	<b>4.82</b>	<b>62.37</b>	<b>70.05</b>	<b>95.63</b>
Previous Year	110.03	42.76	12.87	139.92	38.15	28.19	22.05	44.29	95.63	–
<b>(C) Capital Work in Progress</b>										
	–	–	–	–	–	–	–	–	–	–
Previous Year	–	–	–	–	–	–	–	–	–	–
<b>TOTAL (A+B+C)</b>	<b>139.92</b>	<b>2.73</b>	<b>10.24</b>	<b>132.42</b>	<b>44.29</b>	<b>22.89</b>	<b>4.82</b>	<b>62.37</b>	<b>70.05</b>	<b>95.63</b>
Previous Year	110.03	42.76	12.87	139.92	38.15	28.19	22.05	44.29	95.63	–

**Note: IX**  
**Non-Current Investment:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Investment in Equity Shares		
(i) Non Trade Investment		
The Zoroastrian Co-Operative Bank Limited (2,520 Equity Shares @ Rs. 25 each)	<b>0.63</b>	0.63
Total .....	<b>0.63</b>	0.63

**Note: X**  
**Long Term Loans and Advances:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Unsecured, Considered Good		
Security Deposit	<b>13.35</b>	13.98
Total .....	<b>13.35</b>	13.98

**Note: XI**  
**Trade Receivables:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Outstanding for more than six months from the date they are due for payment		
Unsecured, Considered Good	<b>51.78</b>	122.64
Considered Doubtful	<b>15.70</b>	9.88
	<b>67.48</b>	132.52
Less: Provision for Doubtful Debts	<b>15.70</b>	9.88
	<b>51.78</b>	122.64
Outstanding for less than six months from the date they are due for payment		
Unsecured, Considered Good	<b>1,025.18</b>	1,183.14
Total .....	<b>1,077.59</b>	1,305.78



**Note: XII****Cash and Cash Equivalents:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
(a) Cash on Hand	0.25	0.40
(b) Cheques, Draft on Hand	5.78	53.51
(c) Balance With Banks in Current Accounts	37.73	50.26
Total .....	<u>43.76</u>	<u>104.17</u>

**Note: XIII****Short Term Loans and Advances:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Unsecured, Considered Good		
(a) Security Deposit	26.60	29.02
(b) Other Loans & Advances		
(i) Advance Income Tax/TDS Receivable/ MAT Credit (Net of Provisions)	264.45	230.54
(ii) MAT Credit entitlement	4.38	4.38
(iii) Service Tax/Vat Recoverable	22.34	11.65
(iv) Advances to Vendors	8.57	59.83
(v) Prepaid Expenses	11.02	9.32
(vi) Others	0.02	0.02
Total .....	<u>337.38</u>	<u>344.76</u>

**Note: XIV****Revenue from:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Sale of Services	7,474.21	6,896.50
Total .....	<u>7,474.21</u>	<u>6,896.50</u>

**Note: XV****Other Income:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Foreign exchange fluctuation (Net)	-	36.17
Interest Income	9.55	-
Other Miscellaneous Income	17.88	13.06
Total .....	<u>27.43</u>	<u>49.23</u>

**Note: XVI****Operating, Administrative & Other Expenses:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Freight & Other Related Expenses	6,659.94	6,148.02
Power & Fuel	8.77	8.53
Rent including lease rent	54.95	60.06
Rates and Taxes	0.38	19.63
Insurance	6.69	10.23
Repairs & Maintenance:		
Machinery	10.11	9.50
Others	12.80	15.65
Legal & Professional Fees	51.30	58.80
Travelling Expenses	56.34	66.03
Exchange Fluctuation	6.57	-
Provision for Doubtful Debts/Advances (Net)	5.82	9.88
Bad Debts/Advances written off	56.82	31.51
Audit Fee	2.47	2.00
Loss on Sale of Fixed Assets/Assets Written off (Net)	4.75	10.45
Miscellaneous Expenses	65.14	80.29
Total .....	<u>7,002.85</u>	<u>6,530.59</u>

**Note: XVII****Employee Benefits Expense:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Salaries, Wages, Bonus, etc.	533.25	592.52
Contribution to Provident and other funds	18.54	21.65
Gratuity (Refer Note No. B (5))	6.55	5.60
Staff Welfare	16.38	18.15
Total .....	<u>574.72</u>	<u>637.92</u>

**Note: XVIII****Finance Cost:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Interest Expenses	46.12	21.71
Total .....	<u>46.12</u>	<u>21.71</u>

**Note: XIX****Depreciation and Amortization:**

	2016	2015
	(Rs. in Lakhs)	(Rs. in Lakhs)
Depreciation	21.57	26.93
Amortisation of Intangible assets	1.32	1.27
Effect of Change in Depreciation Method from WDV to SLM		(19.63)
Total .....	<u>22.89</u>	<u>8.57</u>

## NOTE A & B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY & NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

### Note A – Summary of Significant Accounting Policy

#### Corporate Information

LORDS Freight (India) Private Limited is a deemed public limited company incorporated on 25<sup>th</sup> April, 2011 under the Companies Act, 1956. The Company's main activities are freight forwarding including transportation of goods via sea & air.

#### 1. Basis for Preparation of Financial Statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention, as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Assets and Liabilities are classified as Current or Non-current as per the provisions of Schedule III to the Companies Act 2013 and Company's Normal Operating Cycle. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the classification of assets and liabilities.

The Financial Statements are presented in Indian Rupees denominated in Lakhs.

#### 2. Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including Contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### 3. Fixed Assets:

- i. All Fixed Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- ii. When an assets is scrapped or otherwise disposed off, the cost and related depreciation are removed from books of accounts and resultant profit/loss, if any, is reflected in the Statement of Profit and Loss.
- iii. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

#### 4. Depreciation and Amortisation:

Depreciation on tangible assets is charged by the Straight Line Method (SLM) in accordance with the useful lives specified in Part – C of Schedule II of the Companies Act, 2013 on a pro-rata basis except in the case of:

- assets costing less than Rs.5000/- which are fully depreciated in the year of purchase.

Intangible assets mainly comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is ten years which is considered as available for use by the management. The amortization period and the amortization method are reviewed periodically as required by relevant Accounting Standards.

#### 5. 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.

Revenue from freight forwarding income, warehousing and custom clearance is recognised as and when service is performed on contractual terms.

#### 6. Investments:

All long-term investments are valued at cost. However provision for diminution in value is made to recognise a decline other than temporary in the value of investments. Current investments are valued at the lower of cost and fair value, determined by category of investment.

#### 7. Foreign exchange transactions and translations:

##### (i) Initial recognition

Transactions in foreign currencies are recognised at the exchange rates between the reporting currency and the foreign currency prevailing on the transaction dates.

##### (ii) Conversion

- a. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.
- b. Non-monetary items, if any are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

##### (iii) Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

- a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of profit and loss.
- b. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.

#### 8. Employee Benefits:

##### i. Defined Contribution Plan:

Company's contributions paid/payable during the year to the Superannuation Fund, ESIC, Provident Fund and Labour Welfare Fund are recognised in the Statement of Profit and Loss.

##### ii. Defined Benefits:

Company's liability towards gratuity and long term compensated absences are determined by independent actuaries, using the projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

#### 9. Borrowing Cost:

Borrowing cost that is attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue in the year of incurrence.

#### 10. Segment Reporting:

Accounting policies adopted for segment reporting are in line with the accounting policies of the Company. On the applicability of segment

reporting, revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenues and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

#### 11. Operating Leases:

The Company's significant operating leasing arrangements are in respect of office premises, warehouse. Lease rentals are recognised as per the terms of lease.

#### 12. Earning Per Share:

Basic and diluted earnings per share is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares outstanding during the year.

#### 13. Income Tax:

Income taxes are accounted for in accordance with the Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprise of Current tax and deferred tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year using the applicable tax rates and tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using the tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless in the management judgment, there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except in case of deferred tax assets arising from brought forward tax losses wherein deferred tax assets is only recognized when there is virtual certainty. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

#### 14. Impairment of assets:

The Management of the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

#### 15. Provisions, contingent liabilities and contingent assets:

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

Contingent assets are neither recognised nor disclosed in the financial statements.

#### Note B – Notes to the financial statements:

##### 1. Loans:

Credit Facilities from Banks are secured by a *pari-passu* charge on the Company's entire present and future book debts, outstanding monies, receivables, claims, and bills in terms of the Letter of hypothecation executed by the Company.

Cash Credit facilities are repayable on demand and carry interest based on applicable rate plus agreed spreads and/or negotiated rates. The rates of interest during the year ranged between 12.50% to 13.00%.

2. Based on the information available with the Company, no trade payables have been registered as 'supplier' within the meaning of 'Micro Small & Medium Enterprises Development Act, 2006 as on 31<sup>st</sup> March, 2016.

3. Trade Receivables, Loans and Advances and Trade Payables are subject to confirmation and reconciliations.

##### 4. Audit fees includes:

Particulars	(Rs. in lakhs)	
	2016*	2015*
Statutory Audit Fees	1.73	1.52
Tax Audit Fees	0.52	0.48
Others	0.22	–
<b>Total</b>	<b>2.47</b>	<b>2.00</b>

\* Including Service Tax

##### 5. Employee Defined Benefits:

Defined benefit plans – as per Actuarial valuation on 31<sup>st</sup> March 2016

Gratuity (Non-funded)

(Rs. in Lakhs)

	2016	2015
<b>I. Expense recognised in the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016.</b>		
1. Current Service Cost	5.62	4.04
2. Interest	1.04	0.59
3. Expected Return on Plan Assets	–	–
4. Actuarial (Gain)/Loss	(0.11)	0.97
5. Total expense	6.55	5.60
<b>II. Net Asset/(Liability) recognised in the Balance Sheet as at 31<sup>st</sup> March, 2016.</b>		
1. Present value of Defined Benefit Obligation as at 31 <sup>st</sup> March	19.53	12.98
2. Fair value of plan assets as at 31 <sup>st</sup> March	–	–
3. Funded status [Surplus/ (Deficit)] (2-1)	(19.53)	(12.98)
4. Net Asset/(Liability) as at 31 <sup>st</sup> March	(19.53)	(12.98)
<b>III. Change in the obligation during the year ended 31<sup>st</sup> March, 2016.</b>		
1. Present value of Defined Benefit Obligation at the beginning of the year	12.98	7.38
2. Current Service Cost	5.62	4.04
3. Interest Cost	1.04	0.59
4. Actuarial (Gain)/Loss	(0.11)	0.97
5. Benefits Paid	–	–
6. Present Value of Defined Benefit Obligation at the end of the year	19.53	12.98

(Rs. in Lakhs)

	2016	2015
<b>IV. Change in Fair Value of Assets during the year ended 31<sup>st</sup> March, 2016.</b>		
1. Fair Value of Plan assets at the beginning of the year	-	-
2. Expected return on plan asset	-	-
3. Contributions by employer	-	-
4. Actual benefits paid	-	-
5. Fair value of Plan assets at the end of the year	-	-
6. Actual return on plan assets	-	-
<b>V. The major categories of plan assets as a percentage of total plan</b>		
Funded with Life Insurance Corporation of India	-	-
<b>VI. Actuarial assumptions</b>		
1. Discount Rate	8%	8%
2. Expected rate of return on plan assets	-	-
3. In service Mortality	-	-
4. Turnover Rate	2%	1%
5. Salary escalation	6%	6%

**6. (a) List of Related parties:**

A	Holding Companies	Mahindra & Mahindra Limited (Holding company of MLL)
		Mahindra Logistics Limited
B	Fellow Subsidiaries	Mahindra Internet Commerce Pvt Ltd
		Mahindra Aerostructures Pvt Ltd
		Mahindra Reva Electric Vehicles Pvt Limited
		Mahindra Heavy Engines Pvt Ltd
		Mahindra Retail Pvt Ltd
		Mahindra Trucks and Buses Ltd
		Mahindra Two Wheelers Ltd
		Mahindra Vehicles Manufacturers Ltd
		Defence Land Systems India Ltd
		Mahindra Sanyo Special Steel Pvt Ltd.

**(b) The related party transactions are as under:**

(Rs. in Lakhs)

Sr. No.	Nature of Transactions	Holding Company	Fellow Subsidiary
<b>1. Finance:</b>			
	Issue of Equity Share Capital during the year.	- (470.00)	- (-)
<b>2. Purchases:</b>			
	Services	23.17 (9.77)	- (-)
<b>3. Sales:</b>			
	Services	1,028.69 (100.80)	460.28 (164.15)

(Rs. in Lakhs)

Sr. No.	Nature of Transactions	Holding Company	Fellow Subsidiary
<b>4. Other Transactions:</b>			
	(a) Payment Services related to secretarial practice	1.82 (-)	- (-)
	(b) Reimbursement of expenses: (Income)	0.03 (-)	- (-)
	(c) Reimbursement of expenses: (Expense)	13.62 (-)	- (-)
<b>5. Outstanding:</b>			
	Payable	38.50 (82.08)	9.37 (17.63)
	Receivable	26.13 (1.39)	25.74 (56.11)

**Notes:**

1. Previous year's figures are given in brackets.

**7. Earnings Per Share:**

Particulars		Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
<b>Basic Earnings Per Share</b>			
Net Profit/(Loss) after Tax (A)	Rs. in Lakhs	(136.65)	(270.92)
Weighted Average No. of Shares used for computing Basic EPS (B)	No. in Lakhs	23.62	19.76
Basic Earnings Per Share (A/B)	in Rs.	(5.78)	(13.71)
Nominal value of equity share	in Rs.	10.00	10.00
<b>Diluted Earnings per Share</b>			
Net Profit/(Loss) after Tax (A)	Rs. in Lakhs	(136.65)	(270.92)
Weighted Average No. of Shares used for computing Diluted EPS (C)	No. in Lakhs	23.62	19.76
Diluted Earnings Per Share (A/C)	in Rs.	(5.78)	(13.71)
Nominal value of equity share	in Rs.	10.00	10.00

**8. The components of Net Deferred Tax Assets as at the year-end are as under:**

(Rs. in Lakhs)

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>Deferred Tax Assets:</b>	<b>Amount</b>	<b>Amount</b>
On Provision for doubtful debts	4.85	3.05
On Provision for employee benefits	10.66	7.92
On Preliminary expenses	-	0.04
<b>Total (A)</b>	<b>15.51</b>	<b>11.01</b>
<b>Deferred Tax Liabilities:</b>		
On Depreciation	(1.33)	2.45
<b>Total (B)</b>	<b>(1.33)</b>	<b>2.45</b>
<b>Net Deferred Tax Assets (A-B)</b>	<b>16.84</b>	<b>8.56</b>

## 9. The year-end foreign currency exposures that have not been hedged by a derivative Instrument or forward contracts are given below:

Particulars	Currency	31-Mar-16		31-Mar-15	
		Value in foreign currency	Value in Rupees (Lakhs)	Value in foreign currency	Value in Rupees (Lakhs)
Trade Receivables	USD	2,56,996	169.41	4,33,926	277.17
	EUR	36,001	26.70	8,906	6.22
	SGD	791	0.38	281	0.14
	GBP	2,882	2.72	160	0.15
Trade Payables	USD	3,09,491	206.65	5,13,510	324.18
	HKD	4,93,158	37.86	3,71,439	30.29
	EUR	1,71,820	130.21	1,95,847	147.63
	DKK	3,880	3.97	41,643	4.05
	GBP	41,444	39.85	23,417	22.74
	SGD	91,055	45.12	14,057	6.55
	CAD	1,627	0.83	4,812	2.46
	ZAR	-	-	2,730	0.14
	CHF	3,949	2.74	2,449	1.63
	AUD	32,029	16.47	1,741	0.86
	JPY	1,29,320	0.77	-	-
	MYR	60,674	10.17	-	-
	SEK	39,914	3.28	-	-

10. The Company has a single reportable segment "Freight forwarding" for the purpose of Accounting Standard 17 on Segment reporting.

11. Additional information pursuant to the provisions of paragraphs 5 (viii) (a), (b), (c), (d), (e) of Part II of Schedule III to the Companies Act, 2013 are as follows:

a) Expenditure in Foreign Currencies:

- (i) For Travel **Rs. 10.98 Lakhs** (2015: Rs. 2.01 lakhs)
- (ii) For Services **Rs. 3,115.26 Lakhs** (2015: Rs. 3,022.85 lakhs)
- (iii) For Others **Rs. 7.67 Lakhs** (2015: Rs. 7.96 lakhs)

b) Earnings in Foreign Exchange:

- (i) Services Rendered **Rs. 687.71 Lakhs** (2015: Rs. 684.65 lakhs)

12. Previous Years figures have been regrouped/reclassified wherever necessary.

**For B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

For and on behalf of Board of Directors  
**LORDS Freight (India) Private Limited**

**Parag Shah**  
Chairman

**Pirojshaw Sarkari**  
Director

**Shamsudheen Ahmed**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Fourth Report together with the audited Financial Statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

	For the year ended 31 <sup>st</sup> March, 2016	(Rs. in Lacs) For the year ended 31 <sup>st</sup> March, 2015
<b>Income</b>		
Revenue from Operations	<b>1590.99</b>	132.85
Other Income	<b>8.89</b>	12.96
Total Income	<b>1599.88</b>	145.81
<b>Expenses</b>		
Cost of Raw Material and Components Consumed	-	-
(Increase)/decrease in inventories	-	-
Employee Benefit Expenses	<b>72.76</b>	1.99
Other Expenses	<b>1308.27</b>	127.35
Depreciation and Amortisation Expenses	<b>155.86</b>	2.56
Finance Cost	<b>72.57</b>	0.44
<b>Total Expenses</b>	<b>1609.46</b>	132.34
<b>Profit/(Loss) Before Tax</b>	<b>(9.58)</b>	13.47
Less: Provision for Taxation		
- Current Tax	-	2.30
- Deferred Tax Expense	<b>(2.93)</b>	1.86
<b>Profit/(Loss) After Tax for the year</b>	<b>(6.65)</b>	9.31
Balance of Profit from earlier years	<b>10.01</b>	0.70
Balance Carried Forward	<b>3.36</b>	10.01
<b>Amount carried forward to Reserves</b>	-	-
Networth	<b>404.36</b>	411.01

No material changes and commitments have occurred after the closure of the year under review till the date of this report which would affect the financial position of the Company.

### OPERATIONS

During the year your Company has purchased Eighty six Car Carrier Vehicles to increase the business in automotive logistics services. Your Company has recorded total income of Rs. 1599.88 Lacs for the year under review as against total income of Rs. 145.81 lacs in the previous year. The Net loss after Tax is Rs. 6.65 Lacs for the year under review as against Net profit of Rs. 9.31 lacs for the previous year. Higher Depreciation burden due to acquisition of Car Carriers all throughout the year resulted in minor loss for the year.

### DIVIDEND

Your Directors have not recommended any dividend for the year.

### SHARE CAPITAL

The authorized share capital of your Company is Rupees Seven Crore Fifty Lacs for the year under review.

The paid-up share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 4,01,00,000 divided into 40,10,000 equity shares of face value Rs. 10/- each

### BOARD OF DIRECTORS

Mr. Sushil Kumar Rathi (DIN – 05358211) retires by rotation at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

#### Composition of Board

Name of the Director	DIN	Executive/ Non Executive	Independent/ Non Independent	No of Board meetings attended
Mr. Nikhil Nayak	05358216	Non Executive	Non Independent	4
Mr. Sushil Rathi	05358211	Non Executive	Non Independent	4
Mr. Nitin Singhal	00255702	Non Executive	Non Independent	4
Mr. Kishan Singhal	00255542	Non Executive	Non Independent	4
Mr. Anant Gupta	06946611	Non Executive	Non Independent	4

### NUMBER OF MEETINGS

The Board met Four times during the year under review, i.e. on 28<sup>th</sup> April, 2015, 28<sup>th</sup> July, 2015, 21<sup>st</sup> October, 2015 and 1<sup>st</sup> February, 2016.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on representation from the operating management and after due enquiry, confirm that:

- in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March, 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### FRAUDS REPORTED BY AUDITORS

During the year under review, the Statutory Auditors has not reported any instances of frauds committed in the Company by its officers or employees to the Board under Section 143(12) of the Companies Act 2013, details of which needs to be mentioned in this report.

### RISK MANAGEMENT POLICY

The Board has formulated a Risk Management Policy for the Company which identifies elements of risk, if any which may threaten the existence of the Company. Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

## STATUTORY AUDITORS

At the second Annual General Meeting, held on 25<sup>th</sup> July, 2014, M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration number 105102W) were appointed as the statutory auditors of your Company to hold office from the conclusion of the Second Annual General Meeting till the conclusion of Seventh Annual General Meeting.

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI registration number 105102W) have given a written consent to act as Auditors of your Company, if appointment is ratified, and have also confirmed that the said ratification of appointment would be in conformity with the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to ratify the appointment of statutory auditors of the Company at the ensuing Annual General Meeting and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are provided in Annexure I and forms part of this report.

## PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

## PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS

Your Company has not accepted any deposits from the public or its employees, during the year. There were no other deposits falling under Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule V thereto applicable to the parent Company, Mahindra and Mahindra Limited.

## PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES

Particulars of contracts or arrangements with related parties of the Company referred to under Section 188(1) of the Companies Act, 2013 are given in Form AOC - 2 as Annexure II and the same forms part of this report.

## EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in form MGT-9 is annexed as Annexure III and forms part of this report.

## THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013, for prevention of sexual harassment.

## INTERNAL FINANCIAL CONTROLS

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014, based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

## GENERAL DISCLOSURES

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including Sweat equity Shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

## ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere thanks for the cooperation and support received from your Company's bankers, stakeholders, business associates and various agencies of the Central and State Governments.

For and on behalf of the Board

<b>Nikhil Nayak</b>	<b>Sushil Rathi</b>	<b>Nitin Singhal</b>
Chairman	Director	Director
05358216	05358211	00255702

Mumbai, 26<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

**PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

### A. CONSERVATION OF ENERGY

(i) the steps taken or impact on conservation of energy:-

The operations of your Company are not energy - intensive. However adequate measures have been initiated to reduce energy consumption.

(ii) the steps taken by the company for utilizing alternate sources of energy: Nil

(iii) the capital investment on energy conservation equipment: Nil

### B. TECHNOLOGY ABSORPTION

i) The efforts made towards technology absorption: Not Applicable.

ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Nil

iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable

(a) the details of technology imported:

(b) the year of import:

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

iv) the expenditure incurred on Research and Development: Nil

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

There were no Foreign Exchange earnings and outgo during the year under review.

For and on behalf of the Board

**Nikhil Nayak**  
Chairman  
05358216

**Sushil Rathi**  
Director  
05358211

**Nitin Singhal**  
Director  
00255702

Mumbai, 26<sup>th</sup> April, 2016



**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. AOC -2**

**(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in Sub section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at Arm's length basis - NIL**
2. **Details of Material contracts or arrangements or transactions at Arm's length basis.**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details-1</b>	<b>Details-2</b>	<b>Details-3</b>
a)	Name (s) of the related party & nature of relationship	Mahindra Logistics Limited – Holding Company	Indian Vehicle Carriers Private Limited- Private Company in which Director of the Company is Member	Mahindra and Mahindra Limited-Holding Company
b)	Nature of contracts/ arrangements/transaction	Transportation Agreement	Transportation Agreement	Purchase of vehicle
c)	Duration of the contracts/ arrangements/transaction	01 <sup>st</sup> Dec, 2014 to 31 <sup>st</sup> March, 2017	01 <sup>st</sup> Dec, 2014 to 31 <sup>st</sup> March, 2017	01 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Transportation services at an agreed rate from time to time. Rs. 13,11,95,311/-	Transportation services at an agreed rate from time to time. Rs. 6,27,29,813/-	Delivery against payment - Rs. 6,91,11,087/-
e)	Date of approval by the Board	26/04/2016	26/04/2016	26/04/2016
f)	Amount paid as advances, if any	Nil	Nil	Nil

Note:

Contracts/transactions/arrangements for rendering of services for an amount exceeding 10% of turnover of the Company or Rs. fifty crore, whichever is lower is considered as material for the purpose of this disclosure.

For and on behalf of the Board

**Nikhil Nayak**  
Chairman  
05358216

**Sushil Rathi**  
Director  
05358211

**Nitin Singhal**  
Director  
00255702

Mumbai, 26<sup>th</sup> April, 2016

## Annexure III to the Directors' Report

Form No. MGT-9

Extract of Annual Return As on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS

1.	CIN	U63000MH2012PTC237062
2.	Registration Date	22 <sup>nd</sup> October, 2012
3.	Name of the Company	2 X 2 Logistics Private Limited
4.	Category/Sub-Category of the Company	Limited by shares/Indian Non Government Company
5.	Address of Registered office and contact details	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018. Tel.: 022-24906683
6.	Whether listed Company (Yes/No)	No
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the company
1	Transportation Services	49231	100%

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

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1	Mahindra Logistics Limited Address: Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai - 400 018	U63000MH2007PLC173466	Holding Company	55%	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	-	-	-	-	-	-	-	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	40,10,000	40,10,000	100 %	-	40,10,000	40,10,000	100 %	-
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A-(1)</b>	-	<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>	-	<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>	-
<b>2. Foreign</b>									
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total- A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total ShareHolder of Promoters (1+2)</b>	-	<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>		<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others									
(i) NRI (Rep)	-	-	-	-	-	-	-	-	-
(ii) NRI (Non-Rep)	-	-	-	-	-	-	-	-	-
(iii) Foreign National	-	-	-	-	-	-	-	-	-
(iv) OCB	-	-	-	-	-	-	-	-	-
(v) Trust	-	-	-	-	-	-	-	-	-
(vi) In Transit	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>		<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>		<b>40,10,000</b>	<b>40,10,000</b>	<b>100 %</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Logistics Limited	22,05,499	55%	-	22,05,499	55%	-	-
2	Indian Vehicle Carriers Private Limited	18,04,500	45%	-	18,04,500	45%	-	-
3	Mr. K Chandrasekar (Nominee of Mahindra Logistics Limited)*	1	-	-	1	-	-	-

\* The nominee shareholder of Mahindra Logistic Limited is employee of Mahindra Group of Companies and his name has been added for complying with the statutory provisions.

**iii. Change in Promoters' Shareholding - NA****iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Nil	Nil	Nil	Nil	Nil

## v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Nil	Nil	Nil	Nil	Nil

## vi. INDEBTEDNESS

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

(Rs. in Lacs)				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>		-	-	
1) Principal Amount	13.21	-	-	13.21
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
Total of (1+2+3)	13.21	-	-	13.21
<b>Change in Indebtedness during the financial year</b>		-	-	-
+ Addition	2573.06	-	-	2573.06
- Reduction	118.07	-	-	118.07
Net Change	2454.99	-	-	2454.99
<b>Indebtedness at the end of the financial year-31.03.2016</b>		-	-	
1) Principal Amount	2468.20	-	-	2468.20
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	<b>2468.20</b>	-	-	<b>2468.20</b>

## vii. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

## A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lacs)
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify Provident Fund & other Funds	-	-	-
	Performance Bonus	-	-	-
	<b>Total (A)</b>			
	Ceiling as per the Act	5% of the net profits of the Company		

## B. Remuneration of other directors:

## I. Independent Directors:- Not Applicable

Particulars of Remuneration	Name of Directors					Total Amount (Rs. in Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

**II. Other Non-Executive Directors:- Nil**

Other Non-Executive Directors						Total Amount (Rs. in Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-
<b>Total B = (1+2)</b>						

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD: Not applicable**

Sr. No.	Particulars of Remuneration	Name of the KMP		Total Amount (Rs. in Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify Contribution to Provident Fund	-	-	-
	Performance Bonus	-	-	-
	<b>Total (C)</b>	-	-	-

**viii. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): Nil**

	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)
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-
<b>OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	-	-	-	-
Punishment	-	-	-	-	-	-
Compounding	-	-	-	-	-	-

For and on behalf of the Board

**Nikhil Nayak**  
Chairman  
05358216

**Sushil Rathi**  
Director  
05358211

**Nitin Singhal**  
Director  
00255702

Mumbai, 26<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of **2 X 2 LOGISTICS PRIVATE LIMITED**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **2 X 2 LOGISTICS PRIVATE LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the aforesaid financial statements comply with the Accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.

- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivate contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**  
**Chartered Accountants**  
Firm's Registration Number 105102W

**H. P. Mahajani**  
**Partner**  
Membership Number 030168

Mumbai  
Date: 26<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of **2 X 2 Logistics Private Limited** for the year ended March 31, 2016.

### Annexure to the Auditor's Report referred to in our report of even date:

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) These fixed assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
  - (c) The Company does not own any immovable properties. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- II. The Company is in the business of logistics services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
- III. The Company has not granted any loans to parties covered in the register maintained under Section 189 of Companies Act, 2013. Therefore, Clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The Clause 3(v), therefore is not applicable to the company.
- VI. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to 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, cess and other applicable statutory dues with the appropriate authorities.
  - (b) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, duty of excise, duty of customs, value added tax, and cess which have not been deposited on account of any dispute.
- VIII. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- IX. In our opinion, and according to the information and explanations given to us, moneys raised term loans have been applied for the purposes for which they were obtained.
- X. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- XII. The Company is not a 'Nidhi Company'. Therefore, Clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, Clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
**Chartered Accountants**  
 Firm's Registration Number 105102W

**H. P. Mahajani**  
**Partner**

Mumbai  
 Date: 26<sup>th</sup> April, 2016

Membership Number 030168



## **ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF 2 X 2 LOGISTICS PRIVATE LIMITED**

### **Report 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 **2 X 2 LOGISTICS PRIVATE LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

#### **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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For **B. K. Khare & Co.**  
**Chartered Accountants**  
Firm's Registration Number 105102W

**H. P. Mahajani**  
**Partner**

Mumbai  
Date: 26<sup>th</sup> April, 2016

Membership Number 030168

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

	<b>Note No.</b>	<b>As at 31<sup>st</sup> March'16 (Rs. in Lakhs)</b>	<b>As at 31<sup>st</sup> March'15 (Rs. in Lakhs)</b>
<b>I EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholder's Fund</b>			
(a) Share Capital.....	<b>I</b>	<b>401.00</b>	401.00
(b) Reserves and Surplus.....	<b>II</b>	<b>3.36</b>	10.01
<b>(2) Non-Current Liabilities</b>			
(a) Long Term Borrowings.....	<b>III</b>	<b>2,010.88</b>	10.84
(b) Deferred Tax Liabilities (Net).....		-	1.86
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowings.....		-	-
(b) Trade Payables.....	<b>IV</b>	<b>120.62</b>	60.89
(c) Other Current Liabilities.....	<b>V</b>	<b>463.31</b>	5.65
(d) Short-Term Provisions.....	<b>VI</b>	<b>5.04</b>	3.89
<b>Total</b> .....		<b>3,004.21</b>	494.14
<b>II ASSETS:</b>			
<b>(1) Non Current Assets</b>			
(a) Fixed Assets.....	<b>VII</b>		
(i) Tangible Assets.....		<b>2,330.76</b>	54.41
(ii) Intangible Assets.....		<b>0.17</b>	0.34
(iii) Capital Work-in-Progress.....		<b>241.34</b>	-
(b) Non-Current Investment.....		-	-
(c) Deferred Tax Assets (Net).....		<b>1.07</b>	-
(d) Long Term Loans and Advances.....	<b>VIII</b>	<b>72.10</b>	19.12
<b>(2) Current Assets</b>			
(a) Trade Receivables.....	<b>IX</b>	<b>132.25</b>	54.34
(b) Cash and Cash Equivalents.....	<b>X</b>	<b>61.19</b>	361.45
(c) Short-Term loans and Advances.....	<b>XI</b>	<b>161.00</b>	3.10
(d) Other Current Assets.....	<b>XII</b>	<b>4.33</b>	1.38
<b>Total</b> .....		<b>3,004.21</b>	494.14

**Summary of Significant Accounting Policies and notes to Financial statements****A & B**

"As per our Report of Even Date"

**For B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

For and on behalf of Board of Directors  
**2 X 2 Logistics Private Limited**

**H. P. Mahajani**  
Partner  
M.No. 030168

**Nikhil Nayak**  
Chairman

**Nitin Singhal**  
Director

**Sushil Rathi**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016**

	Note No.	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
I Revenue from Operation.....	XIII	1,590.99	132.85
II Other Income.....	XIV	8.89	12.96
III Total Revenue (I+II).....		1,599.88	145.81
IV Expenses:			
Operating, Administrative & Other Exp. ....	XV	1,308.27	127.35
Employee Benefit Expenses .....	XVI	72.76	1.99
Finance Costs.....	XVII	72.57	0.44
Depreciation and Amortization .....	XVIII	155.86	2.56
Total Expenses .....		1,609.46	132.34
V Profit Before Exceptional And Extraordinary Items and Tax (III-IV) .....		(9.58)	13.47
VI Exceptional Items .....		-	-
VII Profit before Extraordinary Items and Tax (V-VI) .....		(9.58)	13.47
VIII Extraordinary Items.....		-	-
IX Profit Before Tax (VII-VIII).....		(9.58)	13.47
X Tax Expenses			
(i) Current Tax .....		-	2.57
Less: MAT Credit .....		-	0.27
(ii) Net Current Tax.....		-	2.30
(iii) Deferred Tax .....		(2.93)	1.86
XI Profit/(Loss) for the period (IX-X) .....		(6.65)	9.31
XII Earning Per Equity Share (Basic/Diluted)(Rs.)			
Face Value Rs. 10/- per share .....		(0.17)	0.45

**Summary of Significant Accounting Policies and notes to Financial statements..... A & B**

“As per our Report of Even Date”

**For B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

For and on behalf of Board of Directors  
**2 X 2 Logistics Private Limited**

**Nikhil Nayak**  
Chairman

**Nitin Singhal**  
Director

**Sushil Rathi**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Current Year		(Rs. in Lakhs) Previous Year	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit/(Loss) before tax .....		(9.58)		13.47
<b>ADJUSTMENTS FOR:</b>				
Depreciation.....	155.86		2.56	
Finance charges.....	72.57		0.44	
Interest income.....	(8.13)		(12.96)	
		<u>220.30</u>		<u>(9.96)</u>
<b>Operating Profit/(Loss) before working capital changes.....</b>		<b>210.72</b>		<b>3.51</b>
<b>ADJUSTMENTS FOR WORKING CAPITAL CHANGES:</b>				
(Increase)/Decrease in Trade and Other Receivables.....	(208.32)		(55.59)	
Increase/(Decrease) in Trade Payables and Other Liabilities.....	63.59		60.18	
		<u>(144.73)</u>		<u>4.59</u>
<b>Cash flow used in operations.....</b>		<b>65.99</b>		<b>8.10</b>
Less: Taxes paid and refund (Income tax, Fringe Benefit Tax and Wealth Tax).....		(30.44)		(2.63)
<b>Net cash flow from/(used in) operating activities.....</b>		<b>35.55</b>		<b>5.47</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets (including Capital WIP and Capital Advances)...		(2,726.37)		(76.42)
Interest income.....		8.13		12.96
<b>Net cash used in investing activities.....</b>		<b>(2,718.24)</b>		<b>(63.46)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issue of Share Capital.....		-		400.00
Proceeds from Borrowings (net of repayment).....		2,455.00		13.21
Interest paid.....		(72.57)		(0.44)
<b>Net cash from financing activities.....</b>		<b>2,382.43</b>		<b>412.77</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C) ...</b>		<b>(300.26)</b>		<b>354.78</b>
<b>Cash and cash equivalents – Opening balance.....</b>		<b>361.45</b>		<b>6.67</b>
<b>Cash and cash equivalents – Closing balance.....</b>		<b>61.19</b>		<b>361.45</b>
<b>Net increase/(decrease) as disclosed above.....</b>		<b>(300.26)</b>		<b>354.78</b>
<b>Components of cash and cash equivalents</b>				
Cash/Cheques on hand.....		5.92		-
With Banks – on Current account and Fixed Deposit.....		55.27		361.45
		<u>61.19</u>		<u>361.45</u>

**Notes:**

- The above Cash Flow Statement has been prepared under the Indirect method setout in Accounting Standard 3.
- Figures in bracket indicates cash outgo.

**Accounting policies and notes forming part of the accounts are given in Notes**

“As per our report of even date attached”

**For B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

For and on behalf of Board of Directors  
**2 X 2 Logistics Private Limited**

**H. P. Mahajani**  
Partner  
M.No. 030168

**Nikhil Nayak**  
Chairman

**Nitin Singhal**  
Director

**Sushil Rathi**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

**Note B: Notes to the Financial Statements**

	2016		2015	
	(Rs. in Lakhs)		(Rs. in Lakhs)	
<b>Note: I</b>				
<b>Share Capital:</b>				
<b>A) Details of Authorised, Issued, Subscribed and Paid up Share</b>				
	As on 31 <sup>st</sup> March'16		As on 31 <sup>st</sup> March'15	
<b>Particulars</b>	<b>Nos.</b>	<b>Rs. in Lakhs</b>	<b>Nos.</b>	<b>Rs. in Lakhs</b>
<b>Authorised:</b>				
Equity Share of Rs. 10 each	75,00,000	750.00	75,00,000	750.00
Total.....	75,00,000	750.00	75,00,000	750.00
<b>Issued, Subscribed and Paid up</b>				
Equity Share of Rs. 10 each fully paid	40,10,000	401.00	40,10,000	401.00
Total.....	40,10,000	401.00	40,10,000	401.00
<b>B) Reconciliation of number of Ordinary (Equity) Shares and amount outstanding</b>				
	As on 31 <sup>st</sup> March'16		As on 31 <sup>st</sup> March'15	
<b>Particulars</b>	<b>Nos.</b>	<b>Rs. in Lakhs</b>	<b>Nos.</b>	<b>Rs. in Lakhs</b>
<b>Issued, Subscribed and Paid up</b>				
Balance as at the beginning of the year	40,10,000	401.00	10,000	1.00
Add:- Issued during the year	-	-	40,00,000	400.00
Balance as at the end of the year	40,10,000	401.00	40,10,000	401.00
<b>C) Shares held by Holding Company/Fellow Subsidiaries</b>				
			Numbers as at	
<b>Particulars</b>	<b>Shares held by</b>	<b>31<sup>st</sup> March'16</b>	<b>31<sup>st</sup> March'15</b>	
Mahindra Logistics Limited	Holding Company	22,05,500	22,05,500	
<b>D) Shareholders holding more than 5% of Share Capital</b>				
	As on 31 <sup>st</sup> March'16		As on 31 <sup>st</sup> March'15	
<b>Particulars</b>	<b>No of Shares Held</b>	<b>% of Holding</b>	<b>No of Shares Held</b>	<b>% of Holding</b>
Mahindra Logistics Limited	22,05,500	55%	22,05,500	55%
Indian Vehicle Carriers Private Limited	18,04,500	45%	18,04,500	45%
<b>E) Terms/rights attached to equity shares</b>				
The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. 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.				
<b>Note: II</b>				
<b>Reserves and Surplus:</b>				
<b>Surplus in Profit &amp; Loss Statement</b>				
Opening Balance		10.01		0.70
Add:- Profit for the Current Year		(6.65)		9.31
Total.....		3.36		10.01
		2016		2015
	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)
<b>Note: III</b>				
<b>Long Term Borrowings:</b>				
Secured Term Loan				
(a) from Banks		494.34		-
(Being Loan Secured by Hypothecation of Vehicle and to be paid in 57 equal monthly instalments at the interest rate of 9.5%)				
(b) from others		1,516.54		10.84
(Being Loan Secured by Hypothecation of Vehicle and to be paid in 57 equal monthly instalments at the interest rate ranging from 9.5% to 9.8%)				
Total.....		2,010.88		10.84
		2016		2015
	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)
<b>Note: IV</b>				
<b>Trade Payables:</b>				
(a) Total outstanding Dues of Micro and Small Enterprises (Note No. XX)		-		-
(b) Total outstanding Dues of creditors other than Micro and Small Enterprises		120.62		60.89
Total.....		120.62		60.89
		2016		2015
	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)
<b>Note: V</b>				
<b>Other Current Liabilities:</b>				
Current Maturities of Long term debt		457.32		2.37
Others		5.99		3.28
Total.....		463.31		5.65
		2016		2015
	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)
<b>Note: VI</b>				
<b>Short Term Provisions:</b>				
(a) Provision for Income Tax		2.95		2.95
(b) Provision for Employee benefits		1.23		-
(c) Others		0.86		0.94
Total.....		5.04		3.89

**Note: VII****Fixed Assets:**

Description of Assets	Gross Block			Depreciation			Net Block			
	As at 31 <sup>st</sup> March, 2015	Additions during the year	Deductions and adjustments during the year	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	For the Year	Adjustments/ Deductions	As at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2016	Net Balance as at 31 <sup>st</sup> March, 2015
<b>(A) Tangible Assets</b>										
Plant and Machinery	-	0.62	-	0.62	-	0.08	-	0.08	0.54	-
Furniture and Fittings	-	0.81	-	0.81	-	0.03	-	0.03	0.78	-
Vehicles	56.80	2,430.61	-	2,487.41	2.39	155.58	-	157.97	2,329.44	54.41
<b>TOTAL (A)</b>	<b>56.80</b>	<b>2,432.04</b>	<b>-</b>	<b>2,488.84</b>	<b>2.39</b>	<b>155.69</b>	<b>-</b>	<b>158.08</b>	<b>2,330.76</b>	<b>54.41</b>
Previous Year	-	56.80	-	56.80	-	2.39	-	2.39	54.41	-
<b>(B) Intangible Assets</b>										
Computer Software	0.51	-	-	0.51	0.17	0.17	-	0.34	0.17	0.34
<b>TOTAL (B)</b>	<b>0.51</b>	<b>-</b>	<b>-</b>	<b>0.51</b>	<b>0.17</b>	<b>0.17</b>	<b>-</b>	<b>0.34</b>	<b>0.17</b>	<b>0.34</b>
Previous Year	-	0.51	-	0.51	-	0.17	-	0.17	0.34	-
<b>TOTAL (A+B)</b>	<b>57.31</b>	<b>2,432.04</b>	<b>-</b>	<b>2,489.35</b>	<b>2.56</b>	<b>155.86</b>	<b>-</b>	<b>158.42</b>	<b>2,330.93</b>	<b>54.75</b>

**Note: VIII****Long Term Loans and Advances:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Unsecured, Considered Good		
(i) Capital Advance	72.10	19.12
Total .....	72.10	19.12

**Note: IX****Trade Receivables:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Outstanding for more than six months from the date they are due for payment		
Unsecured, Considered Good	-	-
Considered doubtful	-	-
Less: Provision for Doubtful Debts	-	-
Outstanding for less than six months from the date they are due for payment		
Unsecured, Considered Good	132.25	54.34
Total .....	132.25	54.34

**Note: X****Cash and Cash Equivalents:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
(a) Balance With Banks		
(i) With Current Accounts	55.27	21.45
(ii) With Fixed Deposit Accounts	-	340.00
(b) Cash on Hand	5.92	-
Total .....	61.19	361.45

**Note: XI****Short Term Loans and Advances:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Unsecured, Considered Good		
(i) Advance Income Tax/TDS Receivable	33.26	2.83
(ii) MAT Credit entitlement	0.27	0.27
(iii) Advances to Vendors	13.01	-
(iv) Prepaid Expenses	1.11	-
(v) Others Loans and Advances - Trip Advance	113.35	-
Total .....	161.00	3.10

**Note: XII****Other Current Assets:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Other Current Assets		
(a) Accrued Interest	-	1.38
(b) Consumables - Tyres	4.33	-
Total .....	4.33	1.38

**Note: XIII****Sale of Services:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Supply Chain Logistics	1,590.99	132.85
Total .....	1,590.99	132.85

**Note: XIV****Other Income:**

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
Interest Income	8.13	12.96
Miscellaneous Income	0.76	-
Total .....	8.89	12.96

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XV</b>		
<b>Operating, Administrative &amp; Other Exp.:</b>		
Freight & Other Related Expenses	651.09	123.76
Diesel Cost	278.25	-
Vehicle running exps	313.21	-
Rent including lease rentals	5.05	0.63
Insurance	0.20	-
Repairs & Maintenance – Vehicles	32.48	-
Legal & Professional Fees	13.74	0.94
Travelling Expenses	1.84	0.35
Audit Fee	0.63	0.56
Miscellaneous Expenses	11.78	1.11
Total.....	<u>1,308.27</u>	<u>127.35</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVI</b>		
<b>Employee Benefit Expenses:</b>		
Salaries, Wages, Bonus, etc.	70.95	1.99
Contribution to Provident and other funds	1.51	-
Staff Welfare	0.30	-
Total.....	<u>72.76</u>	<u>1.99</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVII</b>		
<b>Finance Cost:</b>		
Interest Expenses	72.57	0.44
Total.....	<u>72.57</u>	<u>0.44</u>

	2016 (Rs. in Lakhs)	2015 (Rs. in Lakhs)
<b>Note: XVIII</b>		
<b>Depreciation and Amortization:</b>		
Depreciation	155.69	2.39
Amortisation of Intangible assets	0.17	0.17
Total.....	<u>155.86</u>	<u>2.56</u>

**Note A: Summary of Significant Accounting Policies****Corporate Information**

2 X 2 Logistics Private Limited is a deemed public limited company incorporated on 22nd October, 2012 under the Companies Act, 1956. The Company is engaged in providing logistics services to its Customers.

**1. Basis for Preparation of Financial Statements:**

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Assets and Liabilities are classified as Current or Non-current as per the provisions of Schedule III to the Companies Act, 2013 and Company's Normal Operating Cycle. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the classification of assets and liabilities.

The Financial Statements are presented in Indian Rupees denominated in Lakhs.

**2. Use of Estimates:**

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including Contingent liabilities) as on the date of

financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Any revision to accounting estimates is recognized prospectively in current and future periods.

**3. Fixed Assets:**

- All Fixed Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- When an asset is scrapped or otherwise disposed-off, the cost and related depreciation are removed from books of accounts and resultant profit/loss, if any, is reflected in the Statement of Profit and Loss.
- All Intangible Assets are initially measured at cost/fair value and amortised so as to reflect the pattern in which the asset's economic benefits are consumed. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

**4. Depreciation and Amortisation:**

Depreciation on tangible assets is charged on Straight Line Method (SLM) in accordance with the useful lives specified Part – C of Schedule II to the Companies Act, 2013 on a pro-rata basis except for following assets in order to reflect the actual usage of the assets:

- Horse portion of a Vehicle is depreciated over five years based on the management experience of handling similar kind of asset.

Software expenditure incurred is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

**5. 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.

Income from logistics services rendered are recognised on the completion of the services as per the terms of contract. Interest Income is accounted on accrual basis at the contracted rate.

**6. Investments:**

All long-term investments are valued at cost. However provision for diminution in value is made to recognise a decline other than temporary in the value of investments. Current investments are valued at the lower of cost and fair value, determined by category of investment.

**7. Borrowing Cost:**

Borrowing Cost that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue in the year of incurrence.

**8. Segment Reporting:**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. On the applicability of segment reporting, revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenues and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

**9. Operating Leases:**

The Company's significant operating leasing arrangements are in respect of office premises, warehouse and IT related equipments. Lease rentals are recognised as per the terms of lease.

**10. Earnings Per Share:**

Basic and diluted earnings per share is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of Equity Shares outstanding during the year.

**11. Income Tax:**

Income taxes are accounted for in accordance with the Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprises of Current tax and deferred tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year using the applicable tax rates and tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay income tax as per normal provision. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefits associated with it will flow to the Company.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using the tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless in the management judgment, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except in case of deferred tax assets arising from brought forward tax losses wherein deferred tax assets is only recognized when the virtual certainty is established. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## 12. Impairment of Assets:

The Management of the Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

## 13. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

Contingent assets are neither recognised nor disclosed in the financial statements.

## Note B: Notes to the financial statements

### XIX. Loan liabilities:

Vehicle loan has been taken at the rate of interest ranging from 9.5% p.a. to 9.8 % p.a. The Loan has been secured by way of hypothecation of the related vehicle.

XX. Based on the information available with the Company, no trade payables have been registered as 'supplier' within the meaning of 'Micro Small & Medium Enterprises Development Act, 2006' as on March 31, 2016.

XXI. The Company has single reportable segment "Supply chain management" for the purpose of Accounting Standard 17 on Segment reporting.

XXII. Trade Receivables, Loans and Advances and Trade Payables are subject to confirmation and Reconciliations.

XXIII. Audit fees includes:

(Rs. in lakhs)		
Particulars	*2016	*2015
Statutory Audit Fees	0.40	0.39
Tax Audit Fees	0.23	0.17
Fees for Other services	0.06	-
<b>Total</b>	<b>0.69</b>	<b>0.56</b>

\* Including Service Tax

## XXIV. Related party disclosure as per Accounting Standard:

### (a) List of Related parties:

Holding Company	Mahindra & Mahindra Limited (Holding company of MLL)
	Mahindra Logistics Limited
Fellow Subsidiary	Mahindra & Mahindra Financial Services Limited.
Enterprise having significant influence.	Indian Vehicle Carriers Private Limited

### (b) The related party transactions are as under:

(Rs. in Lakhs)				
Sr. No.	Nature of Transactions	Holding Company	Fellow Subsidiary	Enterprise having significant influence
<b>1.</b>	<b>Finance:</b>			
	Issue of Equity Share Capital during the year.	-	-	-
		(220.00)	(-)	(180.00)
	Inter-corporate Deposits Taken	-	-	-
		(8.00)	(-)	(-)
	Inter-corporate Deposits repaid	-	-	-
		(8.00)	(-)	(-)
	Interest Expenses on Inter-corporate deposit taken	-	-	-
		(0.20)	(-)	(-)
	Vehicle Loan taken	-	<b>1952.94</b>	-
		(-)	(13.58)	(-)
	Vehicle Loan repaid	-	<b>101.00</b>	-
		(-)	(0.37)	(-)
	Interest on Vehicle Loan paid	-	<b>62.08</b>	-
		(-)	(0.24)	(-)
<b>2.</b>	<b>Purchases:</b>			
	Tangible Assets/Intangible Assets	<b>691.11</b>	-	-
		(28.60)	(-)	(-)
	Services	<b>0.60</b>	-	<b>633.11</b>
		(1.11)	(-)	(112.21)
<b>3.</b>	<b>Sales:</b>			
	Tangible Assets	-	-	-
		(-)	(-)	(-)
	Services	<b>1311.95</b>	-	<b>154.23</b>
		(131.41)	(-)	(-)
<b>4.</b>	<b>Deputation of Personnel:</b>			
	To Related Parties	-	-	-
		(-)	(-)	(-)
<b>5.</b>	<b>Other Transactions:</b>			
	Reimbursements made to Parties	<b>8.46</b>	-	<b>34.64</b>
		(1.56)	(-)	(11.39)
	Reimbursements received from Parties	-	-	-
		(5.61)	(-)	(4.59)
<b>6.</b>	<b>Outstanding:</b>			
	Payable	<b>2.61</b>	-	<b>73.03</b>
		(-)	(-)	(55.69)
	Receivable	<b>100.03</b>	-	<b>7.37</b>
		(53.61)	(-)	(-)
<b>7.</b>	<b>Managerial Remuneration</b>	-	-	-
		(-)	(-)	(-)

Previous year's figures are given in brackets.



## XXV. Earnings Per Share:

Particulars		Year Ended	Year Ended
		31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
Net Profit/(Loss) after Tax (A)	Rs. in Lakhs	(6.65)	9.31
Weighted Average No of Shares (B)	No. in Lakhs	40.10	20.59
Earnings Per Share (Basic/Diluted) (A/B)	Rs.	(0.17)	0.45
Nominal value of equity share	Rs.	10.00	10.00

XXVI. Lease payments from operating lease is recognised on a straight line basis over the period of the lease. The particulars of the premises given under operating leases are as under:

(Rs. in Lakhs)

Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
	Amount	Amount
Future minimum Lease payments		
– not later than one year	8.32	Nil
– later than one year and not later than 5 years	13.99	Nil
– later than 5 years	Nil	Nil

For **B. K. Khare & Co.**  
Chartered Accountants  
FRN: 105102W

**H. P. Mahajani**  
Partner  
M.No. 030168

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

XXVII. The components of Net Deferred Tax Assets as at the year-end are as under:

(Rs. in Lakhs)

Particulars	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
	Amount	Amount
<b>Deferred Tax Assets</b>		
On Income Tax Loss (A)	117.21	–
<b>Deferred Tax Liabilities</b>		
On Depreciation (B)	114.28	1.86
<b>Net Deferred Tax Assets (A-B)</b>	<b>2.93</b>	<b>(1.86)</b>

XXVIII. The estimated amount of contracts remaining to be executed on capital account and not provided for as at 31st March 2016 is Rs. 70 Lakhs (2015: Rs. 1757.00 Lakhs).

XXIX. Previous Years figures have been regrouped/reclassified wherever necessary.

For and on behalf of Board of Directors  
**2 X 2 Logistics Private Limited**

**Nikhil Nayak**  
Chairman

**Nitin Singhal**  
Director

**Sushil Rathi**  
Director

Place : Mumbai  
Date : 26<sup>th</sup> April, 2016

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Eighth Report along with the Audited Financial Statements of your Company for the Financial Year ended 31<sup>st</sup> March, 2016.

### 1) FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

(Rs. in Lakh)

Particulars	For the year ended 31 <sup>st</sup> March	
	2016	2015
Total Income.....	63,127	66,448
Profit before Depreciation, Finance Costs and Taxation .....	(53,544)	(45,605)
Less: Depreciation & Amortization.....	5,544	3,932
Profit/(Loss) before Finance Costs and Taxation .....	(59,088)	(49,537)
Less: Finance Costs .....	2,429	3350
Profit/(Loss) before Tax.....	(61,517)	(52,887)
Less: Taxation .....	-	-
Profit/(Loss) for the Year.....	(61,517)	(52,887)
Balance brought forward from earlier years.....	(1,78,076)	(1,25,013)
Less: Transfer to/(from) Debenture Redemption Reserve .....	-	-
Less: Depreciation adjustment on transition to Schedule II.....	-	(176)
Profit available for Appropriation.....	-	-
Proposed Dividend on Equity Shares .....	-	-
Income Tax on proposed Dividend.....	-	-
Balance of Profit carried forward .....	(2,39,593)	(1,78,076)
Net worth.....	27,222	32,340

No material changes and commitments have occurred after the close of the year till the date of this Report which affect the financial position of your Company.

### 2) Operations

During the year your Company has sold 1,62,577 vehicles registering a de-growth of 8% as compared to previous year. In domestic Scooter segment the Company has registered a growth of 81% while motorcycle segment registered de-growth of 49%. All players in 100-110 cc saw substantial de-growth (~18%) against previous year. Bajaj re-launched "CT-100" model with lowest prices in the industry starting at Rs.31000. Besides this, monsoon deficit is showing its impact on rural economy. This is more evident in motorcycles with reduction in demand and shift towards low priced vehicles and languishing secondary network.

Your Company has been hit by multiple challenges in each of export market. The crash in crude and other commodities' prices has led to alarming levels of currency depreciation in African countries, making imports very expensive. For example Nigerian Naira has depreciated more than 100% in 2 years. The situation in other African markets is also not encouraging. In countries like Ethiopia and Nigeria, foreign currency is

being rationed for priority sectors. In Bangladesh and Sri Lanka, regulatory changes to duty structure and financing norms have shrunk overall market, unrest in Nepal impacted business adversely. In spite of this, exports showed remarkable growth over previous year by 53%, which is the second best growth across all the OEMs, after Suzuki.

**MOJO Launch:** In growing market of premium motorcycles (above 250cc), your Company launched indigenously built 300cc motorcycle "Mahindra MOJO" on 16th October, 2015. Taking an unconventional Go-To-Market approach for Mojo, Company launched it in 4 cities of Bangalore, Mumbai, Delhi & Pune in Phase I. It got encouraging response from these markets.

The unconventional go-to-market approach had a strong focus on digital and social platforms to create a viral impact and amplify the customer experiences. Mojo Tribes, the owners' group of Mahindra Mojo features exciting trails to enhance promise of riders' bonding and helped to establish a unique image for Mojo. Q1 of F16 (Phase II), Mojo will be launched in additional 15 cities.

**Arro XT:** Arro XT, 110cc motorcycle was launched in January'2016 specifically for exports in African market. This vehicle will be used for commercial application in

African market. The market currently is dominated by Bajaj Boxer. Arro XT has got encouraging response.

**Gusto 125cc:** Gusto 125cc launched on 17th March, 2016 in Tamilnadu & Kerala; Plan is to expand in other major scooter selling cities across India.

### 3) Outlook for the current year

As per the research report published by Nomura, Scooter industry is expected to grow at a CAGR of 20% over next 5 years based on prediction of higher GDP growth, higher urbanisation and woman empowerment. Motor cycle industry seeing polarisation between low cost entry level products and premium motor cycles, is expected to grow in range of 0%-6% over next 5 years. The Company is working towards containing losses by improving efficiencies, focussed market approach & cost management. The Company will focus on improving sales based on newly launched Gusto 125 cc & MOJO. Your Company is working on synergy benefit with Peugeot Motocycle ("PMTC").

### 4) Dividend

In view of losses, your Directors do not recommend any dividend.

### 5) Consolidated Financial Statements

The Consolidated Financial statements of the Company, its subsidiaries and joint ventures, have been prepared in accordance with the Companies Act, 2013 and applicable accounting standards and form part of this Annual Report.

#### Subsidiaries/Associates/Joint Ventures

The following are the subsidiary/Joint Venture companies of your Company:

- Mahindra Two Wheelers Europe Holdings S.à r.l., Luxembourg (subsidiary)
- Peugeot Motocycles S.A.S., Mandeure (PMTC) (subsidiary)
- Peugeot Motocycles Italia S.p.A (subsidiary)
- Peugeot Motocycles Deutschland GmbH (subsidiary)
- Jinan Qingqi Peugeot Motocycles Co Ltd. (Joint Venture of Peugeot Motocycles S.A.S., Mandeure)

Mahindra Two Wheelers Europe Holdings S.à r.l., Luxembourg has reported a loss after tax for the year of Euro 0.47 lacs.

Peugeot Motocycles S.A.S., Mandeure (PMTC) has reported consolidated revenue of Euro 109.92 Million in the current year. Its consolidated loss after tax for the year is Euro 24.14 Million.

A Report on the performance and financial position of each of the subsidiaries and joint venture companies is included in the consolidated financial statement in form AOC-1 as Annexure I.

### 6) Share Capital

The authorised share capital of your Company as on 31st March, 2016 stood at Rs. 3500 crore, divided into 350 crore equity shares of Rs. 10 each.

During the year, your Company allotted 56,40,00,000 equity shares of Rs. 10/- each, aggregating Rs. 5,64,00,00,000/- to the shareholders for cash at par on right basis.

Changes in the equity share capital of your Company during the year were as under:

Shareholder	As at 1st April 2015		Equity Shares Allotted During the Year	As at 31st March 2016	
	Equity Shares	% to Capital		Equity Shares	% to Capital
Mahindra and Mahindra Limited	186,20,97,350	88.91	40,00,00,000	226,20,97,350 Shares were subsequently transferred to Mahindra Vehicle Manufacturers Limited during the year.	
Mahindra Vehicle Manufacturers Limited	-	-	16,40,00,000	242,60,97,350	91.26
Aay Kay Global	21,35,75,006	10.20	-	21,35,75,006	8.04
Emerging India Fund	1,87,16,860	0.89	-	1,87,16,860	0.70
<b>Total</b>	<b>209,43,89,216</b>	<b>100.00</b>	<b>56,40,00,000</b>	<b>265,83,89,216</b>	<b>100.00</b>

The paid-up share capital of your Company as on 31st March, 2016 stood at Rs. 2658,38,92,160 divided into 265,83,89,216 equity shares of Rs 10/- each.

### 7) Holding Company

During the year, Mahindra and Mahindra Limited along with its nominees transferred its entire share holding to Mahindra Vehicle Manufacturers Limited and its nominee holders. Consequent to the said transfer, your Company became a subsidiary of Mahindra Vehicle Manufacturers Limited and Mahindra & Mahindra Limited became your Company's ultimate holding company.

### 8) Board of Directors

The Board comprises of the following directors:

Director (DIN)	Designation	Executive/Non-Executive Director	Independent/Non-Independent Director
Mr. Anand Mahindra (00004695)	Chairman	Non-Executive Director	Non-Independent Director
Dr. Pawan Kumar Goenka (00254502)	Director	Non-Executive Director	Non-Independent Director
Mr. Rajesh Jejurikar (00046823)	Director	Non-Executive Director	Non-Independent Director
Mr. V. S. Parthasarathy (00125299)	Director	Non-Executive Director	Non-Independent Director
Mr. Ramesh Venkataraman (03545080)	Director	Non-Executive Director	Non-Independent Director
Mr. Ranjan Pant (00005410)	Director	Non-Executive Director	Non-Independent Director
Dr. Punita Kumar Sinha (05229262)	Director	Non-Executive Director	Independent Woman Director
Mr. Naveen Kumar Kshatriya (00046813)	Director	Non-Executive Director	Independent Director

Dr. Pawan Kumar Goenka (DIN: 00254502) and Mr. Rajesh Jejurikar (DIN:00046823) retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

At the Seventh Annual General Meeting held on 31st July, 2015, the appointment of Mr. V. S. Parthasarathy (DIN: 00125299) as a Director of the Company was approved by members and regularised.

**Evaluation of Performance of Directors**

The Board of Directors had carried out an annual evaluation of its own performance as well as the performance of committees of the Board, viz., Audit Committee and Nomination and Remuneration Committee and the individual directors through a structured questionnaire process covering various aspects such as performance, attendance, etc. The Nomination and Remuneration Committee also carried out performance of directors on individual basis.

**9) Number of Board Meetings**

During the year under review, six meetings of the Board of Directors were held on 30th April, 2015, 9th July, 2015, 31st July, 2015, 16th October, 2015, 29th January, 2016 and 29th March, 2016.

**10) Directors' Responsibility Statement**

Pursuant to section 134(3)(c) of the Companies Act, 2013, your directors, based on the representation from the operating management, and after due enquiry, confirm that:

- (i) In the preparation of the annual financial statements for the year ended 31st March, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) They have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31st March, 2016 and of the loss of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis;
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**11) Codes of Conduct**

Your Company has adopted Codes of Conduct for its Directors and senior management employees ("the Codes"). These Codes enunciate the underlying principles governing the conduct of the Company's business and

seek to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has, for the year, received declarations from directors and senior management employees, affirming compliance with the respective Codes.

**12) Policy for remuneration of Directors, Key Managerial Personnel and Other Employees and Criteria for Appointment/Removal of Directors and Senior Management Personnel**

Your Board has, on the recommendation of Nomination and Remuneration Committee, approved policies for the appointment/removal of directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors, and the remuneration of directors, key managerial personnel and other employees.

These policies are furnished as Annexure II and forms part of this Report.

**13) Vigil Mechanism**

Your Company has established a vigil mechanism for directors and employees to facilitate reporting of genuine concerns/make protected disclosures to the Chairman of the Audit Committee in respect of actual or suspected fraud or violation of the Company's Codes or Policies or genuine grievances or concerns or any improper activity. The mechanism also provides for adequate safeguards against victimization of persons reporting/disclosing, and makes a provision for direct access to the Chairman of the Audit Committee.

**14) Committees of the Board**

**i) Audit Committee**

The Composition of the Audit Committee is as follows:

Committee Member	Designation
Mr. V. S. Parthasarathy	Chairman
Dr. Punita Kumar Sinha	Member
Mr. Naveen Kumar Kshatriya	Member

During the year under review, the Committee met thrice on 30th April, 2015, 16th October, 2015 and 29th March, 2016.

**ii) Nomination and Remuneration Committee**

The composition of the Nomination and Remuneration Committee is as follows:

Committee Member	Designation
Mr. Rajesh Jejurikar	Chairman
Mr. V. S. Parthasarathy	Member
Dr. Punita Kumar Sinha	Member
Mr. Naveen Kumar Kshatriya	Member

During the year under review, the Committee met once on 30th April, 2015.

**iii) Meeting of Independent Directors**

The 1st meeting of the Independent Directors of the Company was held on 31st December, 2015 without the participation of the Chairman or any other director or Management Personnel. The Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a

whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Company has received Declarations from the Independent Directors to the effect that they meet the criteria of independence as provided in sub-section 6 of Section 149 of the Companies Act, 2013.

**15) Attendance of directors at the meetings of the Board/Committees**

Type of meeting and no. of meeting held during FY 2015-16	Mr. Anand Mahindra	Dr. Pawan Kumar Goenka	Mr. Rajesh Jejurikar	Mr. V. S. Parthasarathy	Mr. Ramesh Venkataraman	Mr. Ranjan Pant	Dr. Punita Kumar Sinha	Mr. Naveen Kumar Kshatriya
Board (Six meetings)	3	6	5	6	4	4	5	5
Audit Committee (Three meetings)	(Not a member)	(Not a member)	(Not a member)	2	(Not a member)	(Not a member)	2	2
Nomination and Remuneration Committee (One meeting)	(Not a member)	(Not a member)	1	1	(Not a member)	(Not a member)	1	1

**16) Key Managerial Personnel (KMP)**

Pursuant to Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, given below are the Key Managerial Personnel of your Company:

1. Mr. Prem Rathi as Manager;
2. Mr. Mahendra Bhalerao as Chief Financial Officer and
3. Ms. Poonam Vaze as Company Secretary.

Subject to approval of Members by way of a Special Resolution, it is proposed to re-appoint Mr. Prem Rathi as Manager of the Company for a period of three years w.e.f. 1st April, 2017 on terms and conditions, as specified in the Notice convening the forthcoming Annual General Meeting.

**17) Auditors**

**i) Statutory Auditors**

At the Seventh Annual General Meeting, M/s. Deloitte Haskins & Sells, Chartered Accountants, Pune (ICAI registration Number 117365W) were appointed as the Statutory Auditors of your Company to hold office from the conclusion of the Seventh Annual General Meeting till the conclusion of the Eighth Annual General Meeting.

Pursuant to the first proviso of Section 139(2) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, members are requested to re-appoint Statutory Auditors at

the Eighth Annual General Meeting and fix their remuneration. If re-appointed, Statutory Auditors would hold office till the conclusion of the Ninth Annual General Meeting.

As required under the provisions of Sections 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, your Company has obtained a written consent and certificate from Statutory Auditors to the effect that their re-appointment, if made, would be in conformity with the conditions, limits and criteria specified therein.

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

**ii) Internal Auditor**

Pursuant to Section 138 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, Mr. Mario Nazareth was appointed as the Internal Auditor of your Company for the year ended 31st March, 2016. The Board at its meeting held on 25th April, 2016 re-appointed Mr. Mario Nazareth as the Internal Auditor of your Company for the Financial Year ending on 31st March, 2017.

**iii) Secretarial Auditor**

Pursuant to Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Sachin Bhagwat, a Company Secretary

in practice, was appointed as the Secretarial Auditor of your Company for the Financial Year ended 31st March, 2016. The Board at its meeting held on 25th April, 2016 re-appointed Mr. Sachin Bhagwat as the Secretarial Auditor of your Company for the financial year ending on 31st March, 2017.

Secretarial Audit Report for the Financial Year ended 31st March, 2016 issued by the Secretarial Auditor pursuant to the aforesaid provisions is provided as Annexure III and forms part of this Report.

There were no qualifications, reservations or adverse remarks made by the Secretarial Auditor in his report.

#### iv) Cost Auditors

For the purpose of sub-section (1) of section 148 of the Act, as per the Companies (Cost Records & Audit) Rules, 2014 issued by the Ministry of Corporate Affairs vide notification dated 30th June 2014, the requirement for maintenance of cost records & Audit was not applicable to the Company. Accordingly, cost audit was not conducted for the year under review.

#### Reporting of frauds by Auditors:

During the year under review, the Statutory Auditors and Secretarial Auditor have not reported any instances of frauds committed in the Company by its officers or employees to the Board/Audit Committee, details of which are required to be mentioned in this Report pursuant to section 143 (12) of the Companies Act 2013.

#### 18) Internal Financial Controls

Your Company has implemented a system of internal controls and monitoring procedures as well as internal financial controls on financial statements and the same is in the opinion of the Board, commensurate with the Company's size and operations. Your Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee. Statutory Auditors and Internal Auditor are invited to attend Audit Committee meetings.

#### 19) Risk Management Policy

Your Company is exposed to a variety of risks which may impact its operations. These risks are mitigated by using an integrated risk management approach which covers the full range of risks across verticals.

Your Company has formulated a risk management policy which addresses risks which, in the opinion of the Board, may threaten the existence of the Company.

#### 20) Human Resources

Keeping employees happy and enthused is one of the strategic goals of your Company as reflected in its employee engagement interventions. Your Company continues to invest in capability building of its people and creating a future-ready talent pool.

#### 21) Particulars of public deposits, loans, guarantees or investments

Your Company has not accepted deposits from the public or its employees during the year under review.

Your Company has not made any loans/advances and investment which are required to be disclosed in the financial statements of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Schedule V thereto, applicable to the ultimate Parent company, Mahindra & Mahindra Limited.

No loans have been granted under Section 186 of the Act and details of investments made are given in Note No. 12 of the Financial Statements.

#### 22) Particulars of Transactions with Related Parties

Your Company has no contracts or arrangements with related parties referred to in sub Section 1 of Section 188 during the year under review. Accordingly, the disclosure of Related Party Transactions required to be provided pursuant to Section 134(3) (h) of the Companies Act, 2013, in Form AOC – 2 is not applicable.

#### 23) Extract of Annual Return

Pursuant to Section 92(3) of the Act and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in Form No. MGT 9 is attached herewith as Annexure IV and forms part of this report.

#### 24) Policy on prevention of Sexual Harassment

Your Company has put in place a policy for prevention of sexual harassment. Your Company has also constituted an "Internal Complaints Committee" to which complaints can be reported. During the year, no complaints were received by the said Committee.

#### 25) Industrial Relations

Industrial relations remained cordial during the year under review.

#### 26) Safety, Health and Environment Performance

Your Company is committed towards safety, health and environment. Your Company encourages involvement of all its employees in activities related to safety, health & environment including promotion of safety standards. The various initiatives and various measures taken in this area have started yielding the results. The requirements

relating to various environmental legislations and environment protection have been duly complied with by your Company. Your Company has received the **OHSAS 18001 certification** for Safety and Health Management System & **ISO 14001 certification** for Environment Management System during the previous year.

#### **27) Sustainability Initiatives**

Your Company undertakes various energy saving projects including use of Solar power purchased as an alternative source of power. It has also converted HSD & LPG system to PNG. Your Company has received the ISO 50001 certification for Energy Management System during the year. It has also received the "Energy Efficient Unit" award from CII. Your Company has also been awarded BEE award from Ministry of Power for achievement in energy conservation in the automobile manufacturing sector for 2015.

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

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company. Despite this, the Company undertakes various activities and projects and contributes towards the community and the environment through a series of Corporate Social Responsibility (CSR) activities.

#### **29) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Act read with the Companies Rule 8 (3) of The Companies (Accounts) Rules, 2014 are given as Annexure V to this Report.

#### **30) General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise or issue of sweat equity.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the 'going concern' status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

#### **31) Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Anand Mahindra**  
Chairman  
DIN: 00004695

Mumbai, 25<sup>th</sup> April, 2016

**ANNEXURE I****Form AOC-I**

(Pursuant to first Proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)  
Statement containing salient features of the financial statements of subsidiaries/associate companies/joint ventures as included in the consolidated Financial Statements

**Part "A": Subsidiaries**

In Euro					
Sr. No.	Name of the subsidiary	Mahindra Two Wheelers Europe Holdings S.a.r.l	Peugeot Motorcycles S.A.S Mandeure*	Peugeot Motorcycles Italia S.p.A.*	Peugeot Motorcycles Deutschland GmbH*
<b>Particulars</b>					
1	Reporting Period	31st March 2016	31st December 2015	31st December 2015	31st December 2015
2	Reporting Currency	Euro	Euro	Euro	Euro
3	Exchange rate	74.97	74.97	74.97	74.97
4	Capital (Including Preference Capital)	14,900,000.00	9,809,472.00	264,000.00	26,000.00
5	Reserves & Surplus	(48,773.00)	(22,475,497.58)	(6,029.68)	215,020.26
6	Total Assets	26,137,253.90	54,902,642.08	5,340,812.72	1,585,659.17
7	Total Liabilities	11,286,026.90	67,568,667.54	5,082,842.40	1,344,639.21
8	Investments (excluding investments in subsidiaries)	-	-	-	-
9	Gross Turnover	-	94,304,766.23	7,218,348.28	16,142,611.88
10	Profit/(loss) before Tax	(47,722.32)	(24,918,884.88)	17,800.58	99,790.47
11	Provision for Tax	-	-	-	-
12	Profit/(loss) after Tax	(47,722.32)	(24,918,884.88)	17,800.58	99,790.47
13	Proposed Dividend and Tax thereon	-	-	-	-
14	Proportion of Ownership Interest	100%	51%**	51%**	51%**

\*Reporting Period is calendar year. However for consolidation purpose have given financials for January to March 16.

\*\* Holding in Peugeot Motorcycles S.A.S Mandeure(PMTC) is through Mahindra Two Wheelers Europe Holdings S.a.r.l 51%. PMTC holds 100% in Peugeot Motorcycles Deutschland GMBH and Peugeot Motorcycles Italia S.p.A.

**Part "B": Associates/Joint Ventures**

In CNY		
Name of Joint Ventures		Jinan Qingqi Peugeot Motorcycles Co Ltd.
<b>Particulars</b>		
Audited Balance Sheet Date		31st March 2016
No. of Equity shares held		1
% of Holding		50%
Cost of Investments (Equity Shares)		49,909,466
Networth attributable to shareholding as per latest audited Balance Sheet		45,256,410
Profit/(Loss) for the year	Considered in Consolidation	4,600,113
	Not considered in consolidation	4,600,113
<b>Whether Consolidated</b>		Yes

Jinan Qingqi Peugeot Motorcycles Co Ltd. Is a joint venture of Peugeot Motorcycles S.A.S Mandeure (PMTC)

Notes:

- No Subsidiary/Joint Venture is yet to commence Operations
- No Subsidiary/Joint Venture have been liquidated or sold during the year.

For and on behalf of the Board

**Anand Mahindra**  
Chairman  
DIN: 00004695

Mumbai, 25<sup>th</sup> April, 2016



## ANNEXURE II

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Two Wheelers Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (**KMP**) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (**NRC**) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.

- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman & Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman & Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

#### II. SUCCESSION PLANNING:

##### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

##### Board

The successors for the Independent Directors shall be identified by the NRC atleast one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel**

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a laddered approach.

**Policy Statement**

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

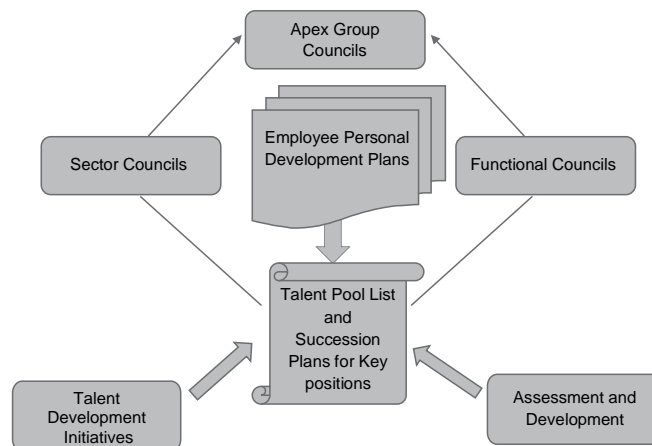
- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

The framework lays down an architecture and processes to address these questions using the **3E** approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of Senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

**POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

**Purpose**

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Two Wheelers Limited.

**Policy Statement**

We have a well-defined Compensation policy for Directors, Key Managerial Personnel and all employees, including the Chairman, Presidents and other Members of the Group Executive Board who are employees of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

**NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director’s participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in

carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders' resolution.

#### **Executive Directors:**

The remuneration to Chairman & Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders' resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

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

The terms of remuneration of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Manager of the Company & the Company Secretary shall be determined by the NRC shall decide from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

#### **Employees**

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.

- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

For and on behalf of the Board

**Anand Mahindra**  
Chairman  
DIN: 00004695

Mumbai, 25<sup>th</sup> April, 2016

**ANNEXURE III****Form No. MR 3  
SECRETARIAL AUDIT REPORT**For the financial year ended 31<sup>st</sup> March, 2016[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
Mahindra Two Wheelers Limited  
Mahindra Towers, P. K. KurneChowk  
Worli  
Mumbai 400 018

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Two Wheelers Limited. (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; **(Not applicable to the Company)**
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; **(Not applicable to the Company)**
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations framed thereunder to the extent of overseas direct investment. The provisions of external commercial borrowings and foreign direct investment were not applicable to the Company.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable to the Company)**
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **(Not applicable to the Company)**
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during)**
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not applicable to the Company)**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company)**
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **(Not applicable to the Company)**
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company)** and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company)**
- (vi) According to the information provided by the company, no other law was specifically applicable to the Company.

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with Stock Exchanges, if applicable. **(Not applicable to the Company)**

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors

and Independent Directors. No changes in the composition of the Board of Directors took place during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations

of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, except for the offer and allotment of equity shares on rights basis amounting to Rs. 564 Crore, no specific events/actions took place having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. referred to above.

Signature:

**Sachin Bhagwat**

ACS: 10189

CP: 6029

Place : Pune

Date : 22 April 2016

**ANNEXURE IV****Form No. MGT-9****Extract of Annual Return  
as on the financial year ended on 31<sup>st</sup> March, 2016**

[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES  
(MANAGEMENT AND ADMINISTRATION) RULES, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

i.	Corporate Identification Number (CIN)	U35911MH2008PLC185462
ii.	Registration Date	5 <sup>th</sup> August, 2008
iii.	Name of the Company	Mahindra Two Wheelers Limited
iv.	Category/Sub-Category of the Company	Company limited by shares. Indian non-government company.
v.	Address of the Registered office and contact details	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018 Tel.: +91-22-24935185/86 Fax: +91-22-24951236 Contact: BADE.KIRAN@mahindra.com
vi.	Whether listed company Yes/No	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Sharepro Services (India) Pvt. Ltd. 13 AB Samhita Warehousing Complex, 2 <sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel.: +91-22-67720300/400 Fax: +91-22-28591568 Email: sharepro@shareproservices.com

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

All the business activities contributing 10% or more of the total turnover of the Company:

The Company is engaged in the business of manufacturing and sale of two wheelers.

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Manufacture of Motorcycles, scooters etc and their engine	30911	100

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra Vehicle Manufacturers Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018	U34100MH2007PLC171151	Immediate Holding Company	91.26%	2(46)
2.	Mahindra & Mahindra Two Wheelers Europe Holdings S.à r.l., 16, Avenue Pasteur, L – 2310, Luxembourg	–	Subsidiary Company	100.00	2(87)
3.	Peugeot Motocycles S.A.S., Mandeure 103 RUE DU 17 Novembre 25350, Mandeure	–	Subsidiary Company	51	2(87)
4.	Peugeot Motocycles Italia S.p.A Via Gallarate, 199 20151 – Milano	–	Subsidiary Company	100	2(87)

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
5.	Peugeot Motocycles Deutschland GmbH Kurhessenstra Be 13, 64546, Morfelden – Walldorf, Germany	–	Subsidiary Company	100	2(87)
6.	Mahindra and Mahindra Limited Gateway Buildings, Apollo Bunder, Mumbai – 400 001	L65990MH1945PLC004558	Ultimate Holding Company	–	2(46)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)**

**i) Category-wise Share Holding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	96,12,93,858	90,08,03,492	1,862,097,350	88.91	242,60,97,344	6	242,60,97,350	91.26	2.35
e) Banks/FI	–	–	–	–	–	–	–	–	–
f) Any Other...	–	–	–	–	–	–	–	–	–
<b>Sub-total (A) (1):</b>	96,12,93,858	90,08,03,492	1,862,097,350	88.91	242,60,97,344	6	242,60,97,350	91.26	2.35
(2) Foreign	–	–	–	–	–	–	–	–	–
a) NRIs-Individuals	–	–	–	–	–	–	–	–	–
b) Other -Individuals	–	–	–	–	–	–	–	–	–
c) Bodies Corp.	–	–	–	–	–	–	–	–	–
d) Banks/FI	–	–	–	–	–	–	–	–	–
e) Any Other...	–	–	–	–	–	–	–	–	–
<b>Sub-total (A) (2):</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	96,12,93,858	90,08,03,492	1,862,097,350	88.91	242,60,97,344	6	242,60,97,350	91.26	2.35
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	–	1,87,16,860	1,87,16,860	0.89	–	1,87,16,860	1,87,16,860	0.70	(0.19)
b) Banks/FI	–	–	–	–	–	–	–	–	–
c) Central Govt	–	–	–	–	–	–	–	–	–
d) State Govt(s)	–	–	–	–	–	–	–	–	–
e) Venture Capital Funds	–	–	–	–	–	–	–	–	–
f) Insurance Companies	–	–	–	–	–	–	–	–	–
g) FIs	–	–	–	–	–	–	–	–	–
h) Foreign Venture Capital Funds	11,09,51,640	10,26,23,366	21,35,75,006	10.20	11,09,51,640	10,26,23,366	21,35,75,006	8.04	(2.16)
i) Others (specify)	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(1):</b>	11,09,51,640	12,13,40,226	23,22,91,866	11.09	11,09,51,640	12,13,40,226	23,22,91,866	8.74	(2.35)
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	–
ii) Overseas	–	–	–	–	–	–	–	–	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals	–	–	–	–	–	–	–	–	–
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	–
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	–	–	–	–	–	–	–	–	–
c. Others (specify)	–	–	–	–	–	–	–	–	–
<b>Sub-total (B)(2):</b>	–	–	–	–	–	–	–	–	–
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	11,09,51,640	12,13,40,226	23,22,91,866	11.09	11,09,51,640	12,13,40,226	23,22,91,866	8.74	(2.35)
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	1,07,22,45,498	1,02,21,43,718	209,43,89,216	100	2,53,70,48,984	12,13,40,232	265,83,89,216	100	–

**(ii) Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged/encumbered to total shares	
1.	Mahindra Vehicle Manufacturers Limited	–	–	–	2,426,097,344	91.25	–	91.25
2.	Mahindra Vehicle Manufacturers Limited jointly with Mr. Narayan Shankar*	–	–	–	1		–	
3.	Mahindra Vehicle Manufacturers Limited jointly with Dr. Pawan Kumar Goenka*	–	–	–	1		–	
4.	Mahindra Vehicle Manufacturers Limited jointly with Mr. K. Chandrasekar*	–	–	–	1	0.01	–	0.01
5.	Mahindra Vehicle Manufacturers Limited jointly with Mr. V S Parthasarathy*	–	–	–	1		–	
6.	Mahindra Vehicle Manufacturers Limited jointly with Mr. Rajesh Jejurikar*	–	–	–	1		–	
7.	Mahindra Vehicle Manufacturers Limited jointly with Mr. Mahendra Bhalerao*	–	–	–	1		–	
	<b>Total</b>	–	–	–	2,426,097,350	91.26	–	91.26

\* Shares held by Mahindra Vehicle Manufacturers Limited jointly with Nominees to comply with the statutory provisions of Companies Act, with regard to minimum number of members.



**(iii) Change in Promoters' Shareholding (please specify, if there is no change):**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mahindra and Mahindra Limited (M & M)@	1,862,097,350	88.91	@2,26,20,97,344 shares were transferred to MVML during the year. Further, 6 shares held by M&M with joint holders were transferred to MVML and joint holders.	
2	Mahindra Vehicle Manufacturers Limited*	-	-	*2,42,60,97,350 (including 6 shares held by joint holders)	91.262%

@ During the year, the following shares of Rs. 10 each were allotted for cash at par to Mahindra & Mahindra Limited pursuant to Rights issues: -

On 30th April, 2015 – 9,33,54,290 shares.

On 9th July, 2015 – 8,16,45,710 shares.

On 11th September, 2015 – 16,00,00,000 shares.

On 22nd December, 2015 – 6,50,00,000 shares.

\* On 29th March, 2016, 16,40,00,000 shares of Rs. 10 each were allotted for cash at par to Mahindra Vehicle Manufacturers Limited pursuant to a Rights issue.

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Aay Kay Global	21,35,75,006	10.20%	21,35,75,006	8.034%
2	Emerging India Fund	1,87,16,860	0.89%	1,87,16,860	0.704%

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

Sr. No.	For Each of the Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	-	-	-	-	-
2	-	-	-	-	-
3	-	-	-	-	-

**V. INDEBTEDNESS**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
i) Principal Amount	13,125	700	-	13825
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	19	3	-	22
<b>Total (i+ii+iii)</b>	<b>13,144</b>	<b>703</b>	<b>-</b>	<b>13,847</b>
<b>Change in Indebtedness during the financial year</b>				
+ Addition	47,275	9,400	-	56,675
- Reduction	42,350	8,600	-	50,950
<b>Net Change</b>	<b>3,425</b>	<b>800</b>	<b>-</b>	<b>4,225</b>
<b>Indebtedness at the end of the financial year 31.03.2016</b>				

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
i) Principal Amount	18,050	1,500	–	19550
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	112	–	–	112
<b>Total (i + ii + iii)</b>	<b>18,162</b>	<b>1,500</b>	<b>–</b>	<b>19,662</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount (Rs. in Lakhs)
		Mr. Prem Rathi, Manager		
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		43.05	43.05
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0.32	0.32
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		–	–
2.	Stock Option		–	–
3.	Sweat Equity		–	–
4.	Commission			
	– as % of profit		–	–
	– others, specify...		–	–
5.	Others, please specify		–	–
	Total (A)		43.37	43.37
	Ceiling as per the Act	As per schedule V of the Companies Act, 2013		

### B. Remuneration to other directors:

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount (Rs. in Lakhs)
		Dr. Punita Kumari Sinha	Mr. Naveen Kumar Kshatriya	
1	Independent Directors			
	• Fee for attending board/committee meetings	2.61	2.61	5.22
	• Commission	–	–	–
	• Others, please specify	–	–	–
	<b>Total (1)</b>	<b>2.61</b>	<b>2.61</b>	<b>5.22</b>
2	Other Non-Executive Directors	–	–	–
	• Fee for attending board/committee meetings	–	–	–
	• Commission	–	–	–
	• Others, please specify	–	–	–
	<b>Total (2)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	Total (B) = (1 + 2)	2.61	2.61	5.22
	Total Managerial Remuneration	–	–	48.59
	Overall Ceiling as per the Act	As per schedule V of the Companies Act, 2013		

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD:

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total (Rs. in Lakhs)
		-	Poonam Vaze	Mahendra Bhalerao	
1.	Gross salary (Rupees)				
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	42.35	42.35
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	0.36	0.36
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify...	-	-	-	-
5.	Others, please specify	-	1.80	-	1.80
	<b>Total</b>	-	1.80	42.71	44.51

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	-	-	-	-	-
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

**Anand Mahindra**  
Chairman  
DIN: 00004695

Mumbai, 25<sup>th</sup> April, 2016

**ANNEXURE V****PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014****A. CONSERVATION OF ENERGY**

- (i) The steps taken or impact on conservation of energy: After acquiring business assets from Kinetic Motor Company Limited, the Company has started operations to scale up the production of two wheelers at the Pithampur plant. Specific Power and Fuel consumption for F-16 has maintained 52 KWH/eqv veh as compared the same unit of F15 including new product development of Mojo, however Power & fuel cost is reduced by 8% as compared to F15. The Company is continuously focusing on measures for saving power consumption through improved operational methods by optimization of pumps, reduction of kW rating of motors, recovery of waste solvent, hot washing to cold washing, better house-keeping and awareness programs both to the employees & suppliers resulting in reduced energy consumption & emissions. Your Company has received ISO 50001 certification for Energy Management System.
- (ii) The steps taken by the Company for utilizing alternate sources of energy: Company has undertaken various energy saving projects including use of Solar power purchased as an alternative source of power. It has also converted HSD & LPG system to PNG. The above measures have resulted in reduction of Energy Consumption. The Company was able to save approximately 167764 KWH electrical energy in Financial Year ended 31st March, 2016 through various conservation projects
- (iii) The capital investment on energy conservation equipments : Rs. 3.74 Lacs (Energy & fuel).

**B. TECHNOLOGY ABSORPTION Research & Development (R & D)**

- i) The efforts made towards technology absorption: The Company has developed in-house skills in the area of product design & development through investments in human resource, software, hardware & lab/validation facilities.
- ii) The benefits derived like product improvement, cost reduction, import substitution: The above efforts have resulted in introduction of new version of existing products & new products. Company has designed and developed new models like GUSTO 125, Mojo & export variants. Also, there has been significant effort in driving the material cost reduction on existing models.

Your Company has till date filed for 80 provisional patent and few of them are being introduced in our products

- iii) In case of imported technology ( imported during the last three years reckoned from the beginning of the financial year) –
- (a) the details of technology imported: Nil
- (b) the year of import: Nil
- (c) whether the technology been fully absorbed: Nil
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

- iv) Expenditure incurred on Research and Development :

1. Capital -- Rs 1,962 Lacs
2. Recurring -- Rs 1,388 Lacs

Percentage of total R & D expenditure to Total turnover: 5.31 %

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Total Foreign Exchange earnings and outgo during the year under review is as follows:

	<b>(Rs. in Lac)</b>	
	<b>Financial Year 2015-16</b>	Financial Year 2014-15
Total Foreign Exchange earned	<b>6,400</b>	3,834
Total Foreign Exchange used	<b>3,618</b>	9,773

For and on behalf of the Board

**Anand Mahindra**  
Chairman  
DIN: 00004695

Mumbai, 25<sup>th</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA TWO WHEELERS LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Mahindra Two Wheelers Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the 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 prescribed under Section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 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 and the Order under Section 143(11) of the Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 31<sup>st</sup> March, 2016, 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 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 prescribed under Section 133 of the Act, as applicable.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 44 to the financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 117365W)

**H. L. Shah**  
Partner

Place : Mumbai  
Date : 25<sup>th</sup> April, 2016

(Membership No. 033590)

## ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 Mahindra Two Wheelers Limited (“the Company”) as of 31<sup>st</sup> March 2016 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. 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.

#### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 31<sup>st</sup> March, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No. 117365W)

**H. L. Shah**  
Partner

Place : Mumbai  
Date : 25<sup>th</sup> April, 2016

(Membership No. 033590)

## ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have not been physically verified during the year but the Company has a system of verifying the fixed assets once in every three years. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of the assets.
- (c) In respect of immovable properties of land and buildings that have been taken on lease and building thereon disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories were physically verified during the year by the management (except for stock lying with third parties for which confirmations have been received for substantial portion of the stock) at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of making investments. The Company has, however, not granted any loans and provided any guarantees during the year.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit within the meaning of provisions of Sections 73 to 76 or any other relevant provision of the Act and the rules framed thereunder. Hence reporting under clause 3 (v) of the Order is not applicable.
- (vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013. Hence reporting under clause 3(vi) of the Order is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. Based on our audit procedure and according to the information and explanation given to us, there are no arrears of statutory dues which had remained outstanding as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us and records of the company, the details of dues of the Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on 31<sup>st</sup> March, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs. Lacs)	Amount Unpaid (Rs. Lacs)
Central Sales Act and Local Tax Laws	Sales Tax	Appellate Tribunal Board, Indore	2010-11	32.80	32.80
Central Sales Act and Local Tax Laws	Sales Tax	Appellate Tribunal Board, Indore	2011-12	2.95	2.95
Central Sales Act and Local Tax Laws	Sales Tax	Additional Commissioner (Appellate), Indore	2012-13	64.32	64.32
Central Sales Act and Local Tax Laws	Sales Tax	Appellate Deputy Commissioner, Hyderabad	2010-11	44.80	44.80
Central Sales Act and Local Tax Laws	Sales Tax	Appellate Tribunal Board, Ernakulum	2010-11	5.93	5.93
Central Sales Act and Local Tax Laws	Sales Tax	Deputy Commissioners (Appeals - I), Ernakulum	2013-14	4.14	4.14
Central Sales Act and Local Tax Laws	Sales Tax	Joint Commissioners, Appeal – Ranchi	2010-11	9.08	9.08

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs. Lacs)	Amount Unpaid (Rs. Lacs)
Central Sales Act and Local Tax Laws	Sales Tax	Appellate Tribunal, Kolkata	2010-11	0.85	0.85
Central Sales Act and Local Tax Laws	Sales Tax	Joint Commissioners, Appeal – Pune	2010-11	36.05	36.05
The Central Excise Act, 1944	Central Excise Duty	Commissioners (Appeals) Central Excise, Bhopal	F.Y. 2008-09 and F.Y. 2012-13	106.44	106.44
The Central Excise Act, 1944	Central Excise Duty	The Company is in the process of filing appeal before Appellate Tribunal, New Delhi contesting demand	January 2009 to October 2014	7,126.60	7,126.60
The Central Excise Act, 1944	Central Excise Duty	Assistant Commissioners of Central Excise, Pune	April 2012 to March 2014	1.20	1.20
The Central Excise Act, 1944	Central Excise Duty	Appeal still to be filed	September, 2013	1.60	1.60

- (viii) Based on our audit procedures and on the information and explanations given by the management, the Company has not defaulted in the repayment of loans or borrowings to bank. The Company has not taken any loans or borrowings from financial institutions and government and has not issued any debentures.
- (ix) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised.
- (x) Based upon the audit procedures performed and according to the information and explanations given and representations made by the management, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 188 and 177 of the Companies Act, 2013,

where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 117365W)

Place : Mumbai  
Date : 25<sup>th</sup> April, 2016

**H. L. Shah**  
Partner  
(Membership No. 033590)



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	Rupees in lacs	
		As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	265,838.92	209,438.92
(b) Reserves and Surplus	2	(238,616.69)	(177,099.27)
		<b>27,222.23</b>	<b>32,339.65</b>
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	—	1,500.00
(b) Deferred tax liabilities (Net)	4	—	—
(c) Long term provisions	5	891.59	560.14
		<b>891.59</b>	<b>2,060.14</b>
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	6	18,815.82	9,075.00
(b) Trade payables	7		
(i) Due to Micro, Small & Medium Enterprises		91.35	153.11
(ii) Due to Other than Micro, Small & Medium Enterprises		22,006.45	25,246.11
(c) Other current liabilities	8	5,241.58	7,309.94
(d) Short-term provisions	9	1,559.48	940.64
		<b>47,714.68</b>	<b>42,724.80</b>
<b>TOTAL</b>		<b>75,828.50</b>	<b>77,124.59</b>
<b>II ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	10	26,071.39	26,579.91
(ii) Intangible assets	11	5,936.71	3,096.71
(iii) Capital work-in-progress		794.14	1,385.39
(iv) Intangible assets under development		1,498.29	5,099.40
		<b>34,300.53</b>	<b>36,161.41</b>
(b) Deferred tax assets (net)	4	—	—
(c) Non-current Investments	12	11,756.26	13,329.11
(d) Long-term loans and advances	13	5,104.93	5,802.17
(e) Other non-current assets	14	317.84	7.70
		<b>51,479.56</b>	<b>55,300.39</b>
<b>(2) Current assets</b>			
(a) Inventories	15	12,313.24	11,725.14
(b) Trade receivables	16	2,515.32	1,362.87
(c) Cash and Bank Balances	17	161.01	519.96
(d) Short-term loans and advances	18	9,107.32	8,215.78
(e) Other current assets	19	252.05	0.45
		<b>24,348.94</b>	<b>21,824.20</b>
<b>TOTAL</b>		<b>75,828.50</b>	<b>77,124.59</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

In terms of our report attached

For **Deloitte Haskins & Sells**

Chartered Accountants

**H. L. Shah**  
Partner**Mr. Mahendra Bhalerao**  
Chief Financial OfficerDate: 25<sup>th</sup> April, 2016  
Place: Mumbai

For and on behalf of the Board

**Dr. Pawan Kumar Goenka**  
**Mr. Rajesh Jejurikar**  
**Mr. V.S. Parthasarathy**  
**Mr. Ramesh Venkataraman**

} Director's

**Ms. Poonam Vaze**  
Company SecretaryDate: 25<sup>th</sup> April, 2016  
Place: Mumbai

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	Rupees in lacs	
		For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
I. Revenue from operations-Gross		<b>70,065.94</b>	72,134.26
Less: Excise Duty		<b>7,290.50</b>	5,968.04
Revenue from operations-Net	20	<b>62,775.44</b>	66,166.22
II. Other Income	21	<b>351.95</b>	282.10
<b>III. Total Revenue (I+II)</b>		<b>63,127.39</b>	66,448.32
IV. Expenses:			
Cost of materials consumed	22	<b>58,175.11</b>	57,471.54
Purchase of Stock-in-Trade		<b>1,986.20</b>	2,078.88
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	23	<b>(2,354.01)</b>	738.61
Employee benefit expense	24	<b>11,971.84</b>	11,271.06
Finance costs	25	<b>2,428.94</b>	3,350.26
Depreciation and amortization expense	10 & 11	<b>5,543.86</b>	3,932.38
Impairment Loss/Reversal (Net)	10 & 11	<b>2,559.85</b>	-
Other expenses	26	<b>44,333.02</b>	40,493.00
<b>V. Total Expenses</b>		<b>124,644.81</b>	119,335.73
VI. Loss before tax (III - V)		<b>(61,517.42)</b>	(52,887.41)
VII. Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
		-	-
<b>VIII. Loss for the year (VI - VII)</b>		<b>(61,517.42)</b>	(52,887.41)
IX. Earning per equity share (Face Value per share Rs. 10):			
(1) Basic		<b>(2.64)</b>	(3.41)
(2) Diluted		<b>(2.64)</b>	(3.41)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**H. L. Shah**  
Partner

Date: 25<sup>th</sup> April, 2016  
Place: Mumbai

**Mr. Mahendra Bhalerao**  
Chief Financial Officer

For and on behalf of the Board

**Dr. Pawan Kumar Goenka**  
**Mr. Rajesh Jejurikar**  
**Mr. V.S. Parthasarathy**  
**Mr. Ramesh Venkataraman**

} Director's

**Ms. Poonam Vaze**  
Company Secretary

Date: 25<sup>th</sup> April, 2016  
Place: Mumbai

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Rupees in lacs	
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax.....	(61,517.42)	(52,887.41)
Adjustment for:		
Depreciation/Amortisation.....	5,543.86	3,932.38
Impairment Loss/Reversal (Net) .....	2,559.85	
Interest expense .....	2,428.94	3,350.26
(Profit)/loss on sale of fixed assets .....	6.67	0.51
(Profit)/loss on sale of investments .....	(0.39)	(14.50)
Asset written off.....	1,290.68	2,941.57
Stamp duty, registration charges on increase in authorised share capital and issue of shares.....	61.45	89.98
Interest income.....	(22.88)	(9.84)
	<b>11,868.18</b>	<b>10,290.36</b>
Operating profit before Working Capital changes..	<b>(49,649.24)</b>	<b>(42,597.05)</b>
Adjustments for changes in Working capital		
Long-term Loans and advances.....	(369.41)	(1,006.13)
Other non-current assets .....	(310.14)	(0.95)
Inventories .....	(588.10)	1,108.80
Trade Receivables .....	(1,152.45)	707.83
Short-term Loans and advances .....	(891.54)	(2,654.43)
Other current assets.....	-	-
Long-term Provisions .....	331.45	45.57
Trade Payables.....	(3,317.42)	9,500.92
Other current liabilities .....	(427.46)	378.52
Short term Provisions.....	605.29	59.76
	<b>(6,119.78)</b>	<b>8,139.89</b>
Cash generated from operations.....	<b>(55,769.02)</b>	<b>(34,457.16)</b>
Taxes paid.....	(13.21)	(5.58)
Net Cash from Operating activities .....	<b>(55,782.23)</b>	<b>(34,462.74)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed Assets:		
Purchase.....	(6,570.91)	(9,427.61)
Sale .....	129.83	52.29
Investments:		
Purchase.....	(1,750.00)	(24,215.50)
Sale .....	1,750.39	24,230.00
Purchase of Long term Investment - Subsidiary ....	1,572.85	(13,329.11)
Interest received.....	18.13	9.84
Net Cash (used) in investing activities.....	<b>(4,849.71)</b>	<b>(22,680.09)</b>

	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015
<b>Rupees in lacs</b>		
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Share Capital (See note 3).....	<b>56,400.00</b>	75,915.46
Repayment of Long term borrowings .....	<b>(3,250.00)</b>	(3,250.00)
Proceeds from Short term borrowings.....	<b>57,083.23</b>	26,925.00
Repayment of Short term borrowings (See note 4)....	<b>(47,700.00)</b>	(39,175.00)
Stamp duty, registration charges on increase in authorised share capital.....	<b>(45.45)</b>	(89.98)
Interest paid.....	<b>(2,214.79)</b>	(3,707.97)
Net Cash from in financing activities.....	<b>60,272.99</b>	56,617.51
<b>D NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>(358.95)</b>	(525.32)
Cash and Cash Equivalents (Opening balance) ....	<b>519.96</b>	1,045.28
Cash and Cash Equivalents (Closing balance) .....	<b>161.01</b>	519.96

**Notes:**

- Figures in brackets represent outflows of cash and cash equivalents.
- Cash and cash equivalents comprise of:

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Cash on hand.....	<b>1.33</b>	3.95
Balances with Banks .....	<b>159.68</b>	516.01
	<b>161.01</b>	519.96

- Proceeds from issuance of Share Capital excludes Rs. NIL (Previous year Rs. 7650 Lacs) being conversion of borrowing to Equity Share Capital.
- Repayment of short term borrowing excludes Rs. NIL (Previous year Rs. 7650 Lacs) being conversion of Equity Share Capital.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**H. L. Shah**  
Partner

Date: 25<sup>th</sup> April, 2016  
Place: Mumbai

**Mr. Mahendra Bhalerao**  
Chief Financial Officer

For and on behalf of the Board

**Dr. Pawan Kumar Goenka**  
**Mr. Rajesh Jejurikar**  
**Mr. V.S. Parthasarathy**  
**Mr. Ramesh Venkataraman**

} Director's

**Ms. Poonam Vaze**  
Company Secretary

Date: 25<sup>th</sup> April, 2016  
Place: Mumbai

## Notes forming part of the Financial Statements

### NOTE 1

#### SHARE CAPITAL

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Authorised:</b>		
3,500,000,000 (31 <sup>st</sup> March, 2015, 2,800,000,000) equity shares of Rs 10/- each.	350,000.00	280,000.00
	<u>350,000.00</u>	<u>280,000.00</u>
<b>Issued, Subscribed and Paid up:</b>		
2,658,389,216 (31 <sup>st</sup> March, 2015, 2,094,389,216) equity shares of Rs 10/- each fully paid up.	265,838.92	209,438.92
	<u>265,838.92</u>	<u>209,438.92</u>
<b>Total</b>	<u>265,838.92</u>	<u>209,438.92</u>

Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	As at 31 <sup>st</sup> March, 2015
	Amount in lacs	No. of shares	Amount in lacs	No. of shares
No. of equity shares outstanding at the beginning of the year	209,438.92	2,094,389,216	125,873.46	1,258,734,588
Add: Additional equity shares issued during the year	56,400.00	564,000,000	83,565.46	835,654,628
Less: Equity Shares forfeited/Bought back during the year	-	-	-	-
No. of equity shares outstanding at the end of the year	<u>265,838.92</u>	<u>2,658,389,216</u>	<u>209,438.92</u>	<u>2,094,389,216</u>

#### Notes:

- Of the above 2,426,097,350 shares are held by Mahindra Vehicle Manufacturing Limited (Previous year 2015: 1,862,097,350 shares held by Mahindra & Mahindra Limited) the holding company.
- During the year Mahindra & Mahindra Limited sold 2,262,097,350 number of shares (90.69%) of the company's paid up share capital to its wholly owned subsidiary Mahindra Vehicle Manufacturing Limited on 17th Feb 2016.  
Further Company has issued 164,000,000 number of shares to Mahindra Vehicle Manufacturing Limited amounting to Rs. 16,400 Lacs. pursuant to this transaction Mahindra Vehicle Manufacturing Limited held (91.26%) of the paid up share capital.
- Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

Particular	2016		2015	
	Number of shares	% Shareholding	Number of shares	% Shareholding
<b>Equity Shares:</b>				
Mahindra Vehicle Manufacturing Limited	2,426,097,350	91.26	-	-
Mahindra & Mahindra Limited	-	-	1,862,097,350	88.91
Aay Kay Global	213,575,006	8.03	213,575,006	10.20

- The Company has only one class of Share i.e. Equity Shares having par value of Rs.10 each. Each holder of Equity Share is entitled to one vote per Share.  
In the event of liquidation of company, The holder of the Equity Share will be entitled to receive remaining assets, after deducting all it's liabilities, in proportion to the number of Equity Share held.

### NOTE 2

#### RESERVES AND SURPLUS

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Securities Premium Account:</b>		
Balance at the beginning & end of the year	976.54	976.54
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>		
Opening Balance	(178,075.81)	(125,012.57)

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Add: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life	-	(175.83)
Add: (Loss) for the year	(61,517.42)	(52,887.41)
Closing Balance	(239,593.23)	(178,075.81)
<b>Total</b>	<u>(238,616.69)</u>	<u>(177,099.27)</u>

### NOTE 3

#### LONG TERM BORROWINGS

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>From other than related parties:</b>		
Term Loans (Secured)		
- from Banks		
- INR Term Loan	-	1,500.00
<b>Total</b>	<u>-</u>	<u>1,500.00</u>

#### Notes:

- INR Term Loan is secured by First Pari passu charge on movable and immovable fixed assets (i.e. Factory Land and Building at Pithampur) of the company.

### NOTE 4

#### (i) Break up of deferred tax liability as at year end:

Nature of timing difference	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Provision for Depreciation	1,167.06	1,249.97
<b>Total</b>	<u>1,167.06</u>	<u>1,249.97</u>

#### (ii) Break up of deferred tax asset as at year end:

Nature of timing difference	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Carried Forward Tax Losses	1,167.06	1,249.97
<b>Total</b>	<u>1,167.06</u>	<u>1,249.97</u>

#### (iii) Deferred tax asset/(liability) net:

	-	-
<b>Notes:</b>		
The deferred tax asset on tax loss carried forward has been recognised to the extent of the deferred tax liability in the books.		

### NOTE 5

#### LONG-TERM PROVISIONS

	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>a. Provision for Employee Benefits</b>		
Provision for compensated absences	579.02	475.57
<b>b. Provision - Others:</b>		
Provision for Warranty (See Note 43)	261.61	22.45
Provision for Free Service Coupons (See Note 43)	50.96	62.12
<b>Total</b>	<u>891.59</u>	<u>560.14</u>

**NOTE 6  
SHORT TERM BORROWINGS**

	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>From related parties</b>		
Inter Corporate Deposit (Unsecured)	1,500.00	-
<b>From other than related parties:</b>		
Term Loans from Banks		
- Foreign Currency Term Loan from Bank (Secured)	5,157.59	-
Loans repayable on demand from Banks		
- Working Capital Demand Loan I (Secured) (Refer Note below)	11,750.00	8,375.00
- Working Capital Demand Loan II (Unsecured)	-	700.00
- Cash Credit Facility for Working Capital	408.23	-
	<u>12,158.23</u>	<u>9,075.00</u>
<b>Total</b>	<u><b>18,815.82</b></u>	<u><b>9,075.00</b></u>

**Notes:-**

- WCDL, Cash Credit facility, Foreign currency term loan is secured by First Pari passu charge on stocks & receivables.

**NOTE 7  
TRADE PAYABLES**

	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Trade payables (See note 46)		
- Due to Micro, Small & Medium Enterprises	91.35	153.11
- Due to Other than Micro, Small & Medium Enterprises	22,006.45	25,246.11
<b>Total</b>	<u><b>22,097.80</b></u>	<u><b>25,399.22</b></u>

**NOTE 8  
OTHER CURRENT LIABILITIES**

	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Current maturities of long-term debt	1,500.00	3,250.00
Interest accrued but not due on borrowings	111.90	22.05
Other payables		
(i) Statutory remittances (Contributions to PF & ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	630.40	976.35
(ii) Payables on purchase of fixed assets	651.80	632.55
(vi) Trade/security deposits received	1,065.45	1,056.85
(vii) Advances from customers	613.66	716.62
(viii) Others (Excise duty on finished goods etc.)	668.37	655.52
<b>Total</b>	<u><b>5,241.58</b></u>	<u><b>7,309.94</b></u>

**Notes:-**

- INR Term Loan is secured by First Pari passu charge on movable and immovable fixed assets (i.e. Factory Land and Building at Pithampur) of the company.

**NOTE 9  
SHORT-TERM PROVISIONS**

	Rupees in Lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>a. Provision for Employee Benefits</b>		
Provision for compensated absences	205.15	168.70
Provision for gratuity (net) (See Note 38)	480.44	27.20
	<u>685.59</u>	<u>195.90</u>
<b>b. Provision-Others:</b>		
Provision for Warranty (See Note 43)	358.01	238.90
Provision for Free Service Coupons (See Note 43)	286.57	288.51
Provision for Potential Statutory Liabilities (See Note 43)	229.31	217.33
	<u>873.89</u>	<u>744.74</u>
<b>Total</b>	<u><b>1,559.48</b></u>	<u><b>940.64</b></u>

NOTE 10 FIXED ASSETS- TANGIBLE	Cost			As at 31 <sup>st</sup> March, 2016	Depreciation				Upto 31 <sup>st</sup> March, 2016	Impairment #			As at 31 <sup>st</sup> March, 2016	Net Block As at 31 <sup>st</sup> March, 2016
	As at 1 <sup>st</sup> April, 2015	Additions during the year	Disposals during the year		Upto 31 <sup>st</sup> March, 2015	For the year	Adjusted against Opening Reserve	On Disposals		As at 31 <sup>st</sup> March, 2015	Provided during the year	Written back during the year		
<b>TANGIBLE ASSETS</b>														
Land - Leasehold	1,687.02 (1,687.02)	- (-)	- (-)	1,687.02 (1,687.02)	137.98 (116.87)	21.18 (21.11)	- (-)	- (-)	159.16 (137.98)	- -	- -	- -	- -	1,527.86 (1,549.04)
Improvements to Leasehold Premises	551.39 (551.17)	2.11 (0.22)	- (-)	553.50 (551.39)	448.01 (317.68)	76.73 (130.33)	- (-)	- (-)	524.74 (448.01)	- (-)	- (-)	- (-)	- (-)	28.76 (103.38)
Buildings	5,953.22 (5,937.80)	17.24 (15.42)	- (-)	5,970.46 (5,953.22)	1,176.44 (946.79)	184.59 (183.89)	- (45.76)	- -	1,361.03 (1,176.44)	- (-)	- (-)	- (-)	- (-)	4,609.43 (4,776.78)
Plant and Equipment	27,554.11 (22,140.47)	5,325.81 (5,775.80)	12.02 (362.16)	32,867.90 (27,554.11)	9,102.62 (7,248.78)	3,381.52 (2,179.19)	- (21.72)	7.94 (347.07)	12,476.20 (9,102.62)	- (-)	2,127.40 (-)	- (-)	2,127.40 (-)	18,264.30 (18,451.49)
Furniture and Fixtures	319.48 (317.07)	22.61 (7.36)	- (4.95)	342.09 (319.48)	133.07 (107.30)	30.10 (30.72)	- (-)	- (4.95)	163.17 (133.07)	- (-)	- (-)	- (-)	- (-)	178.92 (186.41)

NOTE 10 FIXED ASSETS- TANGIBLE	Rupees in lacs														
	Cost				Depreciation					Impairment #				Net Block	
	As at 1 <sup>st</sup> April, 2015	Additions during the year	Disposals during the year	As at 31 <sup>st</sup> March, 2016	Upto 31 <sup>st</sup> March, 2015	For the year	Adjusted against Opening Reserve	On Disposals	Upto 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	Provided during the year	Written back during the year	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	
Office Equipment	1,430.92 (1,268.10)	30.43 (192.94)	- (30.12)	<b>1,461.35</b> <b>(1,430.92)</b>	896.12 (470.76)	268.99 (348.44)	- (106.65)	- (29.73)	<b>1,165.11</b> <b>(896.12)</b>	- (-)	- (-)	- (-)	- (-)	<b>296.24</b> <b>(534.80)</b>	
Vehicles	1,230.00 (639.76)	474.85 (631.83)	202.48 (41.59)	<b>1,502.37</b> <b>(1,230.00)</b>	251.99 (149.60)	154.57 (107.45)	- (-)	70.07 (5.06)	<b>336.49</b> <b>(251.99)</b>	- (-)	- (-)	- (-)	- (-)	<b>1,165.88</b> <b>(978.01)</b>	
<b>Total</b>	<b>38,726.14</b>	<b>5,873.05</b>	<b>214.50</b>	<b>44,384.69</b>	<b>12,146.23</b>	<b>4,117.68</b>	<b>-</b>	<b>78.01</b>	<b>16,185.90</b>	<b>-</b>	<b>2,127.40</b>	<b>-</b>	<b>2,127.40</b>	<b>26,071.39</b>	
<b>Previous year March 2015</b>	<b>32,541.39</b>	<b>6,623.57</b>	<b>438.82</b>	<b>38,726.14</b>	<b>9,357.78</b>	<b>3,001.13</b>	<b>174.13</b>	<b>386.81</b>	<b>12,146.23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,579.91</b>	

NOTE 11  
FIXED ASSETS - Intangible

Rupees in lacs

INTANGIBLE ASSETS	Rupees in lacs														
	Cost				Amortization					Impairment #				Net Block	
	As at 1 <sup>st</sup> April, 2015	Additions during the year	Disposals during the year	As at 31 <sup>st</sup> March, 2016	Upto 31 <sup>st</sup> March, 2015	For the year	Adjusted against Opening Reserve	On Disposals	As at 31 <sup>st</sup> March, 2016	As at 1 <sup>st</sup> April, 2015	Provided during the year	Written back during the year	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	
<b>Internally generated</b>															
Product Development Expenditure	4,580.18 (2,141.53)	4,659.08 (2,440.12)	- (1.47)	<b>9,239.26</b> <b>(4,580.18)</b>	1,722.76 (1,029.62)	1,253.02 (693.83)	- (-)	- (0.68)	<b>2,975.78</b> <b>(1,722.76)</b>	- (-)	432.45 (-)	- (-)	<b>432.45</b> <b>(-)</b>	<b>5,831.02</b> <b>(2,857.42)</b>	
<b>Others</b>															
Technical Knowhow	1,256.65 (1,256.65)	- (-)	- (-)	<b>1,256.65</b> <b>(1,256.65)</b>	1,256.65 (1,255.39)	- (1.26)	- (-)	- (-)	<b>1,256.65</b> <b>(1,256.65)</b>	- (-)	- (-)	- (-)	- (-)	- (-)	
Brands	155.00 (155.00)	- (-)	- (-)	<b>155.00</b> <b>(155.00)</b>	155.00 (155.00)	- (-)	- (-)	- (-)	<b>155.00</b> <b>(155.00)</b>	- (-)	- (-)	- (-)	- (-)	- (-)	
Software	861.14 (811.91)	39.54 (49.23)	- (-)	<b>900.68</b> <b>(861.14)</b>	621.85 (384.01)	173.14 (236.14)	- (1.70)	- (-)	<b>794.99</b> <b>(621.85)</b>	- (-)	- (-)	- (-)	- (-)	<b>105.69</b> <b>(239.29)</b>	
<b>Total</b>	<b>6,852.97</b>	<b>4,698.62</b>	<b>-</b>	<b>11,551.59</b>	<b>3,756.26</b>	<b>1,426.16</b>	<b>-</b>	<b>-</b>	<b>5,182.42</b>	<b>-</b>	<b>432.45</b>	<b>-</b>	<b>432.45</b>	<b>5,936.71</b>	
<b>Previous year March 2015</b>	<b>4,365.09</b>	<b>2,489.35</b>	<b>1.47</b>	<b>6,852.97</b>	<b>2,824.00</b>	<b>931.24</b>	<b>1.70</b>	<b>0.68</b>	<b>3,756.26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,096.71</b>	

NOTE 12  
NON CURRENT INVESTMENTS

	Rupees in lacs				
	Face Value Per Unit	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
		Number	Rupees	Number	Rupees
Investment in Equity Instruments (Trade and fully paid up unless otherwise specified)					
Unquoted					
In Subsidiary Companies:					
Mahindra Two Wheelers Europe Holdings S.a r.l. (Refer Note 30)	EURO 1	<b>14,900,000</b>	<b>11,756.26</b>	17,000,000	13,329.11
<b>Total</b>		<b>14,900,000</b>	<b>11,756.26</b>	<b>17,000,000</b>	<b>13,329.11</b>

NOTE 13  
LONG-TERM LOANS AND ADVANCES

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
(Unsecured, considered good)		
<b>Loans and Advances to other than related parties:</b>		
Capital Advances	<b>907.24</b>	1,987.10
Security deposits	<b>414.29</b>	456.89
Loans and advances to employees	<b>22.70</b>	28.72
Advance income tax (net of provisions) – Unsecured, considered good	<b>29.33</b>	16.12
Balances with government authorities - VAT credit receivable	<b>3,621.26</b>	3,203.23
Other loans and advances (Stamp duty paid under protest)	<b>110.11</b>	110.11
<b>Total</b>	<b>5,104.93</b>	<b>5,802.17</b>

**NOTE 14  
OTHER NON-CURRENT ASSETS**

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Other Bank Balances:		
Balances with banks (Under lien)	317.84	7.70
<b>Total</b>	<b>317.84</b>	<b>7.70</b>

**NOTE 15  
INVENTORIES**

(at cost or net realisable value whichever is lower)

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Raw materials (including Goods in Transit Rs. 475.08 lacs (Previous year Rs. 5.35 lacs))	2,889.39	4,710.16
Work-in-Progress	373.20	141.59
Finished Goods (including Goods in Transit Rs. NIL (Previous year Rs.34.94 lacs))	7,264.28	5,122.72
Spares for resale (Manufactured/Traded) (including Goods in Transit Rs. 15.40 lacs (Previous year Rs. NIL))	1,267.37	1,286.53
Stores and spares	519.00	464.14
<b>Total</b>	<b>12,313.24</b>	<b>11,725.14</b>

**NOTE 16  
TRADE RECEIVABLES**

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
(Unsecured)		
Trade receivables due for a period exceeding six months		
Considered Good	454.37	-
Considered Doubtful	378.55	305.66
	<b>832.92</b>	<b>305.66</b>
Other Trade Receivables		
Considered Good	2,060.95	1,362.87
Considered Doubtful	2.92	18.67
	<b>2,063.87</b>	<b>1,381.54</b>
	<b>2,896.79</b>	<b>1,687.20</b>
Less: Provision for Doubtful debts	381.47	324.33
<b>Total</b>	<b>2,515.32</b>	<b>1,362.87</b>

**NOTE 17  
CASH AND CASH EQUIVALENTS**

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Cash on hand	1.33	3.95
Balances with banks		
(i) In current accounts	115.82	493.30
(ii) In EEFC accounts	43.86	22.71
<b>Total</b>	<b>161.01</b>	<b>519.96</b>

**NOTE 18  
SHORT-TERM LOANS AND ADVANCES**

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
(Unsecured)		
<b>Loans and Advances to other than related parties:</b>		
Balances with government authorities		
(i) CENVAT credit receivable	1,902.42	3,155.01
(ii) VAT credit receivable	135.53	112.64
(iii) Service Tax credit receivable	5,833.95	2,722.94
	<b>7,871.90</b>	<b>5,990.59</b>
Prepaid expenses	145.00	137.28
Advance to Suppliers – Considered Good	991.89	1,962.34
Loans and advances to employees	83.99	115.11
Others	14.54	10.46
<b>Total</b>	<b>9,107.32</b>	<b>8,215.78</b>

**NOTE 19  
OTHER CURRENT ASSETS**

	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Unamortised expenses		
Unamortised premium on Forward Contracts	246.85	-
Accruals		
Interest Accrued but not due on Fixed Deposit	5.20	0.45
<b>Total</b>	<b>252.05</b>	<b>0.45</b>

**NOTE 20  
REVENUE FROM OPERATIONS-NET**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Sale of products – Gross (See note 32(iv))	69,493.45	71,612.41
Other operating revenues:		
Scrap Sales	413.88	403.54
Export Incentives	158.61	118.31
	<b>70,065.94</b>	<b>72,134.26</b>
Less: Excise Duty	7,290.50	5,968.04
<b>Total</b>	<b>62,775.44</b>	<b>66,166.22</b>

**NOTE 21  
OTHER INCOME**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Profit on sale of Investment (Net) (current investments)	0.39	14.50
Interest Income	22.88	9.84
Net gain on foreign currency transaction and translation (other than considered as finance cost)	98.50	95.28
Other Non-Operating Income (Royalty etc)	230.18	162.48
<b>Total</b>	<b>351.95</b>	<b>282.10</b>



**NOTE 22  
COST OF MATERIAL CONSUMED**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Raw Material Consumed (see note 32(ii))	57,617.53	57,054.79
Packing Material Consumed	557.58	416.75
<b>Total</b>	<b>58,175.11</b>	<b>57,471.54</b>

**NOTE 23  
CHANGES IN INVENTORIES OF FINISHED GOODS AND  
WORK-IN-PROGRESS AND STOCK IN TRADE**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Opening stock		
Work-in-progress	141.59	588.79
Finished goods	5,122.72	5,977.73
Spares for resale (Manufactured/Traded)	1,286.53	722.93
	<b>6,550.84</b>	<b>7,289.45</b>
Closing stock		
Work-in-progress	373.20	141.59
Finished goods	7,264.28	5,122.72
Spares for resale (Manufactured/Traded)	1,267.37	1,286.53
	<b>8,904.85</b>	<b>6,550.84</b>
<b>Total</b>	<b>(2,354.01)</b>	<b>738.61</b>

**NOTE 24  
EMPLOYEE BENEFIT EXPENSE**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Salaries and wages	11,324.94	11,330.65
Less: Salary capitalised	1,054.00	1,376.00
	<b>10,270.94</b>	<b>9,954.65</b>
Contribution to provident and other funds	965.89	570.89
Staff welfare expenses	735.01	745.52
<b>Total</b>	<b>11,971.84</b>	<b>11,271.06</b>

**NOTE 25  
FINANCE COSTS**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Interest expense on borrowings	2,218.24	3,216.59
Interest expense (others)	46.80	19.39
Other finance costs	163.90	114.28
<b>Total</b>	<b>2,428.94</b>	<b>3,350.26</b>

**NOTE 26  
OTHER EXPENSES**

	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Processing & Machining charges	1,592.05	2,932.91
Consumption of stores and spare parts	210.03	323.06
Power and fuel	576.94	572.32
Rent (Net of recoveries of Rs. Nil (Previous year Rs.10.67 Lacs))	1,088.77	1,011.58
Repairs and maintenance –		
Buildings	37.30	54.26
Plant & Equipment	374.87	367.04
Others	288.06	265.90
	<b>700.23</b>	<b>687.20</b>
Insurance (Net of recoveries of Rs.40.75 Lacs (Previous year Rs.45.84 Lacs))	169.08	172.61
Rates & Taxes (excluding taxes on income)	70.69	82.20
Excise Duty –		
Relating to changes in inventories of finished goods	82.00	171.99
Others	288.29	114.43
Royalty	218.75	350.00
Warranty Expenses and Free Service Charges (Net of Recoveries)	1,111.13	749.37
Extended warranty and component replacement expenses	130.59	1,481.63
Advertisement & Sales Promotion	30,710.58	21,815.75
Travelling Expenses	1,290.06	1,596.02
Loss on Sale of Fixed Assets (Net)	6.67	0.51
Assets/Capital work in progress Written off	1,290.68	2,941.57
Stamp duty, registration charges on increase in authorised share capital	61.45	89.98
Cost of Services - Deputation Charges, Software Service, Business Support Service, etc.	1,285.62	1,361.14
Provisions for doubtful Advances/Debts	57.14	(252.46)
Bad debts written off	46.69	332.79
Donations	-	1.70
Freight Outwards & Warehousing Charges	942.65	888.90
Legal & Professional	961.29	1,410.16
Miscellaneous expenses	1,441.64	1,657.64
<b>Total</b>	<b>44,333.02</b>	<b>40,493.00</b>

**NOTE 27  
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**1. CORPORATE INFORMATION**

**Company details**

The Mahindra Two Wheelers Ltd. (MTWL) is subsidiary of Mahindra Vehicle Manufacturers Limited (w.e.f 17<sup>th</sup> February, 2016). The MTWL is engaged in the business of manufacturing & selling motorised two wheeler vehicles.

MTWL has a manufacturing plant located at Pithampur near Indore and an assembly unit at SUPA near Ahemadnagar. MTWL also has state of the art R&D centre at Chinchwad, Pune.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the relevant provision of the Companies Act, 2013 ("the 2013 Act)/Companies Act, 1956 ("the 1956 Act") as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets that are carried at revalued amounts. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### 2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

### 2.3 Revenue Recognition

The principles of revenue recognition are as set out below:

- a) Revenue from operations is recognised, net of returns and trade discounts, when the risk and rewards of ownership are passed on to the customers. Revenue from operation includes Excise Duty but excludes Sales Tax and Value Added Tax.
- b) Benefit on account of entitlement of export benefits like Duty drawback scheme & Focus Market scheme is accounted in the year of export.
- c) Interest income is accounted on accrual basis. Dividend Income is accounted for when the right to receive it is established.

### 2.4 Fixed Assets (Tangible and Intangible)

Fixed assets are carried at cost less accumulated depreciation/amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses.

### 2.5 Depreciation and Amortisation

Depreciable amount for assets is the cost of an asset, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under (which is lower than the useful life prescribed in Schedule II to the Companies Act, 2013 based on technical advice:

- i) Plant and machinery - 5 years/7 years/8 years/10 years
- ii) Vehicles - 3 years
- iii) Office equipment - 2 years
- iv) Assets costing less than Rs 5000 each - 1 year
- v) Leasehold land is amortised over the duration of the lease.

Intangible assets are amortised over their estimated useful life on straight line method as follows:

- i) Technical know how - 5 years
- ii) Product development expenditure - 5 years
- iii) Software - 3 years

### 2.6 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at year end exchange rates and the profit/loss so determined and also the realised exchange gains/losses are recognised in the Statement of Profit and Loss.

### 2.7 Product Warranty Expenses

The estimated liability for product warranties is accounted for when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. In determining the cost of inventories the moving weighted average method is used in respect of "raw materials", "stores and spares" and "spares for resale". Cost of work-in-progress and manufactured finished goods include material cost, labour and manufacturing overheads on the basis of full absorption costing. Excise duty in respect of inventory of finished goods manufactured is shown separately as an item of expense and included in valuation of inventory of finished goods.

### 2.9 Employee Benefits

Employee benefits include gratuity, provident fund, superannuation and leave encashment benefits under the approved schemes of the company.

#### Provident fund

The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employee's salary. The contributions as specified under the law are paid to the Central Government Provident Fund and the Family Pension Fund and the same is charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due and when services are rendered by the employees.

#### Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15/26 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in future based on an independent actuarial valuation. The Company has taken a Group Gratuity cum Life Assurance Scheme with Reliance Life Insurance Co. Ltd. for future payment of gratuity to the eligible employees. The contribution payable for the year is charged to the Statement of Profit and Loss.

#### Compensated absences

The Company provides for the encashment of compensated absences with pay subject to certain rules. The employees are entitled to accumulate compensated absences subject to certain limits, for future encashment. Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit and the accumulated leave expected to be carried forward beyond twelve month is treated as long-term employee benefit which are provided based on the number of days of unutilized compensated absence on the basis of an independent actuarial valuation.

### 2.10 Investments

Long term investments are valued at cost less diminution in value, if any, other than of temporary nature. Current investments are valued at lower of cost and fair value. Cost of investment includes acquisition charges such as brokerage, fees and duties.

## 2.11 Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

## 2.12 Impairment of Assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists.

If the carrying amount of the assets exceeds the estimated recoverable amount, an impairment is recognized for such excess amount. The impairment loss is recognized as an expense in the Statement of Profit and Loss.

## 2.13 Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilized for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

## 2.14 Borrowing Cost

Interest and other costs incurred in connection with the borrowing of the funds are charged to revenue on accrual basis except those borrowing costs which are directly attributable to the acquisition or construction of those Qualifying assets, which necessarily take a substantial period of time to get ready for their intended use. Such costs are capitalised with the Qualifying assets.

## 2.15 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

## 2.16 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period as adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

## 2.17 Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.

## 2.18 Business Segments

The Company is engaged mainly in the business of Two Wheeler Manufacturing. This is in the context of Accounting Standard 17 on Segment Reporting is considered to constitute one single reportable primary segment. Secondary segment is based on the geography and Company's business activity is materially operated in a single geographical segment.

### NOTE 28

#### COMMITMENTS:

Estimated amount of contracts remaining to be executed on capital account and not provided for in respect of:

Particulars	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
i. Tangible assets	1,262.26	1,370.19
ii. Intangible assets	139.36	163.75
iii. Refer note 30		

### NOTE 29

During the current year the Company has continued to incur losses and as at the year end its net-worth is substantially eroded with the accumulated losses aggregating to Rs. 239,593.23 Lacs. However, the Company is able to operate uninterruptedly with the continued support from the holding company with infusion of funds by way of equity. Also, based on the future business plans and the turnaround strategy adopted, in the opinion of the management, the Company will be able to generate profits in the future in excess of its accumulated losses and continue to operate as a going concern.

### NOTE 30

On 8<sup>th</sup> December, 2014, the Company had incorporated its wholly owned subsidiary Mahindra Two Wheelers Europe Holdings S.à r.l. (MTWL Europe). On 19<sup>th</sup> January, 2015, MTWL Europe had acquired 51% stake in Peugeot Motorcycles S.A.S., Mandeure, for consideration of Euro 28.2 million.

Out of the said consideration, Euro 16.90 million was paid upfront on 19<sup>th</sup> January, 2015 and the balance consideration of Euro 11.3 million to be payable by MTWL Europe on or before 30<sup>th</sup> June, 2016, for which a bank guarantee has been provided.

During the year MTWL has received the refund of equity contribution of Euro 2.1 million (Rs. 157.29 million) from Mahindra Two Wheelers Europe Holdings S.à r.l. (Wholly Owned Subsidiary) on account of closing adjustment clause 4.5 of Purchase and Investment agreement entered with Peugeot S.A. for the acquisition of 51% stake in Peugeot Motorcycles S.A.S., Mandeure

The total investment of the Company in MTWL Europe (wholly owned subsidiary) as on 31<sup>st</sup> March, 2016 amounts to Euro 14.75 million (Rs. 1,175.63 million), Previous Year Euro 16.90 million (Rs. 1,332.91 million).

Further as per the terms of the agreement with Peugeot SA (PSA), the Company

- has been granted a call option to acquire further stake upto 24% thereby increasing its shareholding in PMTC; upto 75% of the share capital and voting rights, before 31<sup>st</sup> December, 2017 for a price to be determined as per terms of the agreement; and
- committed to acquire all the balance shares held by PSA in Peugeot Motorcycles, SAS at the end of the 7 years from the date of initial acquisition of 51% stake therein as indicated above, for a price based on fair market value to be determined as per terms of the agreement.

Mahindra and Mahindra Limited (ultimate parent company) has provided a corporate guarantee of Euro 70 million to PSA towards the said commitment.

**NOTE 31  
EARNING PER SHARE (EPS):**

Particulars	Rupees in lacs except no. of shares	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Net Loss after Tax	(61,517.42)	(52,887.41)
Weighted average number of equity shares (Basic and Diluted)	2,329,423,846	1,549,400,886
Face value per share	10	10
<b>Earnings per Share</b>		
Basic & Diluted	(2.64)	(3.41)

**NOTE 32 (i) DETAILS OF GOODS PURCHASED FOR TRADING:**

Particulars	Rupees in lacs	
	Goods Purchased for Trading	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Spares for resale	1,986.20	2,078.88
<b>Total</b>	<b>1,986.20</b>	<b>2,078.88</b>

**NOTE 32 (iv) DETAILS OF SALE OF PRODUCTS AND FINISHED GOODS STOCK:**

Particulars	Finished Goods Opening Stock		Finished Goods Closing Stock		Rupees in lacs	
	As at 1 <sup>st</sup> April, 2015	As at 1 <sup>st</sup> April, 2014	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Two Wheelers: Scooters, Motor cycles – Manufactured	5,122.72	5,977.73	7,264.28	5,122.72	65,186.15	68,024.22
Spare Parts and Others*	1,286.53	722.93	1,267.37	1,286.53	4,307.30	3,588.19
<b>Total</b>	<b>6,409.25</b>	<b>6,700.66</b>	<b>8,531.64</b>	<b>6,409.25</b>	<b>69,493.45</b>	<b>71,612.41</b>

\* Includes own manufactured components sold as spare parts and spares for resale.

**NOTE 33  
VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED:**

Particulars	Rupees in lacs			
	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	Value	Percentage (%)	Value	Percentage (%)
Imported	4,071.44	7%	6,930.00	12%
Indigenously obtained	53,546.09	93%	50,124.79	88%
<b>Total</b>	<b>57,617.53</b>	<b>100%</b>	<b>57,054.79</b>	<b>100%</b>

**Note:**

Components and spare parts referred to in paragraph 5(viii)(c) of part II of Schedule III to the Companies Act, 2013, are interpreted to mean the components and spare parts which are incorporated in the products sold and not those used for the maintenance of plant and equipment.

**NOTE 34  
CIF VALUE OF IMPORTS:**

Particulars	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Components and Spare Parts	3,059.75	6,449.64
Capital Goods	1,353.62	1,998.42
<b>Total</b>	<b>4,413.37</b>	<b>8,448.06</b>

**NOTE 32 (ii) DETAILS OF RAW MATERIAL CONSUMPTION AND RAW MATERIAL STOCK:**

Particulars	Raw Materials Consumed		Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015	Raw Materials Stock As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Aluminium Alloys	246.25	527.30	18.91	156.11
Other Raw Materials and Components	57,371.28	56,527.49	2,870.48	4,554.05
<b>Total</b>	<b>57,617.53</b>	<b>57,054.79</b>	<b>2,889.39</b>	<b>4,710.16</b>

**NOTE 32 (iii) DETAILS OF WORK IN PROGRESS STOCK:**

Particulars	Rupees in lacs			
	WIP Opening Stock		WIP Closing Stock	
	As at 1 <sup>st</sup> April, 2015	As at 1 <sup>st</sup> April, 2014	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Two Wheelers: Scooters & Motor cycles (SKD condition)	141.59	588.79	373.20	141.59
<b>Total</b>	<b>141.59</b>	<b>588.79</b>	<b>373.20</b>	<b>141.59</b>

**NOTE 35  
EXPENDITURE IN FOREIGN CURRENCY:**

Particulars	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Royalty (Gross)	218.75	300.00
Product development expenditure and Technical know how	55.84	501.70
Other matters (Advertisement, Travelling & Professional & Legal Fees etc.)	484.41	523.10
<b>Total</b>	<b>759.00</b>	<b>1,324.80</b>

**NOTE 36  
EARNINGS IN FOREIGN EXCHANGE:**

Particulars	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Export Sales (Including sales in Indian Rs. 572.40 Lacs (previous year Rs. 635.95))	6,972.77	4,470.21
<b>Total</b>	<b>6,972.77</b>	<b>4,470.21</b>

**NOTE 37  
MISCELLANEOUS EXPENSES INCLUDES PAYMENT TO AUDITORS  
(NET OF SERVICE TAX):**

Particulars	Rupees in lacs	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Audit fee	26.00	19.00
Audit of Internal control over Financial Reporting	8.00	-
Other services (Limited Review)	5.00	13.25
Out of pocket expenses reimbursed	0.75	0.28
<b>Total</b>	<b>39.75</b>	<b>32.53</b>

Payments to the auditors excludes Rs. 8.50 Lacs (previous year Rs. 2.75 Lacs) towards other services paid to a firm, some of the partners whereof are also partners in the audit firm.

**NOTE 38  
DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE ACCOUNTING STANDARD 15 (REVISED):**

**(A) Defined Contribution Plan**

Amount recognized as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plans is Rs. 471.21 lacs (31<sup>st</sup> March, 2015 - Rs. 470.47 lacs).

**(B) Defined Benefit Plan**

- Actuarial gains and losses in respect of defined benefit plans are recognised in the Statement of Profit and Loss.
- The Defined Benefit Plans comprise of Gratuity.

Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of service.

Particulars	Rupees in lacs	
	Gratuity Current year	Gratuity Previous year
<b>(C) Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows:</b>		
1. Present Value of Defined Benefit Obligation as on 1 <sup>st</sup> April	1,414.22	1,238.73
2. Current Service cost	165.99	153.69
3. Interest Cost	111.66	108.48
4. Losses (gains) on Curtailment	-	-
5. Liabilities extinguished on settlements	-	-
6. Plan amendments	-	-
7. Actuarial (gains)/losses	264.88	(46.93)
8. Benefits paid	(37.15)	(39.75)
9. Present value of Defined Benefit Obligation as on Balance Sheet date	1,919.60	1,414.22

**(D) Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:**

	Gratuity Current year	Gratuity Previous year
1. Fair value of Plan assets as on 1 <sup>st</sup> April	1,387.03	1,262.10
2. Expected return on plan assets	123.16	114.31
3. Actuarial gains and (losses)	(33.88)	(5.40)
4. Actual contributions by employers	-	55.77
5. Benefits paid	(37.15)	(39.75)
6. Plan assets as on 31 <sup>st</sup> March	1,439.16	1,387.03

**(E) Analysis of Defined Benefit Obligation:**

	Gratuity Current year	Gratuity Previous year
1. Defined Benefit Obligation as at 31 <sup>st</sup> March	1,919.60	1,414.22
2. Fair Value of Plan assets at the end of the year	(1,439.16)	(1,387.03)
3. Net (Asset)/Liability recognised in the Balance Sheet	480.44	27.19

**(F) Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognised in the Balance Sheet:**

	Gratuity Current year	Gratuity Previous year
1. Present value of Defined Benefit Obligation	(1,919.60)	(1,414.22)
2. Fair value of plan assets	1,439.16	1,387.03
3. Funded status [Surplus/(Deficit)]	(480.44)	(27.19)
4. Unrecognised Past Service Costs	-	-
5. Net asset/(Liability) recognised in Balance Sheet	(480.44)	(27.19)

**(G) Components of employer expenses recognised in the statement of profit and loss for the year ended 31<sup>st</sup> March**

	Gratuity Current year	Gratuity Previous year
1. Current Service cost	165.99	153.69
2. Interest cost	111.66	108.48
3. Expected return on plan assets	(123.16)	(114.31)
4. Curtailment cost/(credit)	-	-
5. Settlement cost/(credit)	-	-
6. Past Service cost	-	-
7. Actuarial Losses/(Gains)	298.75	(41.52)
8. Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	453.24	106.34

**(H) In respect of Funded Benefits with respect to gratuity, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"**

**(I) Principal Actuarial Assumptions:**

	Gratuity Current year	Gratuity Previous year
1. Discount Rate (%)	7.60	8.00
2. Expected Return on plan assets (%)	9.00	9.00
3. Salary Escalation (%)		
- Staff	10.00	10.00
- Workers	10.00	7.50
4. Medical cost inflation	NA	NA
5. Withdrawal Rate (%)	20.00	20.00

a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.

b) Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(J) Experience History	Gratuity				
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2012
1. Defined Benefit Obligation at the end of the period	1,919.60	1,414.22	1,238.73	1,069.03	747.74
2. Plan Assets at the end of the period	1,439.16	1,387.03	1,262.10	800.36	721.13
3. Funded Status	(480.44)	(27.19)	23.37	(268.67)	(26.61)
4. Experience adjustments on plan liabilities	(145.50)	88.39	(26.05)	(206.14)	37.38
5. Experience adjustments on plan assets	(33.88)	(5.40)	4.44	2.08	(16.02)

(K) Actual Return on plan Assets	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
1. Expected return on plan assets	123.16	114.31
2. Actuarial (gains) and Losses	(33.88)	(5.40)
3. Actual return on plan assets	89.28	108.91

(L) Contributions expected to be paid to the plan during the next financial year Rs. 480.44 Lacs (Previous year Rs. 150.00 lacs).

**NOTE 39**

As the Company's business activity falls within a single primary business segment viz., "Two Wheelers & it's parts" and it is materially operated in a single geographical segment, the disclosure requirement of Accounting Standard (AS-17) "Segment Reporting" are not applicable.

**NOTE 40**

**THE NET EXCHANGE DIFFERENCES ARISING DURING THE YEAR:**

- (i) Recognised appropriately in the statement of profit and loss - net gain - Rs. 98.50 lacs (31<sup>st</sup> March, 2015 - net gain - Rs 95.28 lacs)

**NOTE 41**

**RELATED PARTY**

**1) List of Related parties and relationships:**

Description of relationship	Name of the Related Party
(a) Holding company	Mahindra and Mahindra Limited (Holding company of Mahindra Vehicle Manufacturers Limited) Mahindra Vehicle Manufacturers Limited (w.e.f. 17 <sup>th</sup> February, 2016)
(b) Subsidiary companies	Mahindra Two Wheelers Europe Holding, S.A.R.L, Luxembourg Peugeot Motocycles S.A.S., Mandeure
(c) Joint Venture of Subsidiary Company	Jinan Qingqi Peugeot Motocycles Co Ltd. (Joint Venture of Peugeot Motocycles S.A.S., Mandeure)
(c) Fellow subsidiaries (where there are transactions)	Mahindra Automobile Distributor Private Limited Mahindra Logistics Limited Mahindra Integrated Business Solutions Private Limited Mahindra First Choice Wheels Limited Mahindra Holidays & Resorts India Limited. NBS International Limited Lords Freight India Private Limited Mahindra Reva Electric Vehicles Limited (Formerly known as Mahindra Reva Electric Vehicles Private Limited) Mahindra Retail Private Limited Mahindra First Choice Services Limited
(d) Key Managerial Personnel	Mr. Ashutosh Vidwans (Upto 31 <sup>st</sup> October, 2014) Mr. Mahendra Bhalerao (w.e.f 1 <sup>st</sup> November, 2014) Mr. Prem Rathi Mrs. Poonam Avinash Vaze

**2) Related Party Transactions:**

Name of related party	Description of Relationship	Nature of Transactions	Amount Current Year Transactions	Rupees in lacs				
				Amount Outstanding as at 31 <sup>st</sup> March, 2016		Amount Previous Period	Amount Outstanding as at 31 <sup>st</sup> March, 2015	
				Credit	Debit		Credit	Debit
1) Mahindra & Mahindra Limited	Ultimate Holding Company	Reimbursement of expenses paid	1,407.36	740.89	-	1,558.75	1,778.96	22.56
		Subscription to Share Capital	40,000.00	-	-	74,858.54	-	-
		Purchase of services	420.25	593.45	-	633.29	333.45	-
		Guarantee Charges	415.46	-	-	84.00	-	-
		Purchase of fixed assets	28.85	4.84	-	175.86	53.17	-
		Vehicle Sold	75.12	-	-	20.27	-	20.39
		Inter Corporate Deposit:	-	-	-	-	-	-
		- Received	-	-	-	-	-	-
		- Repaid/discharged	-	-	-	23,550.00	-	-
		Interest paid	-	-	-	1,880.41	-	-
		Training Expenses	2.41	-	-	2.19	-	-
		Deposit for Directors Appointment	-	-	-	-	2.00	-
		2) Mahindra Automobile Distributor Private Limited	Fellow Subsidiary	Inter Corporate Deposit:	-	-	-	-
- Received	1,500.00			1,500.00	-	-	-	-
- Repaid/discharged	-			-	-	2,400.00	-	-
Interest paid	76.28			-	-	52.60	-	-

MAHINDRA TWO WHEELERS LIMITED

Name of related party	Description of Relationship	Nature of Transactions	Amount Current Year Transactions	Rupees in lacs				
				Amount Outstanding as at 31 <sup>st</sup> March, 2016		Amount Previous Period	Amount Outstanding as at 31 <sup>st</sup> March, 2015	
				Credit	Debit		Credit	Debit
3) Mahindra Logistics Limited	Fellow Subsidiary	Purchase of services	2,866.22	728.56	-	3,425.31	955.69	-
4) Mahindra Integrated Business Solutions Private Limited (Formerly known as Mahindra BPO Services Private Limited)	Fellow Subsidiary	Purchase of Services	43.49	4.30	-	60.99	12.00	-
5) Mahindra First Choice Wheels Limited	Fellow Subsidiary	Inter Corporate Deposit:						
		- Received	-	-	-	-	-	-
		- Repaid/discharged	-	-	-	525.00	-	-
		Interest paid	-	-	-	12.41	-	-
6) Mahindra Tsubaki Conveyor Systems Private Limited (upto 31 <sup>st</sup> July, 2014)	Fellow Subsidiary	Purchase of Fixed Assets	-	-	-	28.00	-	-
7) Mahindra Holidays & Resorts India Limited.	Fellow Subsidiary	Purchase of services	3.65	6.45	-	35.46	6.45	-
8) NBS International Limited.	Fellow Subsidiary	Purchase of services	0.38	0.07	-	11.87	5.54	-
		Purchase of fixed assets	0.47	-	-	4.44	-	-
		Sales of Vehicles	108.71	-	30.82	9.25	-	10.30
		Reimbursement of expenses paid	6.40	0.51	0.06	0.29	-	-
9) Mahindra Vehicle Manufacturers Limited	Holding Company	Inter Corporate Deposit:						
		- Received	-	-	-	-	-	-
		- Repaid/discharged	-	-	-	2,500.00	-	-
		Interest paid	-	-	-	67.64	-	-
		Subscription to Share Capital	16,400.00	-	-	-	-	-
10) Lords Freight India Private Limited	Fellow Subsidiary	Purchase of services	2.02	0.05	-	14.50	14.77	-
11) Mahindra Two Wheelers Europe Holding, S.A.R.L, Luxembourg	Subsidiary	Purchase of Shares	-	-	-	13,123.82	-	-
		Refund of Equity	1,572.85	-	-	-	-	-
12) Mahindra Reva Electric Vehicles Limited (Formerly known as Mahindra Reva Electric Vehicles Private Limited)	Fellow Subsidiary	Reimbursement of Expenses Received	2.27	-	2.37	-	-	-
13) Mahindra Retail Private Limited	Fellow Subsidiary	Reimbursement of Expenses Paid	0.33	0.33	-	-	-	-
14) Mahindra First Choice Services Limited	Fellow Subsidiary	Purchase of Services	0.52	-	-	-	-	-
15) Peugeot Motorcycle S.A.S., Mandeure	Subsidiary	Sales of Vehicles	4.73	-	4.73	-	-	-
		Purchase of Assets	5.12	5.12	-	-	-	-
		Purchase of Services	72.36	58.20	-	-	-	-
		Reimbursement of Expenses Paid	20.79	-	20.79	-	-	-
16) Jinan Qingqi Peugeot Motocycles Co Ltd.	Joint Venture of Subsidiary company	Sale of Vehicles	1.29	-	-	-	-	-
		Reimbursement of Expenses	2.21	-	-	-	-	-
17) Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary	Other Income	14.25	14.89	-	-	-	-
18) Mr. Ashutosh Vidwans (Upto 31 <sup>st</sup> October, 2014)	CFO	Remuneration debited by Parent Company	-	-	-	41.72	-	-
19) Mr. Mahendra Bhalerao (w.e.f 1 <sup>st</sup> November, 2014)	CFO	Remuneration debited by Parent Company	54.27	-	-	18.09	-	-
20) Mr. Prem Rathi	Manager	Remuneration	49.99	-	-	37.76	-	-
21) Mrs. Poonam Avinash Vaze	Company Secretary	Remuneration	1.80	-	-	0.56	-	-

**NOTE 42**

**RESEARCH & DEVELOPMENT EXPENDITURE:**

Research and Development expenditure debited to the Statement of Profit and Loss aggregating Rs. 1,388.02 lacs (31<sup>st</sup> March, 2015 Rs. 2,445.48 lacs) has been incurred by the company and disclosed under appropriate account heads.

**NOTE 43**
**DETAILS OF PROVISIONS AND MOVEMENTS IN EACH CLASS OF PROVISIONS AS REQUIRED BY THE ACCOUNTING STANDARD:**

	As at 31 <sup>st</sup> March, 2016			As at 31 <sup>st</sup> March, 2015		
	Warranty	Free Service Charges	Provision for Potential Statutory Liabilities	Warranty	Free Service Charges	Provision for Potential Statutory Liabilities
Carrying Amount at the beginning of the year	261.35	350.63	217.33	363.88	430.93	80.00
Additional Provision made during the year	768.32	342.81	11.98	365.49	383.88	137.33
Amounts Used during the year	410.06	355.91	-	468.02	464.18	-
Unused amounts reversed during the year	-	-	-	-	-	-
Carrying Amounts at the end of the year	619.61	337.53	229.31	261.35	350.63	217.33

**Brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits:**
**1. Product Warranty and Free Service Charges:**

Estimated warranty cost and free service charges are accrued at the time of products are sold, based on past experience to be discharged over the period of 21/24 months from the date of sale.

**2. Provision for Potential Statutory Liabilities**

Provision is made for potential statutory liabilities expected to be settled within one year.

**NOTE 44**
**CONTINGENT LIABILITY:**

Particulars	Rupees in lacs	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Stamp Duty paid under protest	110.01	110.01
Excise Duty & Service Tax Matters	7,235.85	85.28
<b>Total</b>	<b>7,345.86</b>	<b>195.29</b>

As on 31<sup>st</sup> March, 2016, the company's management does not expect any outflow in respect of these pending litigations related to direct and indirect tax matters stated above based on the legal advice obtained.

**NOTE 45**
**a) Details of Derivative Instruments (for hedging):**

The Company uses Forward exchange contract to hedge its exposure in respect of loans and interest thereon in foreign currency. The information on derivative instruments is as follows:

Particulars	Currency	Amount in foreign currency		Equivalent amount Rupees in lacs	
		Current Year	Previous Year	Current Year	Previous Year
Forward Contract- USD INR	USD	7,380,005	-	5,289.35	-

**b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:**

Particulars	Currency	Amount in foreign currency		Equivalent amount Rupees in lacs	
		Current Year	Previous Year	Current Year	Previous Year
Trade payables	USD	133,668	323,885	88.67	202.72
	EURO	173,406	178,495	130.22	120.50
	GBP	6,790	18,502	6.46	17.11
Trade receivables	USD	641,553	593,948	425.56	373.64
Bank balances	USD	66,124	36,282	43.86	22.71

**NOTE 46**
**DISCLOSURE RELATING TO MICRO SMALL & MEDIUM ENTERPRISE:**

- Principal amount payable to Micro and Small Enterprises (to the extent identified by the company from available information and relied upon by the auditors) as at 31<sup>st</sup> March, 2016 is Rs. 64.72 lacs (31<sup>st</sup> March, 2015 - Rs. 153.11 lacs) including unpaid amount of Rs. 0.18 lacs (31<sup>st</sup> March, 2015 Rs. 1.86 lacs) outstanding for more than 45 days. Estimated interest thereon is Rs 0.02 lacs (31<sup>st</sup> March, 2015 - Rs. 0.06 lacs).
- Amount of payments made to suppliers beyond 45 days during the year is Rs. 106.98 lacs (31<sup>st</sup> March, 2015 - Rs. 447.80 lacs). Interest paid thereon is Rs. Nil (31<sup>st</sup> March, 2015 Rs. Nil) and the estimated interest due and payable thereon is Rs. 1.55 lacs (31<sup>st</sup> March, 2015, Rs. 6.81 lacs).
- Amount of estimated interest accrued and remaining unpaid as at the end of the year is Rs. 26.63 lacs (31<sup>st</sup> March, 2015 Rs. 25.08 lacs).
- The amount of estimated interest due and payable for the period from 1<sup>st</sup> April, 2015 to the actual date of payment is Rs 0.02 lacs.

**NOTE 47**
**DISCLOSURE FOR REPORT TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION:**

As on 31<sup>st</sup> March, 2015, the Company's accumulated losses exceeded fifty percent of its peak net worth during the immediately preceding four financial years. The Company has reported the fact of such erosion to the Board for Industrial and Financial Reconstruction as required under Section 23 of The Sick Industrial Companies (Special Provisions) Act, 1985 on 24<sup>th</sup> September, 2015.

**NOTE 48**

Previous year's figures have been regrouped/recast, wherever necessary, to correspond with the current year's classification/disclosure.

For and on behalf of the Board

Chairman

**Dr. Pawan Kumar Goenka**  
**Mr. Rajesh Jejurikar**  
**Mr. V.S. Parthasarathy**  
**Mr. Ramesh Venkataraman**

} Director's

**Mr. Mahendra Bhalerao**  
Chief Financial Officer

**Ms. Poonam Vaze**  
Company Secretary

Date: 25<sup>th</sup> April, 2016  
Place: Mumbai



## REPORT FROM THE PRESIDENT ON THE YEAR ENDING 31 DECEMBER 2015

Dear Shareholders,

According to the law and the articles of association of the Company, we report on the state of the Company, its activity during the accounting period ending on the 31 December 2015 and we present the financial statements of that period as they have been established.

The Auditors of the Company shall provide all required explanations on the annual financial statements as far as the accuracy and compliance with accounting rules are concerned.

We remain available for any precision or additional question you may have related to the legal documents which have been made available to you within the prescribed timeline.

### I. Activity of the Company for the period 2015

#### 1. Markets and market shares evolution during the financial period

European markets of the 6 major countries saw volumes rise by 2% compared to 2014. The situation is contrasted between countries and displacements. The less than 50cc segment falls by 4.6% (to be compared with a drop of 8% in 2014) while the more than 50cc segment increase reaches 4,8%.

France is the first market in Europe to declines 5.6% because of the high proportion of less than 50cc. Italy wins 2.9% while Germany loses 2.9%. Strong recovery is brought by Spain with a more than 16.5% growth compared to last year.

In the less than 50cc category, all markets are oriented downwards, except Spain and The Netherlands earning 9.9% and 3.9% respectively. The upturn comes from the above than 50cc category, especially from Spain and Italy while France and Germany markets are flattening.

In that context Peugeot Scooters' volumes are down by 2.9%, owing to the highest share of the less than 50cc segment in the Peugeot Sales. Globally the market shares declines 8.9%.

#### 2. Key events during the financial period

##### **Mahindra acquisition of the majority of the company's share capital:**

The shareholding of the company Mahindra Two Wheelers S.à.r.l Europe, up to 51% of the share capital of Peugeot Motorcycles SAS, became effective on 19 January 2015. This was achieved by:

- A share buyback from the company Peugeot SA,
- The subscription to a capital increase in the amount of 26,67,072.00 euros, INR 1,999.50 lacs together with a premium of 1,23,32,928.00 euros, INR 9,246.00 lacs.

Following this transaction, the share capital of Peugeot Motorcycle SAS amounts to 98,09,472.00 euros, INR 7,354.16 lacs and is divided into 613,092 shares with a nominal value of 16.00 euros, INR 0.01 lacs.

#### 3. Other events since the closing of the accounts.

The beginning of 2016 confirms the good prospects of volume.

### II Financial Statements presentation

#### 1. Annual Financial statements

Statutory annual financial statement is made of a Balance Sheet, Profit and Loss account and an appendix that details the explanations required for the proper understanding of the statements.

Accounting rules and evaluation methods used for the annual financial statements are compliant with the regulations and have not changed compared to the last period.

##### **Profit and Loss analysis**

The turnover for the financial period ended 31 December 2015 has reached 94 m€, INR 70,471.80 lacs versus 95.6 m€, 71,671.32 lacs the preceding year, that is a variation of -1.67%.

External expenses have reached 27 m€, INR 20,241.90 lacs vs. 26 m€, INR 19,492.20 lacs last year, that is a variation of +3.8%.

Payroll expenses have reached 19.4 m€, INR 14,544.18 lacs vs. 17.5 m€, INR 13,119.75 lacs last year, that is a variation of +10.86%.

Social security charges have reached 7.4 m€, 5,547.78 lacs vs. 6.9 m€, INR 5,172.93 lacs last year, that is a variation of +7.25%.

Operating costs have reached a total of 130.9 m€ INR 98,135.73 lacs vs. 128.4 m€, INR 96,261.48 lacs last year, that is a variation of +1.95%.

- Operating result is -24.7 m€, INR -18,517.59 lacs, vs. -19.5 m€, INR 14,619.15 lacs in 2014.
- Financial result is -0.1 m€, INR 74.97 lacs vs. -3.3 m€, INR 2,474.01 lacs in 2014, mostly from
  - -0.2 m€, INR -149.94 lacs of interest charges on the debt and -0.2 m€, INR -149.94 lacs of negative exchange difference
  - 0.1 m€, INR 74.97 lacs of reversals of provisions and expense transfers; 0.1 m€, INR 74.97 lacs of positive exchange difference and 0.1 m€, INR 74.97 lacs of other interests and similar products.

- Exceptional result is +0.8 m€, INR 599.76 lacs, vs. -10.6 m€, INR -7,946.82 lacs in 2014, mostly from:

Profit: Reversal of accruals on assets depreciation:  
4.9 m€, INR 3,673.53 lacs

Reversal of accruals on restructuring plan:  
3.4 m€, INR 2,548.98 lacs

Sales of assets, book value: 0.1 m€,  
INR 74.97 lacs

Loss: Accrual for assets depreciation -6.7 m€,  
INR -5,022.99 lacs

Sales of assets, book value: -0.06 m€,  
INR -44.98 lacs

Accrual for restructuring plan DAEC:  
0.81 m€, INR 607.26 lacs

Net result is: -2,40,37,810.79 €, INR -18,021.15 lacs for the period 2015, 2014 result being -3,27,02,108.78€, INR -24,516.77.

### **Balance Sheet**

#### *Assets*

During the period, fixed assets value varies from 40,41,677.83 €, INR 3,030.05 lacs to 41,61,713.83 €, INR 3,120.04 lacs at the end of 2015.

Current assets vary from 4,29,22,209.71 €, INR 32,178.78 lacs to 4,69,55,621.12 €, INR 35,202.63 lacs at the end of 2015, the increase of 4.03 m€, INR 3,021.29 lacs coming from an inventory reduction of 3.5 m€, INR 2,623.95 lacs, a receivable rise of 4.5 m€, INR 3,373.65 lacs and an augmentation for 3 m€, INR 2,249.10 lacs from the bank and other pre-paid expenses.

Net assets value is 5,11,17,334.95 €, INR 38,322.67 lacs.

#### *Equity and Liabilities*

The equity before year end results amounts to 84,35,537.56 €, INR 6,324.12 lacs decreasing from 2014 equity which was 1,74,73,348.35 €, INR 13,099.77 lacs.

The 2015 result to be allocated amounts to -2,40,37,810.79 €, INR -18,021.15 lacs.

Provisions for risks and charges amount to 95,35,345.58 €, INR 7,148.65 lacs for 1,22,60,167.06 €, INR 9,191.45 lacs at the end of 2014.

Debts are increasing, from 1,72,27,948.11 €, INR 12,915.79 lacs to 3,30,67,164.50 €, INR 24,790.45 lacs, mostly from:

A decrease in overdrafts and bank loans to 0.8 m€, INR 599.76 lacs, a decrease of borrowings and other financial liabilities of 0.1 m€, INR 74.97 lacs, an increase in trade payables and receivables of 8.9 m€, INR 6,672.33 lacs, and an increase in tax and social security debts of 0.5 m€, INR 374.85 lacs and other payables of 7.3 m€, INR 5,572.81 lacs.

The Net Shareholder's equity and liabilities amount to 5,11,17,334.95 €, INR 38,322.67 lacs.

### **Result Allocation**

It is proposed to allocate the net losses of 2,40,37,810.79 €, INR 18,021.15 lacs to the losses carried forward which will reach -5,67,39,919.57 €, INR € 42,537.92 lacs.

After this appropriation, the shareholder's equity amounts to 84,35,537.56 €, INR 6,324,12 lacs.

For the Board of Directors

Président, Director General  
Frédéric Fabre

Date: 25/5/2016  
Place: Mandeure

Note: m€ - million Euro

## INDEPENDENT AUDITORS' REPORT

### Peugeot Motocycles

Year ended December 31, 2015

Statutory auditors' report  
on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Peugeot Motocycles;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the president. Our role is to express an opinion on these financial statements based on our audit.

#### I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as 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.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

#### II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Based on our work and the information communicated to us to date, and as part of our assessment of the accounting policies followed by the company, we believe that the notes to the financial statements provide appropriate information on the situation of your company under the going concern assumption.
- Your company has recorded impairment of assets as described in item 7 of note 2 to the financial statements. Our work consisted in assessing the data and assumptions on which the company's estimates are based, reviewing the calculations made by the company, comparing the accounting estimates of prior periods with the corresponding results and examining approval procedures of these estimates by management. As part of our assessments, we verified the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

#### III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the president and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris-La Défense, May 27, 2016

The statutory auditors  
ERNST & YOUNG et Autres  
French original signed by

Ioulia Vermelle

Peugeot Motocycles

Year ended December 31, 2015

**BALANCE SHEET**

	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b><u>ASSETS</u></b>				
<b>INTANGIBLE FIXED ASSETS</b>				
Concessions, patents & similar rights	–	–	–	–
Business goodwill	1,37,204.12	102.86	1,37,204.12	102.86
Other intangible assets	–	–	–	–
Advance payments on intangible assets	–	–	–	–
<b>Intangible fixed assets</b>	<b>1,37,204.12</b>	<b>102.86</b>	<b>1,37,204.12</b>	<b>102.86</b>
<b>TANGIBLE FIXED ASSETS :</b>				
Land	19,58,824.56	1,468.53	19,55,142.44	1,465.77
Building	–	–	–	–
Technical installations, machinery and equipment	–	–	–	–
Other tangible assets	–	–	–	–
Tangible assets in course	–	–	–	–
Advance payments on tangible assets	–	–	–	–
<b>Tangible fixed assets</b>	<b>19,58,824.56</b>	<b>1,468.53</b>	<b>19,55,142.44</b>	<b>1,465.77</b>
<b>FINANCIAL FIXED ASSETS:</b>				
Equity interests	2,82,378.80	211.70	2,53,763.55	190.25
Receivables from equity interests	–	–	–	–
Other long-term investment securities	–	–	–	–
Loans	16,19,396.79	1,214.06	16,31,091.93	1,222.83
Other long-term investments	1,63,909.56	122.88	64,475.79	48.34
<b>Financial fixed assets</b>	<b>20,65,685.15</b>	<b>1,548.64</b>	<b>19,49,331.27</b>	<b>1,461.41</b>
<b><u>TOTAL FIXED ASSETS</u></b>	<b>41,61,713.83</b>	<b>3,120.04</b>	<b>40,41,677.83</b>	<b>3,030.05</b>
<b><u>CURRENT ASSETS:</u></b>				
Raw materials and other supplies	75,15,426.65	5,634.32	1,05,62,348.30	7,918.59
Work in progress	18,869.45	14.15	16,030.84	12.02
Finished goods	1,52,26,283.21	11,415.14	1,56,34,731.66	11,721.36
<b>INVENTORIES</b>	<b>2,27,60,579.31</b>	<b>17,063.61</b>	<b>2,62,13,110.80</b>	<b>19,651.97</b>
Trade receivables and similar accounts	1,21,41,174.89	9,102.24	1,29,41,939.46	9,702.57
Other receivables	80,15,699.51	6,009.37	27,26,555.03	2,044.10
Cash and cash equivalents	18,20,805.96	1,365.06	8,01,883.16	601.17
Prepaid expenses	22,17,361.45	1,662.36	2,38,721.26	178.97
<b>TOTAL CURRENT ASSETS</b>	<b>4,69,55,621.12</b>	<b>35,202.63</b>	<b>4,29,22,209.71</b>	<b>32,178.78</b>
Deffered charges	–	–	–	–
Bond redemption premiums	–	–	–	–
Positive translation adjustments	–	–	–	–
<b><u>Total assets</u></b>	<b>5,11,17,334.95</b>	<b>38,322.67</b>	<b>4,69,63,887.54</b>	<b>35,208.83</b>

	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b><u>LIABILITY</u></b>				
<b><u>OWNERS EQUITY</u></b>				
Share capital	98,09,472.00	7,354.16	71,42,400.00	5,354.66
Issue, merger and contribution premiums	5,49,13,599.95	41,168.73	4,25,80,671.95	31,922.73
Revaluation reserve	45,23,85.18	339.15	4,52,385.18	339.15
Legal reserve	-	-	-	-
Statutory or contractual reserves	-	-	-	-
Regulated reserves	-	-	-	-
Other reserves	-	-	-	-
Retained earnings	(3,27,02,108.78)	(24,516.77)		
Profit or (loss) of the financial year	(2,40,37,810.79)	(18,021.15)	(3,27,02,108.78)	(24,516.77)
Investments subsidies	-	-	-	-
Regulated provisions	-	-	-	-
<b>Total owners equity</b>	<b>84,35,537.56</b>	<b>6,324.12</b>	<b>1,74,73,348.35</b>	<b>13,099.77</b>
Conditional advances	-	-	-	-
<b>Total conditional advances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions for risks	21,51,790.00	1,613.20	23,25,304.95	1,743.28
Provisions for charges	73,83,555.58	5,535.45	99,34,862.11	7,448.17
<b>Total provisions</b>	<b>95,35,345.58</b>	<b>7,148.65</b>	<b>1,22,60,167.06</b>	<b>9,191.45</b>
<b><u>LIABILITIES</u></b>				
<b><u>LOANS AND SIMILAR DEBTS</u></b>				
Loans and other borrowings from credits	5,677.92	4.26	8,01,065.91	600.56
Loans and miscellaneous financial debts	27,500.00	20.62	1,71,946.91	128.91
<b><u>ACCOUNTS PAYABLE</u></b>				
Advances and deposits from customers	-	-	-	-
Trade payables	1,87,70,409.51	14,072.18	98,43,199.81	7,379.45
Tax and social debts	66,52,051.66	5,009.53	61,05,477.86	4,577.28
<b><u>OTHER LIABILITIES</u></b>				
Amounts payable on fixed assets and related accounts	-	-	-	-
Other debts	75,81,525.41	5,683.87	3,06,257.62	229.60
<b>Total liabilities</b>	<b>3,30,67,164.50</b>	<b>24,790.45</b>	<b>1,72,27,948.11</b>	<b>12,915.79</b>
Deferred revenue	-	-	-	-
Negative translation adjustments	79,287.31	59.44	2,424.02	1.82
Difference	-	-	-	-
<b><u>Total liability</u></b>	<b><u>5,11,17,334.95</u></b>	<b><u>38,322.67</u></b>	<b><u>4,69,63,887.54</u></b>	<b><u>35,208.83</u></b>

For the Board of Directors

**Frédéric Fabre**  
Président, Director General

Date: 25<sup>th</sup> May 2016

## FINANCIAL RESULTS YEAR ENDED : 31-12-2015

	LINE	2015		2014	
		Euros	Rs. Lacs	Euros	Rs. Lacs
<b>OPERATING REVENUES</b>					
Sales of goods bought for resale	1				
Sales of – Manufactured Goods	2	9,20,70,075.48	69,024.94	9,34,96,720.33	70,094.49
– Services	3	19,71,231.45	1,477.83	21,18,288.47	1,588.08
<b>Revenues (lines 01 to 03)</b>	<b>4</b>	<b>9,40,41,306.93</b>	<b>70,502.77</b>	<b>9,56,15,008.80</b>	<b>71,682.57</b>
Change in inventories of finished goods and work in progress	5	(9,30,877.36)	(697.88)	4,69,020.11	351.62
Capitalised production	6				
Operating subsidies received	7	4,69,740.38	352.16	6,634.22	4.97
Reversals of provisions and depreciation, expense transfers	8	1,22,42,561.25	9,178.25	1,24,64,203.14	9,344.41
Other income	9	3,62,540.25	271.80	3,44,401.43	258.19
<b>Other operating income</b>		<b>1,21,43,964.52</b>	<b>9,104.33</b>	<b>1,32,84,258.90</b>	<b>9,959.21</b>
<b>Operating income (lines 04 to 09)</b>	<b>10</b>	<b>10,61,85,271.45</b>	<b>79,607.10</b>	<b>10,88,99,267.70</b>	<b>81,641.78</b>
<b>OPERATING EXPENSES</b>					
Purchases of raw materials and other supplies	13	(5,85,14,004.10)	(43,867.95)	(6,06,91,075.41)	(45,500.10)
Change in inventories of raw materials and other supplies	14	(43,39,865.67)	(3,253.60)	(6,71,635.37)	(503.53)
Other bought-in goods and services	15	(2,70,37,048.75)	(20,269.68)	(2,60,25,052.31)	(19,510.98)
Taxes other than corporate income tax	16	(33,16,058.93)	(2,486.05)	(34,07,283.92)	(2,554.44)
Wages and salaries	17	(1,94,24,312.12)	(14,562.41)	(1,75,10,152.06)	(13,127.36)
Social security charges	18	(73,55,768.64)	(5,514.62)	(68,65,878.92)	(5,147.35)
Depreciation, amortisation & provision – operating items:					
– Depreciation and amortisation of fixed assets	19	(45,404.42)	(34.04)	(96,120.00)	(72.06)
– Amortisation of deferred charges	20	–	–	–	–
– Increase in provisions against fixed assets	21	–	–	–	–
– Increase in provisions against current assets	22	(75,47,898.97)	(5,658.66)	(93,90,388.92)	(7,039.97)
– Increase in provisions for liabilities and charges	23	(21,33,611.24)	(1,599.57)	(22,51,213.11)	(1,687.73)
Other charges	24	(11,42,058.80)	(856.20)	(15,35,892.44)	(1,151.46)
<b>Operating expenses (lines 13 to 24)</b>	<b>25</b>	<b>(13,08,56,031.64)</b>	<b>(98,102.77)</b>	<b>(12,84,44,692.46)</b>	<b>(96,294.99)</b>
<b>OPERATING PROFIT (lines 10 + 25)</b>	<b>26</b>	<b>(2,46,70,760.19)</b>	<b>(18,495.67)</b>	<b>(1,95,45,424.76)</b>	<b>(14,653.20)</b>
Share in profits/losses of joint venture partnership	27	–	–	–	–
<b>FINANCIAL INCOME</b>					
Income from equity interests	28	–	–	2,00,000.00	149.94
Other interest and similar income	29	76,626.38	57.45	1,02,716.91	77.01
Reversals of provisions and expense transfers	30	95,997.72	71.97	1,10,426.03	82.79
Foreign exchange gains	31	78,389.71	58.77	29,793.79	22.34
Net proceeds from disposals of marketable securities	32	–	–	–	–
<b>Financial income (lines 28 to 32)</b>	<b>33</b>	<b>2,51,013.81</b>	<b>188.19</b>	<b>4,42,936.73</b>	<b>332.07</b>
<b>FINANCIAL EXPENSES</b>					
Depreciation, amortisation and provisions – financial items	34	(53,004.11)	(39.74)	(56,986.59)	(42.72)
Interest and similar expenses	35	(1,66,733.52)	(125.00)	(36,36,997.71)	(2,726.66)
Foreign exchange losses	36	(1,78,789.18)	(134.04)	(96,873.37)	(72.63)
Net expenses on disposals of marketable securities	37				
<b>Financial expenses (lines 34 to 37)</b>	<b>38</b>	<b>(3,98,526.81)</b>	<b>(298.78)</b>	<b>(37,90,857.67)</b>	<b>(2,842.01)</b>
<b>NET FINANCIAL INCOME/(EXPENSES) (lines 33 + 38)</b>	<b>39</b>	<b>(1,47,513.00)</b>	<b>(110.59)</b>	<b>(33,47,920.94)</b>	<b>(2,509.94)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX (lines 26 + 27 + 39)</b>	<b>40</b>	<b>(2,48,18,273.19)</b>	<b>(18,606.26)</b>	<b>(2,28,93,345.70)</b>	<b>(17,163.14)</b>

	LINE	2015		2014	
		Euros	Rs. Lacs	Euros	Rs. Lacs
<b>EXTRAORDINARY INCOME</b>					
Extraordinary income - non-capital transactions	41	8,803.89	6.60	1,72,256.86	129.14
Extraordinary income - capital transactions	42	86,876.84	65.13	54,950.00	41.20
Reversals of provisions and expense transfers*	43	82,67,012.08	6,197.78	52,94,162.86	3,969.03
<b>Extraordinary income (lines 41 to 43)</b>	<b>44</b>	<b>83,62,692.81</b>	<b>6,269.51</b>	<b>55,21,369.72</b>	<b>4,139.37</b>
<b>EXTRAORDINARY EXPENSES</b>					
Extraordinary expenses - non-capital transactions	45	(8,086.27)	(6.06)	(1,14,008.30)	(85.47)
Extraordinary expenses - capital transactions	46	(64,375.55)	(48.26)	(5,33,064.31)	(399.64)
Extraordinary depreciation, amortisation and provisions	47	(75,12,440.59)	(5,632.08)	(1,54,71,976.19)	(11,599.34)
<b>Extraordinary expenses (lines 45 to 47)</b>	<b>48</b>	<b>(75,84,902.41)</b>	<b>(5,686.40)</b>	<b>(1,61,19,048.80)</b>	<b>(12,084.45)</b>
<b>NET EXTRAORDINARY ITEMS (lines 44 + 48)</b>		<b>7,77,790.40</b>	<b>583.11</b>	<b>(1,05,97,679.08)</b>	<b>(7,945.08)</b>
Statutory employee profit-sharing	49	-	-	-	-
Corporate income tax	50	2,672.00	2.00	7,88,916.00	591.45
<b>NET PROFIT/(LOSSES) FOR THE YEAR (lines 40 + 44 + 48 + 49 + 50)</b>	<b>51</b>	<b><u>(2,40,37,810.79)</u></b>	<b><u>(18,021.15)</u></b>	<b><u>(3,27,02,108.78)</u></b>	<b><u>(24,516.77)</u></b>

For the Board of Directors

**Frédéric Fabre**  
Président, Director General

Date: 25<sup>th</sup> May 2016

**CASH FLOW STATEMENT - 2015**

		2015		2014	
		Euros	Rs. Lacs	Euros	Rs. Lacs
<b>A. CHANGE IN WORKING CAPITAL</b>					
<b>A.1. LONG-TERM FUNDS</b>					
Net results	1	(2,40,37,810.79)	(18,021.15)	(3,27,02,108.78)	(24,516.77)
Depreciation and amortisation of fixed assets (1)	2	49,53,325.54	3,713.51	50,72,013.23	3,802.49
Amortisation of deferred charges (2)	3	–	–	–	–
Gain/(Losses) on disposals of fixed assets (3)	4	(21,124.45)	(15.84)	2,45,748.42	184.24
Increase/(reversal) on provisions	5	(76,90,416.41)	(5,765.51)	50,33,230.91	3,773.41
<b>CASH FLOWS FROM OPERATING ACTIVITIES (lines 1 to 5)</b>	<b>6</b>	<b>(2,67,96,026.11)</b>	<b>(20,088.98)</b>	<b>(2,23,51,116.22)</b>	<b>(16,756.63)</b>
Increase in equity	7	1,50,00,000.00	11,245.50	9,41,90,400.00	70,614.54
Gain on disposal of assets:	8				
– Tangible fixed assets	9	85,500.00	64.10	54,000.00	40.48
– Intangible fixed assets	10	–	–	–	–
– Equity interests	11	–	–	–	–
Disposal of other financial fixed assets		1,17,247.78	87.90	–	–
New borrowings on:					
– Equity interests	12	–	–	–	–
– Convertible bonds	13	–	–	–	–
– Other convertible bonds and assimilate	14	–	–	–	–
– Employees profit-sharing funds	15	–	–	–	–
– Other loans and borrowings	16	6,000.00	4.50	–	–
Other increase in long-term debts	17	–	–	–	–
Other long-term funding	18	–	–	–	–
<b>LONG-TERM FUNDS (lines 06 to 18)</b>	<b>19</b>	<b>(1,15,87,278.33)</b>	<b>(8,686.98)</b>	<b>7,18,93,283.78</b>	<b>53,898.39</b>
<b>A.2. LONG-TERM USES</b>					
Dividends paid to shareholders	20	–	–	–	–
Acquisition of non-current assets					
– Tangible fixed assets	21	12,54,523.32	940.52	15,01,390.25	1,125.59
– Intangible fixed assets	22	6,38,255.94	478.50	1,78,542.50	133.85
– Equity interests	23	13,037.00	9.77	–	–
Increase of other financial fixed assets	24	1,77,585.00	133.14	78,508.04	58.86
New deferred charges	25	–	–	–	–
Reimbursement of long-term borrowings	26	63,796.10	47.83	68,090.68	51.05
Other reimbursement of long-term debts	27	–	–	–	–
Other long-term uses	28	–	–	–	–
<b>LONG-TERM USES (lines 20 to 28)</b>	<b>29</b>	<b>21,47,197.36</b>	<b>1,609.75</b>	<b>18,26,531.47</b>	<b>1,369.35</b>
<b>CHANGE IN WORKING CAPITAL (lines 19–29)</b>	<b>30</b>	<b>(1,37,34,475.69)</b>	<b>(10,296.74)</b>	<b>7,00,66,752.31</b>	<b>52,529.04</b>



		2015		2014	
		Euros	Rs. Lacs	Euros	Rs. Lacs
<b>B. CHANGE IN WORKING CAPITAL REQUIREMENTS</b>					
Changes in inventories	31	(52,70,743.03)	(3,951.48)	(2,02,615.26)	(151.90)
Changes in trade receivables and assimilates	32	(14,91,025.04)	(1,117.82)	(2,65,964.10)	(199.39)
Changes in other receivables	33	71,21,661.86	5,339.11	(8,29,291.07)	(621.72)
Changes in operating assets (lines 31 to 33)	34	<b>3,59,893.79</b>	<b>269.81</b>	<b>(12,97,870.43)</b>	<b>(973.01)</b>
Changes in trade payables and assimilates	35	88,40,852.65	6,627.99	(16,43,212.66)	(1,231.92)
Changes in other payables	36	70,69,210.92	5,299.79	(5,82,063.50)	(436.37)
Changes in operating liabilities (lines 35 + 36)	37	<b>1,59,10,063.57</b>	<b>11,927.77</b>	<b>(22,25,276.16)</b>	<b>(1,668.29)</b>
<b>CHANGE IN WORKING CAPITAL REQUIREMENT (lines 34 + 37)</b>	38	<b>(1,55,50,169.78)</b>	<b>(11,657.96)</b>	<b>9,27,405.73</b>	<b>695.28</b>
<b>C. NET CASH FLOWS</b>					
Change in cash and cash equivalents	39	18,15,694.09	1,361.23	6,91,39,346.58	51,833.77
<b>CONTROLE lines 30 – 38 and 39 = 0</b>	40	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
(1) Tangible and intangible net of investments subsidiaries					
(2) Except amortisation of bonds redemption premiums					
(3) Tangible, intangible and financial					

For the Board of Directors

**Frédéric Fabre**  
Président, Director General

Date: 25<sup>th</sup> May 2016

## NOTES

The information below forms the Notes to the Balance Sheet for the year ended 31 December, 2015 which amounts to Euros 5,11,17,335.00, INR 38,322.67 lacs, and to the Profit and Loss account that present a loss of Euros 2,40,37,811.00, INR 18,021.15 lacs.

The financial statements cover the 12-month period from 1 January to 31 December, 2015.

The notes and tables below form an integral part of the company accounts.

These financial accounts were closed by the President.

### 1) ACCOUNTING RULES AND METHODS

The general accounting conventions below have been applied in accordance with the principle of prudence, and in compliance with legal and regulatory requirements in France and the basic assumptions that are intended to provide an accurate picture of the company's assets and liabilities, financial position and results:

- going concern,
- consistency of accounting methods from one period to the next,
- matching of costs and revenues.

The financial statements were established in compliance with the general rules for preparing and presenting annual financial statements.

The basic method used to value accounting entries is the historic cost method.

The functional currency of the company is measured using the currency of the economic environment in which the company operates. For disclosure purpose at the year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = Euro 1.00 as advised by the ultimate parent entity.

The main accounting rules and methods used are the following:

#### a) Tangible Fixed Assets:

Tangible fixed assets are assessed at their acquisition cost (purchase price and incidental expenses), or at their production cost.

Interest on loans specifically for the production of fixed assets is not include in the assets production cost.

Depreciation is recognized as an expense on a straight-line basis, based on the estimated useful life of each component, as described here below:

• Heavy component of industrial plants	40 years
• Buildings improvement	16 years
• Industrial equipment of production	16 years
• Machinery and equipment	16 years
• Special machine-tool	16 years
• Specific tooling	6 years
• Die cast moulds	3 years

#### b) Participating interests, other long-term investments, short-term investments:

The gross book value of long-term investments is their acquisition price, net of acquisition expenses. When their balance sheet value is less than their cost of acquisition, a provision for depreciation is set aside for the amount of the difference. The economic value of these Stocks is estimated according to the relevant share acquired of the carrying value of net assets of the subsidiary.

#### c) Inventories

Inventories are measured using the FIFO method.

The gross value of goods and supplies includes the purchase price and the incidental expenses.

Manufactured goods are valued at production cost including supplies consumed, direct and indirect production expenses and allowances to depreciation of assets used in production. Idle capacity costs are excluded from inventories valuation.

Financial interests are always excluded from inventories valuation.

A provision for impairment is recorded when the book value is higher than the market value or the liquidation value.

#### d) Receivables

Receivables are stated at their nominal value. A provision for impairment is recorded when the fair value is lower than the net book value.

#### e) Transactions in foreign currencies

Expenses and incomes in foreign currencies are accounted for their amount in euros to the date of the transaction.

Payables, receivables and cash in foreign currencies, are accounted at their fair value at closing date or at the guaranteed exchange rate if hedged.

#### f) Research and development expenses

Expenses of research and development that are related to the development of new products or to the improvement of previously existing products, are included in the general expenses. In 2015, these expenses amount to Euros 86,75,900.00, INR 6,504.32 lacs.

## 2. SIGNIFICANT EVENTS DURING THE YEAR

1. Accrued expenses on 31/12/2015 related to social and tax charges on holiday to pay, the PPS premium, the exceptional bonus, the time modulation, the incentive plan, are accounted in the liabilities for an amount of Euros 14,29,688.13, INR 1,071.84 lacs.
2. Provision for employee profit-sharing amount to, Euros 0.00, INR 0.00 lacs.
3. Use of a licence for the production and the sales of magnetic steering wheels. The related fees paid are depreciated over a five-year period.
4. Goods in transit on sea from Asia on 31 December, 2015 (FOB) are valued to 2,720 thousands in euros, INR 2,039.18 lacs. These goods are made of assembled vehicles for 1,706 thousands in euros, INR 1,278.99 lacs and of spare parts for 1,014 thousands in euros, INR 760.20 lacs.
5. 1% construction scheme (French social construction tax) is applied as a loan that amounts to Euros 74,340.00, INR 54.98 lacs. For 2015, the subscription to this scheme will be made as a loan too. A depreciation of this loan is accounted for Euros 53,371.24 INR, 40.01 lacs.
6. Our company pays retirement benefits to the employees and guarantees under conditions a minimum level of pensions.  
  
On 31 December, 2015, the discounted value of the acquired future benefits that amounts to 7,669 thousands in euros, INR 5,749.45 lacs is not recognized as a provision. This amount is partially covered by payments to external funds for an amount of 2,240 thousands in euros, INR 1,679.33 lacs.  
  
The main actuarial assumptions: discount rate of 2.30% and inflation rate of 1.80%.  
  
During 2015 period, no payment was made to the external funds.
7. A depreciation is accounted on the fixed assets owned by Peugeot Motorcycles. The full depreciation of intangible and tangible assets amounts to Euros 2,34,16,411.00, INR 17,555.28 lacs on 31 December, 2015.
8. On December 31, 2015, the provision for customer warranties amounts to 2,004 thousands in euros, INR 1,502.40 lacs.  
  
This provision is made of a provision for parts and labour warranties based on historical data that amount to 1,763 thousands in euros, INR 1,321.72 lacs and of a provision for recall campaigns identified before 31 December, 2014 for an amount of 241 thousands in euros, INR 180.68 lacs.

9. A conversion plan of the company began in 2011:  
The provision for restructuring accounted on 31/12/2015 amounts to Euros 318,558.00, INR 238.82 lacs.  
This provision corresponds to the amount that remains to be paid related to the revitalisation agreement signed with local authorities.
10. On 31/12/2015, a provision of Euros 66,25,111.00, INR 4,966.85 lacs is accounted related to DAEC scheme (an scheme to match jobs and abilities).  
This provision is related to:
- Redeployment of staff related to mobility;
    - Senior leave : 68 people
    - Leave for reclassification/external jobs/business start-up: 25 people
    - Internal training for new occupation : 30 people
  - Restructuring of the following operating areas: frame welding, powder painting and spare parts.
11. Equity investments in a Chinese JV  
Shares owned in the JV are accounted for a gross amount of 6,836 thousands in euros, INR 5,124.95 lacs on 31 December, 2015.  
A full depreciation was accounted in 2011 so that the net value is equal to zero since 2011.
12. In application of the recommendations published on 28/02/2013 by ANC (French accounting authority), the French tax credit based on payroll (CICE) is accounted a payroll reduction in P&L.  
For 2015, a tax credit of Euros 618,512.00, INR 463.70 lacs is accounted in reduction of 2014 payroll.

13. The individual right to training was established by Act of 4 May, 2004. As of 1 January 2015, the professional account Training (CPF) has replaced the DIF. The hours DIF acquired to 31 December, 2014 must be used before 31 December, 2020 the same way as if it was hours granted under the CPF.
14. The annual accounts show a net loss of Euros 2,40,37,811.00, INR 18,021.15 lacs and equity of Euros 84,35,538.00, INR 6,324.12 lacs fell below the share capital of Euros 98,09,472.00, INR 7,354.16 lacs (but still above 50% of share capital). The company reports net losses for several years and the situation does not improve in 2015. The company has implemented corrective measures that will produce their first effects in 2016 but which will be fully effective in the medium term. The going concern for the coming 12 months is based on the assumption of a support from majority shareholder.
15. The shareholder of the company, Peugeot SA, has received a firm offer from the Group Mahindra & Mahindra to take a majority stake in Peugeot Motorcycle SAS, by the company Mahindra Two-Wheelers Europe S.à.r.l.. This acquisition of a 51% stake was effected as of January 19, 2015 and was realised by the acquisition of shares held by Peugeot SA and by the subscription to a reserved capital increase of Euros 26,67,072.00, INR 1,999.50 lacs with an issue premium of Euros 1,23,32,928.00, INR 9,246.00 lacs.  
After this transaction, the share capital of the company Peugeot Motorcycle SAS amounts to Euros 98,09,472.00, INR 7,354.16 lacs and is made of 613.092 shares with a par value of Euros 16.00, INR 0.01 lacs.

**3. SUBSEQUENT EVENTS**

16. No significant subsequent event occurred since 31 December, 2015 year-end.

**4) FIXED ASSETS ON DECEMBER 31, 2015**

(in Euros)

FIXED ASSETS GROSS VALUE	Opening balance	Transfers	Acquisitions	Disposals	Year-end balance	Original value
<b>Intangible fixed assets</b>						
Leaseholds	-	-	-	-	-	-
Software	33,03,230.00	-	6,38,256.00	-	39,41,485.00	39,41,485.00
Concessions, patents & similar rights	84,587.00	-	-	-	84,587.00	84,587.00
Business goodwill	1,37,204.00	-	-	-	1,37,204.00	1,37,204.00
Other intangible fixed assets	-	-	-	-	-	-
Advances and payments on account	-	-	-	-	-	-
<b>Subtotal</b>	<b>35,25,021.00</b>	<b>-</b>	<b>6,38,256.00</b>	<b>-</b>	<b>41,63,276.00</b>	<b>41,63,276.00</b>
<b>Tangible fixed assets</b>						
Lands	25,08,164.00	-	3,682.00	-	25,11,847.00	20,59,462.00
Buildings on freehold land	1,57,37,874.00	-	-	-	1,57,37,874.00	1,57,37,874.00
Buildings on non-freehold land	-	-	-	-	-	-
Improvements to buildings	1,52,87,144.00	-	1,61,986.00	-	1,54,49,129.00	1,54,49,129.00
Technical installations, industrial plant and machinery	12,76,60,761.00	10,37,479.00	3,34,422.00	3,98,208.00	12,86,34,454.00	12,86,34,454.00
Other tangible assets:						
General fixtures and fittings	19,02,471.00	-	-	-	19,02,471.00	19,02,471.00
Vehicles	1,80,853.00	-	7,999.00	-	1,88,852.00	1,88,852.00
Office and computer equipment, furniture	10,63,481.00	-	5,151.00	2,020.00	10,66,612.00	10,66,612.00
Tangible fixed assets in progress	4,34,627.00	(10,37,479.00)	8,40,698.00	-	2,37,846.00	2,37,846.00
Advances and payments on account	5,08,010.00	-	-	99,415.00	4,08,595.00	4,08,595.00
<b>Subtotal</b>	<b>16,52,83,385.00</b>	<b>-</b>	<b>13,53,938.00</b>	<b>4,99,643.00</b>	<b>16,61,37,680.00</b>	<b>16,56,85,295.00</b>
<b>Financial fixed assets</b>						
Equity interests	73,20,951.00	-	13,037.00	-	73,33,988.00	73,33,988.00
Receivables from equity interests	-	-	-	-	-	-
Other long-term investment securities	-	-	-	-	-	-
Loans	24,76,021.00	-	74,340.00	1,13,437.00	24,36,924.00	24,36,924.00
Other long-term investments	64,476.00	-	1,03,245.00	3,811.00	1,63,910.00	1,63,910.00
<b>Subtotal</b>	<b>98,61,448.00</b>	<b>-</b>	<b>1,90,622.00</b>	<b>1,17,248.00</b>	<b>99,34,822.00</b>	<b>99,34,822.00</b>
<b>TOTAL</b>	<b>17,86,69,854.00</b>	<b>-</b>	<b>21,82,816.00</b>	<b>6,16,891.00</b>	<b>18,02,35,779.00</b>	<b>17,97,83,394.00</b>

(Rs. lacs)

<b>FIXED ASSETS GROSS VALUE</b>	<b>Opening balance</b>	<b>Transfers</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Year-end balance</b>	<b>Original value</b>
<b>Intangible fixed assets</b>						
Leaseholds	-	-	-	-	-	-
Software	2,476.00	-	479.00	-	2,955.00	2,955.00
Concessions, patents & similar rights	63.00	-	-	-	63.00	63.00
Business goodwill	103.00	-	-	-	103.00	103.00
Other intangible fixed assets	-	-	-	-	-	-
Advances and payments on account	-	-	-	-	-	-
<i>Subtotal</i>	<b>2,643.00</b>	-	<b>479.00</b>	-	<b>3,121.00</b>	<b>3,121.00</b>
<b>Tangible fixed assets</b>						
Lands	1,880.00	-	3.00	-	1,883.00	1,544.00
Buildings on freehold land	11,799.00	-	-	-	11,799.00	11,799.00
Buildings on non-freehold land	-	-	-	-	-	-
Improvements to buildings	11,461.00	-	121.00	-	11,582.00	11,582.00
Technical installations, industrial plant and machinery	95,707.00	778.00	251.00	299.00	96,437.00	96,437.00
Other tangible assets:						
General fixtures and fittings	1,426.00	-	-	-	1,426.00	1,426.00
Vehicles	136.00	-	6.00	-	142.00	142.00
Office and computer equipment, furniture	797.00	-	4.00	2.00	800.00	800.00
Tangible fixed assets in progress	326.00	(778.00)	630.00	-	178.00	178.00
Advances and payments on account	381.00	-	-	75.00	306.00	306.00
<i>Subtotal</i>	<b>1,23,913.00</b>	-	<b>1,015.00</b>	<b>375.00</b>	<b>1,24,553.00</b>	<b>1,24,214.00</b>
<b>Financial fixed assets</b>						
Equity interests	5,489.00	-	10.00	-	5,498.00	5,498.00
Receivables from equity interests	-	-	-	-	-	-
Other long-term investment securities	-	-	-	-	-	-
Loans	1,856.00	-	56.00	85.00	1,827.00	1,827.00
Other long-term investments	48.00	-	77.00	3.00	123.00	123.00
<i>Subtotal</i>	<b>7,393.00</b>	-	<b>143.00</b>	<b>88.00</b>	<b>7,448.00</b>	<b>7,448.00</b>
<b>TOTAL</b>	<b>1,33,949.00</b>	-	<b>1,636.00</b>	<b>462.00</b>	<b>1,35,123.00</b>	<b>1,34,784.00</b>

5) AMORTIZATION AND PROVISION OF FIXED ASSETS ON 31 DECEMBER, 2015

(in Euros)

<b>FIXED ASSETS DEPRECIATION</b>	<b>Opening balance</b>	<b>Transfers</b>	<b>Charges</b>	<b>Reversals</b>	<b>Year-end balance</b>
<b>Intangible fixed assets</b>					
Leaseholds	33,03,230.00	-	7,39,772.00	1,01,517.00	39,41,485.00
Software	84,587.00	-	-	-	84,587.00
Concessions, patents & similar rights	-	-	-	-	-
Business goodwill	-	-	-	-	-
Other intangible fixed assets	-	-	-	-	-
<i>Subtotal</i>	<b>33,87,817.00</b>	<b>-</b>	<b>7,39,772.00</b>	<b>1,01,517.00</b>	<b>40,26,072.00</b>
<b>Tangible fixed assets</b>					
Lands	5,53,022.00	-	-	-	5,53,022.00
Buildings on freehold land	1,57,37,874.00	3,73,440.00	5,73,996.00	9,47,436.00	1,57,37,874.00
Buildings on non-freehold land	-	-	-	-	-
Improvements to buildings	1,52,87,144.00	(3,73,441.00)	5,35,426.00	-	1,54,49,129.00
Technical installations, industrial plant and machinery	12,76,60,761.00	-	50,98,425.00	41,24,731.00	12,86,34,455.00
Other tangible fixed assets					
General fixtures and fittings	19,02,471.00	14,217.00	53,853.00	68,070.00	19,02,471.00
Vehicles	1,80,853.00	(2,344.00)	10,343.00	-	1,88,852.00
Office and computer equipment, furniture	10,63,481.00	(11,874.00)	17,025.00	2,020.00	10,66,612.00
Tangible fixed assets in progress	4,34,627.00	-	2,37,846.00	4,34,627.00	2,37,846.00
Advances and payments on account	5,08,010.00	-	4,08,595.00	5,08,010.00	4,08,595.00
<i>Subtotal</i>	<b>16,33,28,243.00</b>	<b>(2.00)</b>	<b>69,35,509.00</b>	<b>60,84,894.00</b>	<b>16,41,78,856.00</b>
<b>Financial fixed assets</b>					
Equity interests	70,67,188.00	-	-	15,579.00	70,51,609.00
Receivables from equity interests	-	-	-	-	-
Other long-term investment securities	8,44,929.00	-	53,004.00	80,405.00	8,17,528.00
Loans	-	-	-	-	-
Other long-term investments					
<i>Subtotal</i>	<b>79,12,117.00</b>	<b>-</b>	<b>53,004.00</b>	<b>95,984.00</b>	<b>78,69,137.00</b>
<b>TOTAL</b>	<b>17,46,28,177.00</b>	<b>(2.00)</b>	<b>77,28,285.00</b>	<b>6,282,395.00</b>	<b>17,60,74,065.00</b>

(Rs. lacs)

FIXED ASSETS DEPRECIATION	Opening balance	Transfers	Charges	Reversals	Year-end balance
<b>Intangible fixed assets</b>					
Leaseholds	2,476.00	-	555.00	76.00	2,955.00
Software	63.00	-	-	-	63.00
Concessions, patents & similar rights	-	-	-	-	-
Business goodwill	-	-	-	-	-
Other intangible fixed assets	-	-	-	-	-
<i>Subtotal</i>	<b>2,540.00</b>	<b>-</b>	<b>555.00</b>	<b>76.00</b>	<b>3,018.00</b>
<b>Tangible fixed assets</b>					
Lands	415.00	-	-	-	415.00
Buildings on freehold land	11,799.00	280.00	430.00	710.00	11,799.00
Buildings on non-freehold land	-	-	-	-	-
Improvements to buildings	11,461.00	(280.00)	401.00	-	11,582.00
Technical installations, industrial plant and machinery	95,707.00	-	3,822.00	3,092.00	96,437.00
Other tangible fixed assets	-	-	-	-	-
General fixtures and fittings 4	1,426.00	11.00	40.00	51.00	1,426.00
Vehicles	136.00	(2.00)	8.00	-	142.00
Office and computer equipment, furniture	797.00	(9.00)	13.00	2.00	800.00
Tangible fixed assets in progress	326.00	-	178.00	326.00	178.00
Advances and payments on account	381.00	-	306.00	381.00	306.00
<i>Subtotal</i>	<b>1,22,447.00</b>	<b>-</b>	<b>5,200.00</b>	<b>4,562.00</b>	<b>1,23,085.00</b>
<b>Financial fixed assets</b>					
Equity interests	5,298.00	-	-	12.00	5,287.00
Receivables from equity interests	-	-	-	-	-
Other long-term investment securities	633.00	-	40.00	60.00	613.00
Loans	-	-	-	-	-
Other long-term investments	-	-	-	-	-
<i>Subtotal</i>	<b>5,932.00</b>	<b>-</b>	<b>40.00</b>	<b>72.00</b>	<b>5,899.00</b>
<b>TOTAL</b>	<b>1,30,919.00</b>	<b>-</b>	<b>5,794.00</b>	<b>4,710.00</b>	<b>1,32,003.00</b>

6) INVENTORIES ON DECEMBER 31, 2015

(Rs. lacs)

(In euros)

INVENTORIES ON 31/12/2014		GROSS	DEPRECIATION	NET
311 000	Raw materials	97,51,597.11	28,23,294.62	69,28,302.49
321 000	Other supplies	12,48,098.28	6,64,257.67	5,83,840.61
321 100	Returnable packaging	11,342.86	8,059.31	3,283.55
331 000	Work in progress	18,869.45	-	18,869.45
351 000	Intermediate products	17,59,840.77	2,73,035.22	14,86,805.55
355 000	Finished products	1,44,03,713.50	25,04,105.10	1,18,99,608.40
355 100	Second-hand finished products	11,01,225.85	9,67,457.08	1,33,768.77
355 200	China finished products	17,06,100.49	-	17,06,100.49
<b>TOTAL</b>		<b>3,00,00,788.31</b>	<b>72,40,209.00</b>	<b>2,27,60,579.31</b>

INVENTORIES ON 31/12/2014		GROSS	DEPRECIATION	NET
311 000	Raw materials	7,310.77	2,116.62	5,194.15
321 000	Other supplies	935.70	497.99	437.71
321 100	Returnable packaging	8.50	6.04	2.46
331 000	Work in progress	14.15	-	14.15
351 000	Intermediate products	1,319.35	204.69	1,114.66
355 000	Finished products	10,798.46	1,877.33	8,921.14
355 100	Second-hand finished products	825.59	725.30	100.29
355 200	China finished products	1,279.06	-	1,279.06
<b>TOTAL</b>		<b>22,491.59</b>	<b>5,427.98</b>	<b>17,063.61</b>

7) **Changes in Shareholder's Equity, transfers of operating charges and details on extraordinary results are presented here after.**

(In euros)

CHANGES IN SHAREHOLDER'S EQUITY	Opening balance	Increases	Decreases	Others	Year-end balance
Share capital	71,42,400.00	26,67,072.00	–	–	98,09,472.00
Revaluation reserve	4,52,385.00	–	–	–	452,385.00
Retained earnings	–	(3,27,02,109.00)	–	–	(3,27,02,109.00)
Share premium	4,25,80,672.00	1,23,32,928.00	–	–	5,49,13,600.00
Result of the year	(3,27,02,109.00)	3,27,02,109.00	(2,40,37,811.00)	–	(2,40,37,811.00)
<b>TOTAL</b>	<b>1,74,73,348.00</b>	<b>1,50,00,000.00</b>	<b>(2,40,37,811.00)</b>	–	<b>84,35,537.00</b>

(Rs. lacs)

CHANGES IN SHAREHOLDER'S EQUITY	Opening balance	Increases	Decreases	Others	Year-end balance
Share capital	5,355.00	2,000.00	–	–	7,354.00
Revaluation reserve	339.00	–	–	–	339.00
Retained earnings	–	(24,517.00)	–	–	(24,517.00)
Share premium	31,923.00	9,246.00	–	–	41,169.00
Result of the year	(24,517.00)	24,517.00	(18,021.00)	–	(18,021.00)
<b>TOTAL</b>	<b>13,100.00</b>	<b>11,246.00</b>	<b>(18,021.00)</b>	–	<b>6,324.00</b>

Mahindra Company subscribed to a reserved capital increase of Euros 26,67,072.00, INR 1,999.50 lacs, made of 166 692 new shares with a par value of Euros 16.00, INR 0.01 lacs, issued with a global premium of Euros 1,23,32,928.00, INR 9,246.00 lacs.

Following to this operation, the share capital of the company amounts to Euros 98,09,472.00, INR 7,354.16 lacs, made of 613 092 shares with a par value of Euros 16.00, INR 0.01 lacs. Net Equity amounts to Euros 84,35,537.00, INR 6,324.11 lacs after the recognition of a loss in 2015 of Euros 2,40,37,811.00, INR 18,021.15 lacs.

EXTRAORDINARY RESULT DETAILS	CHARGES		INCOMES	
	Euros	Rs. lacs	Euros	Rs. lacs
On operating transactions - linked to the financial year	4,864.00	3.65	8,804.00	6.60
On operating transactions - linked to previous financial years	3,222.00	2.42	–	–
On investments transactions - assets disposals	64,375.00	48.26	85,500.00	64.10
On investments transactions - reversals of investment subsidy	–	–	–	–
On investments transactions - linked to previous financial year	–	–	1,377.00	1.03
Extraordinary liabilities et charges	–	–	–	–
Reversals of intangible fixed assets depreciation	–	–	1,01,517.00	76.11
Reversals of tangible fixed assets depreciation	–	–	48,12,350.00	3,607.82
Reversals of extraordinary depreciations	–	–	–	–
Reversals of extraordinary provision for liabilities and charges	–	–	–	–
Provisions for restructuring plan	–	–	–	–

EXTRAORDINARY RESULT DETAILS	CHARGES		INCOMES	
	Euros	Rs. lacs	Euros	Rs. lacs
Provisions DAEC	8,19,257.00	614.20	33,53,145.00	2,513.85
Provisions CASA	6.00	–	–	–
Depreciation of fixed assets	–	–	–	–
Extraordinary amortization of fixed assets	66,93,184.00	5,017.88	–	–
<b>TOTAL</b>	<b>75,84,902.00</b>	<b>5,686.40</b>	<b>83,62,693.00</b>	<b>6,269.51</b>

We have to account an extraordinary amortization of our fixed assets due to the fact that the company recognized losses for several year, in order to reduce the value of our fixed assets to zero, except for business goodwill and lands.

TRANSFERS OF OPERATING CHARGES DETAILS	Euros	Rs. lacs
Adefim reimbursement of training costs	(19,383.00)	(14.53)
On wages and social security charges	1,17,957.00	88.43
On insurance proceeds	3,19,594.00	239.60
On insurance proceeds linked to employees	–	–
On fire insurance proceeds	–	–
Transferred charges to third parties	15,452.00	11.58
On goods returns	1,39,939.00	104.91
Bought materials invoiced	–	–
Employees - Benefits in kind	–	–
Others	2,562.00	1.92
<b>TOTAL</b>	<b>5,76,121.00</b>	<b>431.92</b>

8) PROVISIONS ON 31 DECEMBER, 2015

(In euros)

TYPE OF PROVISIONS	Line		Opening balance	Charges	Reversals			Year-end balance
					Used	Non-used	Others	
Provisions for investment	1		-	-	-	-	-	-
Provisions for fluctuations on price	2		-	-	-	-	-	-
Provisions for accelerated tax depreciation	3		-	-	-	-	-	-
Provisions for regulated revaluation	4		-	-	-	-	-	-
Reinvested net gains	5		-	-	-	-	-	-
Provision for foreign investments	6		-	-	-	-	-	-
Other regulated provisions	7		-	-	-	-	-	-
<b>Total regulated provisions - Lines 01 to 07</b>	<b>8</b>		-	-	-	-	-	-
Provisions for disputes	9		30,000.00	18,000.00	-	-	-	48,000.00
Provision for customer warranties	10		21,00,291.00	20,03,790.00	-	21,00,291.00	-	20,03,790.00
Provisions for foreign exchange losses	12	Financ	14.00	-	14.00	-	-	-
Provisions for others liabilities	13		1,95,000.00	55,000.00	1,50,000.00	-	-	1,00,000.00
Provisions for liabilities - foundry	14		-	-	-	-	-	-
Provisions for liabilities - CASA			-	-	-	-	-	-
Provisions for liabilities - PLOYER			-	-	-	-	-	-
Provisions for liabilities - Oxygen			-	-	-	-	-	-
Provisions for liabilities - URSSAF			-	-	-	-	-	-
Provisions for liabilities - Labour litigations			1,95,000.00	55,000.00	1,50,000.00	-	-	1,00,000.00
Provisions for taxations		Extra	-	-	-	-	-	-
Provisions for charges - Group mobility	15		-	-	-	-	-	-
Provisions for charges - Long-service award	16		3,05,000.00	(3,000.00)	21,235.00	-	-	2,80,765.00
Provisions for charges - Restructuring PREC	17	Extra	91,59,000.00	8,19,257.00	29,09,145.00	4,44,000.00	-	66,25,111.00
Provisions for charges - Restructuring Plan 2011		Extra	3,18,558.00	-	-	-	-	3,18,558.00
Provisions for charges - Departures Casa	18	Extra	-	-	-	-	-	-
Provisions for charges - Discounted construction loans	19		53,004.00	53,371.00	-	53,004.00	-	53,371.00
Provisions for charges - Battery recycling	20		99,300.00	6,450.00	-	-	-	1,05,750.00
<b>Total provisions liabilities and charges - Lines 09 to 20</b>	<b>21</b>		<b>1,22,60,167.00</b>	<b>29,52,868.00</b>	<b>30,80,394.00</b>	<b>25,97,295.00</b>	-	<b>95,35,345.00</b>
On intangible fixed assets	22	Extra	1,52,135.00	6,37,315.00	1,01,517.00	-	-	6,87,933.00
On tangible fixed assets	23	Extra	2,63,98,826.00	11,42,002.00	48,12,350.00	-	-	2,27,28,478.00
On financial fixed assets	24	Financ	8,44,929.00	53,004.00	80,406.00	-	-	8,17,528.00
On equity investments	25	Financ	70,67,188.00	-	15,578.00	-	-	70,51,610.00
On inventories	26		90,58,421.00	72,40,209.00	90,58,421.00	-	-	72,40,209.00
On trade receivables	27		10,35,694.00	3,07,690.00	2,83,490.00	-	-	10,59,894.00
Other short-term assets	28							
<b>Total provisions for assets depreciation - Lines 21 to 28</b>	<b>29</b>		<b>4,45,57,193.00</b>	<b>93,80,220.00</b>	<b>1,43,51,762.00</b>	-	-	<b>3,95,85,652.00</b>
<b>TOTAL - Lines 08 + 21 + 29</b>	<b>30</b>		<b>5,68,17,360.00</b>	<b>1,23,33,088.00</b>	<b>1,74,32,156.00</b>	<b>25,97,295.00</b>	-	<b>4,91,20,997.00</b>
of which Charges and Reversals	- Operating		1,28,76,710.00	96,81,510.00	95,13,146.00	21,53,295.00	-	1,08,91,779.00
	- Financial	Financ	79,12,131.00	53,004.00	95,998.00	-	-	78,69,137.00
	- Extraordinary	Extra	3,60,28,519.00	25,98,574.00	78,23,012.00	4,44,000.00	-	3,03,60,081.00



TYPE OF PROVISIONS	Line		Reversals					Year-end balance
			Opening balance	Charges	Used	Non-used	Others	
Provisions for investment	1		-	-	-	-	-	-
Provisions for fluctuations on price	2		-	-	-	-	-	-
Provisions for accelerated tax depreciation	3		-	-	-	-	-	-
Provisions for regulated revaluation	4		-	-	-	-	-	-
Reinvested net gains	5		-	-	-	-	-	-
Provision for foreign investments	6		-	-	-	-	-	-
Other regulated provisions	7		-	-	-	-	-	-
<b>Total regulated provisions - Lines 01 to 07</b>	<b>8</b>		-	-	-	-	-	-
Provisions for disputes	9		22.00	13.00	-	-	-	36.00
Provision for customer warranties	10		1,575.00	1,502.00	-	1,575.00	-	1,502.00
Provisions for foreign exchange losses	12	Financ	-	-	-	-	-	-
Provisions for others liabilities	13		146.00	41.00	112.00	-	-	75.00
<i>Provisions for liabilities - foundry</i>	14		-	-	-	-	-	-
<i>Provisions for liabilities - CASA</i>			-	-	-	-	-	-
<i>Provisions for liabilities - PLOYER</i>			-	-	-	-	-	-
<i>Provisions for liabilities - Oxygen</i>			-	-	-	-	-	-
<i>Provisions for liabilities - URSSAF</i>			-	-	-	-	-	-
<i>Provisions for liabilities -Labour litigations</i>			146.00	41.00	112.00	-	-	75.00
Provisions for taxations		Extra	-	-	-	-	-	-
Provisions for charges - Group mobility	15		-	-	-	-	-	-
Provisions for charges - Long-service award	16		229.00	(2.00)	16.00	-	-	210.00
Provisions for charges - Restructuring PREC	17	Extra	6,867.00	614.00	2,181.00	333.00	-	4,967.00
Provisions for charges - Restructuring Plan 2011		Extra	239.00	-	-	-	-	239.00
Provisions for charges - Departures Casa	18	Extra	-	-	-	-	-	-
Provisions for charges - Discounted construction loans	19		40.00	40.00	-	40.00	-	40.00
Provisions for charges - Battery recycling	20		74.00	5.00	-	-	-	79.00
<b>Total provisions liabilities and charges - Lines 09 to 20</b>	<b>21</b>		<b>9,191.00</b>	<b>2,214.00</b>	<b>2,309.00</b>	<b>1,947.00</b>	-	<b>7,149.00</b>
On intangible fixed assets	22	Extra	114.00	478.00	76.00	-	-	516.00
On tangible fixed assets	23	Extra	19,791.00	856.00	3,608.00	-	-	17,040.00
On financial fixed assets	24	Financ	633.00	40.00	60.00	-	-	613.00
On equity investments	25	Financ	5,298.00	-	12.00	-	-	5,287.00
On inventories	26		6,791.00	5,428.00	6,791.00	-	-	5,428.00
On trade receivables	27		776.00	231.00	213.00	-	-	795.00
Other short-term assets	28							
<b>Total provisions for assets depreciation- Lines 21 to 28</b>	<b>29</b>		<b>33,405.00</b>	<b>7,032.00</b>	<b>10,760.00</b>	-	-	<b>29,677.00</b>
<b>TOTAL - Lines 08 + 21 + 29</b>	<b>30</b>		<b>42,596.00</b>	<b>9,246.00</b>	<b>13,068.89</b>	<b>1,947.19</b>	-	<b>36,826.00</b>
of which Charges and Reversals	- Operating		<b>9,654.00</b>	<b>7,258.00</b>	<b>7,132.00</b>	<b>1,614.00</b>	-	<b>8,166.00</b>
	- Financial	Financ	<b>5,932.00</b>	<b>40.00</b>	<b>72.00</b>	-	-	<b>5,899.00</b>
	- Extraordinary	Extra	<b>27,011.00</b>	<b>1,948.00</b>	<b>5,865.00</b>	<b>333.00</b>	-	<b>22,761.00</b>

## 9) MATURITY SCHEDULE OF ASSETS AND LIABILITIES ON DECEMBER 31, 2015

ASSETS	Line	Gross		Within 1 year		More than 1 year	
		Euros	Rs. lacs	Euros	Rs. lacs	Euros	Rs. lacs
<b>From Fixed Assets</b>							
Receivables from equity interests	1	-	-	-	-	-	-
Loans	2	24,36,924.00	1,826.96	-	-	24,36,924.00	1,826.96
Other long-term investments	3	1,63,910.00	122.88	-	-	1,63,910.00	122.88
<b>SUBTOTAL Lines 01 to 03</b>	<b>4</b>	<b>26,00,834.00</b>	<b>1,949.85</b>	<b>-</b>	<b>-</b>	<b>26,00,834.00</b>	<b>1,949.85</b>
<b>From short-term assets</b>							
Doubtful and disputed trade receivables	5	9,18,252.00	688.41	-	-	9,18,252.00	688.41
Other trade receivables	6	1,22,82,817.00	9,208.43	1,22,82,817.00	9,208.43	-	-
<b>SUBTOTAL - Lines 05 to 06</b>	<b>7</b>	<b>1,32,01,069.00</b>	<b>9,896.84</b>	<b>1,22,82,817.00</b>	<b>9,208.43</b>	<b>9,18,252.00</b>	<b>688.41</b>
Amounts due from employees	8	4,916.00	3.69	4,916.00	3.69	-	-
Social security and other welfare agencies	9	-	-	-	-	-	-
State and other local authorities		-	-	-	-	-	-
Corporate income tax recoverable	10	-	-	-	-	-	-
VAT recoverable	11	13,60,547.00	1,020.00	13,60,547.00	1,020.00	-	-
Other taxes and duties recoverable	12	6,96,580.00	522.23	6,96,580.00	522.23	-	-
Other amounts due from government and local authorities	13	7,33,912.00	550.21	7,33,912.00	550.21	-	-
Amount due from Group companies and shareholders	14	-	-	-	-	-	-
Other receivables	15	45,64,932.00	3,422.33	45,64,932.00	3,422.33	-	-
<b>SUBTOTAL - Lines 08 to 15</b>	<b>16</b>	<b>73,60,887.00</b>	<b>5,518.46</b>	<b>73,60,887.00</b>	<b>5,518.46</b>	<b>-</b>	<b>-</b>
<b>TOTAL Lines 04 + 07 + 16</b>	<b>17</b>	<b>2,31,62,790.00</b>	<b>17,365.14</b>	<b>1,96,43,704.00</b>	<b>14,726.88</b>	<b>35,19,086.00</b>	<b>2,638.26</b>

LIABILITIES	Line	Gross		Within 1 year		1 to 5 years	More than 5 years
		Euros	Rs. lacs	Euros	Rs. lacs	Euros/ Rs. lacs	Euros/ Rs. lacs
<b>Loans and long-term liabilities</b>							
Convertible bonds	18	-	-	-	-	-	-
Other bonds	19	-	-	-	-	-	-
Financial debt	20	5,678.00	4.26	5,678.00	4.26	-	-
Miscellaneous debt	21	27,500.00	20.62	27,500.00	20.62	-	-
<b>subtotal : lines 18 to 21</b>	<b>22</b>	<b>33,178.00</b>	<b>24.87</b>	<b>33,178.00</b>	<b>24.87</b>	<b>-</b>	<b>-</b>
<b>Short-term liabilities</b>							
Trade payables	23	1,87,70,410.00	14,072.18	1,87,70,410.00	1,40,72.18	-	-
Amounts due to employees	24	44,83,111.00	3,360.99	44,83,111.00	3,360.99	-	-
Social security and other welfare to	25	16,93,073.00	1,269.30	16,93,073.00	1,269.30	-	-
Amounts due to state or local authorities		-	-	-	-	-	-
Corporate income tax payable	26	-	-	-	-	-	-
VAT payable	27	50,422.00	37.80	50,422.00	37.80	-	-
Tax payment bonds	28	-	-	-	-	-	-
Other taxes payable	29	4,25,926.00	319.32	4,25,926.00	319.32	-	-
Amounts due to Group Companies and Shareholders	30	-	-	-	-	-	-
Other liabilities	31	2,78,371.00	208.69	2,78,371.00	208.69	-	-
subtotal : lines 24 to 31	32	2,57,01,313.00	19,268.27	2,57,01,313.00	19,268.27	-	-
<b>sous total : lines 23 + 32</b>	<b>33</b>	<b>2,57,34,491.00</b>	<b>19,293.15</b>	<b>2,57,34,491.00</b>	<b>19,293.15</b>	<b>-</b>	<b>-</b>
<b>Other liabilities</b>							
Amounts payable on fixed assets and related accounts	34	-	-	-	-	-	-
Amounts due to Group Companies and Shareholders	35	-	-	-	-	-	-
Other liabilities	36	-	-	-	-	-	-
subtotal : lines 35 + 36	37	-	-	-	-	-	-
<b>subtotal : Lines 34 + 37</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL - Lines 22 + 33 + 38</b>	<b>39</b>	<b>2,57,34,491.00</b>	<b>19,293.15</b>	<b>2,57,34,491.00</b>	<b>19,293.15</b>	<b>-</b>	<b>-</b>

10) ITEMS RELATING TO SEVERAL BALANCE SHEET AND PROFIT & LOSS ACCOUNT ITEM ON 31 DECEMBER, 2015

BALANCE SHEET	Line	Amounts related to companies				Trade bills payable and receivable Euros	Trade bills payable and receivable Rs. lacs
		Related undertakings Euros	Related undertakings Rs. lacs	Equity Interests Euros	Equity Interests Rs. lacs		
<b>Assets</b>							
Capital subscribed but not called	1	-	-	-	-	-	-
Prepayments on intangible fixed assets	2	-	-	-	-	-	-
Prepayment on tangible fixed assets	3	-	-	-	-	-	-
Equity interests	4	4,98,283.00	373.56	68,35,705.00	5,124.73	-	-
Receivables from equity interests	5	-	-	-	-	-	-
Other long-term investment securities	6	-	-	-	-	-	-
Loans	7	-	-	-	-	-	-
Other long-term investment	8	-	-	-	-	-	-
Prepayments	9	-	-	-	-	-	-
Trade receivable	10	38,314.00	28.72	18,88,324.00	1,415.68	13,87,535.00	1,040.23
Other receivable	11	-	-	-	-	-	-
Capital subscribed but not called	12	-	-	-	-	-	-
Marketable securities	13	-	-	-	-	-	-
Cash and equivalents	14	-	-	-	-	-	-
<b>Liabilities</b>							
Proceeds from issues of equity securities	15	-	-	-	-	-	-
Conditional advances	16	-	-	-	-	-	-
Convertible bonds	17	-	-	-	-	-	-
Other bonds	18	-	-	-	-	-	-
Bank borrowings	19	-	-	-	-	-	-
Miscellaneous debt	20	-	-	-	-	-	-
Advances and progress payments received	21	-	-	-	-	-	-
Trade payables	22	17,06,575.00	1,279.42	2,15,942.00	161.89	-	-
Amounts payable on fixed assets and related accounts	23	-	-	-	-	-	-
Miscellaneous liabilities	24	-	-	-	-	-	-
Amounts due to Bank and related accounts	25	-	-	-	-	-	-

11) IMPACT OF REVALUATION ON BALANCE SHEET ON 31 DECEMBER, 2015

(Euros/Rs. lacs)

Change in provision for regulated revaluation	Lines	Variance calculation		Extra depreciation			Year-end provision amount
		Increase in gross amounts	Increase in depreciated amounts	During the period		Year-end cumulative amount	
				Extra depreciation	Disposals		
Concessions, patents & similar rights	1	-	-	-	-	-	-
Business goodwill	2	-	-	-	-	-	-
Lands	3	-	-	-	-	-	-
Buildings	4	-	-	-	-	-	-
Technical installations, industrial plant and machinery	5	-	-	-	-	-	-
Other tangible fixed assets	6	-	-	-	-	-	-
Tangible fixed assets in progress	7	-	-	-	-	-	-
Equity interests	8	-	-	-	-	-	-
Other long-term investments	9	-	-	-	-	-	-
<b>TOTAL Lines 01 to 09</b>	<b>10</b>	-	-	-	-	-	-

(In euros)

Change in provision for regulated revaluation	Line	Opening balance	Disposals	Others	Year-end balance	For information - Difference transferred to capital
Concessions, patents & similar rights	11	-	-	-	-	-
Business goodwill	12	-	-	-	-	-
Lands	13	3,00,282.00	-	-	3,00,282.00	-
Equity interests	14	-	-	-	-	-
Fixed assets (1959 French law)	15	1,52,103.00	-	-	1,52,103.00	-
<b>TOTAL Lines 11 to 15</b>	<b>16</b>	<b>4,52,385.00</b>	<b>-</b>	<b>-</b>	<b>4,52,385.00</b>	<b>-</b>
Revaluation reserve (1976 French law)	-	-	-	-	3,00,282.00	-
Special revaluation reserve (1959 French law)	-	-	-	-	1,52,103.00	-
"Free revaluation" differences	-	-	-	-	-	-
Other differences	-	-	-	-	-	-
					<b>4,52,385.00</b>	

(Rs. Lacs)

Change in provision for regulated revaluation	Line	Opening balance	Disposals	Others	Year-end balance	For information - Difference transferred to capital
Concessions, patents & similar rights	11	-	-	-	-	-
Business goodwill	12	-	-	-	-	-
Lands	13	225.00	-	-	225.00	-
Equity interests	14	-	-	-	-	-
Fixed assets (1959 French law)	15	114.00	-	-	114.00	-
<b>TOTAL Lines 11 to 15</b>	<b>16</b>	<b>339.00</b>	<b>-</b>	<b>-</b>	<b>339.00</b>	<b>-</b>
Revaluation reserve (1976 French law)	-	-	-	-	225.00	-
Special revaluation reserve (1959 French law)	-	-	-	-	114.00	-
"Free revaluation" differences	-	-	-	-	-	-
Other differences	-	-	-	-	-	-
					<b>339.00</b>	

**12) BUSINESS GOODWILL**

	Euros	INR in lacs
Leasehold DANNEMARIE	-	-
26 Avenue de la Grande Armée PARIS	1,37,204.00	102.86
<b>TOTAL</b>	<b>1,37,204.00</b>	<b>102.86</b>

**13) CAPITALIZED INTERESTS IN FIXED ASSETS**

Interests are not included in the production cost of the own constructed fixed assets.

**14) CAPITALIZED INTERESTS IN INVENTORIES**

Interests are not included in the inventories valuation.

**15) VALUATION OF TRANSFERABLE ITEMS**

When the value of transferable items is lower than their actual balance sheet value, a depreciation is recognized.

For the fiscal year 2015, depreciations linked to transferable items amount to Euros 6,45,075.00, INR 483.61 lacs.

**16) ACCRUED INCOME AND ACCRUED EXPENSE**

On December 31, 2015, the accrued income and accrued expense included in the balance sheet are the following:

Accrued income	31/12/2015		31/12/2014	
	Euros	Rs. lacs	Euros	Rs. lacs
- Government - amounts to receive	-	-	-	-
- Clients - invoices to raise	64,068.00	48.03	78,111.00	58.56
- Suppliers - amounts to receive	-	-	-	-
- Related company - accrued income	-	-	-	-
- Interests on equity loan VAT	-	-	-	-
- Royalties	-	-	-	-
- Other accrued income	1,26,890.00	95.13	1,595.00	1.20
- Employees - amount due	-	-	-	-
<b>TOTAL</b>	<b>1,90,958.00</b>	<b>143.16</b>	<b>79,706.00</b>	<b>59.76</b>

	31/12/2015		31/12/2014	
	Euros	Rs. lacs	Euros	Rs. lacs
<b>Accrued expense</b>				
- Accrued interest on debt	-	-	-	-
- Bank - short-term accrued expense	-	-	86,650.00	64.96
- Purchase invoices not received	52,59,990.00	3,943.41	29,92,793.00	2,243.70
- Clients - credit notes to raise	2,20,000.00	164.93	1,41,498.00	106.08
- Accrued holiday to pay	44,43,323.00	3,331.16	40,09,341.00	3,005.80
- Social security - accrued expenses	24,634.00	18.47	12,478.00	9.35
- Accrued taxes to pay	4,25,926.00	319.32	4,04,245.00	303.06
- Related companies - accrued expenses	-	-	-	-
- Other accrued expense	-	-	-	-
<b>TOTAL</b>	<b>1,03,73,873.00</b>	<b>7,777.29</b>	<b>76,47,006.00</b>	<b>5,732.96</b>

**17) DEFERRED CHARGES AND DEFERRED INCOME**

On December 31, 2015, the deferred charges and deferred income are the followings:

	DEFERRED CHARGES		DEFERRED INCOME	
	In thousands of euros	Rs. lacs	In thousands of euros	Rs. lacs
- Operating charges/income	2,219.00	1,663.58	-	-
- Financial charges/income	-	-	-	-
- Extraordinary charges/income	-	-	-	-
<b>TOTAL</b>	<b>2,219.00</b>	<b>1,663.58</b>	<b>-</b>	<b>-</b>

**18) BREAKDOWN OF SHARE CAPITAL**

The share capital is made of 613 092 fully paid shares with a par value of Euros 16.00, INR 0.01 lacs.

19) **BREAKDOWN OF REVENUES**

The turnover of the company is detailed as follows:

a) **Lines of business**

	2015		2014	
	In thousands of euros	Rs. lacs	In thousands of euros	Rs. lacs
Second-hand vehicles	674	505.30	501	375.60
Motor vehicles	60,515	45,368.10	62,648	46,967.21
U.M.E.	31	23.24	228	170.93
Spare parts and accessories	12,974	9,726.61	14,456	10,837.66
Automobiles parts	578	433.33	1,189	891.39
Motors	-	-	-	-
Trading	16,163	12,117.40	13,193	9,890.79
Others	1,208	905.64	1,265	948.37
Non-core activities revenues	1,898	1,422.93	2,137	1,602.11
<b>TOTAL</b>	<b>94,041</b>	<b>70,502.54</b>	<b>95,615</b>	<b>71,682.57</b>

b) **Geographical market (destination country)**

	2015		2014	
	In thousands of euros	Rs. lacs	In thousands of euros	Rs. lacs
European countries	43,070	32,289.58	39,304	29,466.21
“French franc” zone	1,657	1,242.25	2,090	1,566.87
Other countries	7,355	5,514.04	8,913	6,682.08
<b>TOTAL EXPORT</b>	<b>52,082.00</b>	<b>39,045.88</b>	<b>50,308</b>	<b>37,715.91</b>
France	41,959	31,456.66	45,307	33,966.66
<b>TOTAL</b>	<b>94,041</b>	<b>70,502.54</b>	<b>95,615</b>	<b>71,682.57</b>

20) **CORPORATE INCOME TAX**

(In thousands of euros)

On December 31, 2015	Pre-tax Profit	Taxable profit		Tax due	Net Profit
		33,33%	19%		
Profit from ordinary activities	(24,818)	-	-	-	(24,818)
Extraordinary results	778	-	-	-	778
Tax credits	-	-	-	3	3
Additional contribute 10%	-	-	-	-	-
Employee profit-sharing	-	-	-	-	-
CARRY BACK	-	-	-	-	-
	<b>(24,040)</b>	-	-	<b>3.00</b>	<b>(24,037)</b>

(Rs. lacs)

On December 31, 2015	Pre-tax Profit	Taxable profit		Tax due	Net Profit
		33,33%	19%		
Profit from ordinary activities	(18,606.00)	-	-	-	(18,606.00)
Extraordinary results	583.00	-	-	-	583.00
Tax credits	-	-	-	2.25	2.25
Additional contribute 10%	-	-	-	-	-
Employee profit-sharing	-	-	-	-	-
CARRY BACK	-	-	-	-	-
	<b>(18,023.00)</b>	-	-	<b>2.25</b>	<b>(18,021.00)</b>

**21) FINANCIAL COMMITMENTS**

On 31 December, 2015, the commitments given are the followings:

	In thousands of euros	Rs. lacs
- Bills for collection	1,076	806.68
- Deposits and guarantees	-	-
- Other commitments given (Daily French law)	-	-
- Leasing contracts	-	-
- Long-term rentals	-	-
<b>TOTAL</b>	<b>1,076</b>	<b>806.68</b>

These commitments are related to:

- Management for 0
- Related companies for 0

**22) DEBT SECURED BY COLLATERAL GUARANTEES**

(Euros/Rs. lacs)	AMOUNTS
- Bank debts	-

**23) IMPACT OF EXCEPTIONAL TAX ASSESSMENTS**

The exceptional tax assessments accounted during the period are the followings:

	In thousands of euros	Rs. lacs
- Accounting result	(24 038)	(18 021,29)
- Corporate income tax	(3)	(2,25)
<b>PRE-TAX RESULT</b>	<b>(24 041)</b>	<b>(18 023,54)</b>
Change in regulated provisions:	-	-
- Provisions for accelerated tax depreciation	-	-
- Provision for fluctuation in price	-	-
<b>FISCAL RESULT WITHOUT EXCEPTIONAL TAX ASSESSMENTS</b>	<b>(24 041)</b>	<b>(18 023,54)</b>

**24) DEFERRED AND CONTINGENT TAXATION**

On 31 December, 2015, the company has no deferred taxation liabilities.

The contingent taxation represents a deferred tax assets of 1,46,059 thousands of euros, INR 1,09,500 lacs.

**a) Deferred taxation**

Corporate income tax rate is 33 1/3% et social contribution rate is 3.3% of the corporate income tax.

(In thousands of euros)

Origin of deferred taxation	Opening balance			Year-end balance		
	Amount	Deferred taxation		Amount	Amount	
		Assets	Dette		Assets	
Depreciation considered as deferred for tax	25,795	8,882	-	25,795	8,882	-
Losses carried forward	3,42,387	1,17,895	-	3,72,499	1,28,264	-
Research tax credit	-	-	-	-	-	-
Charges for which tax result deduction is deferred	-	-	-	-	-	-
- Paid holiday	1,547	533	-	1,418	488	-
- solidarity contribution	138	47	-	126	43	-
- DAEC	9,159	3,154	-	819	282	-
- Provision for exchange rate losses	-	-	-	-	-	-
- Provision CASA	-	-	-	-	-	-
- Assets depreciation	26,551	9,142	-	23,416	8,063	-
- Employees profit-sharing	-	-	-	-	-	-
- Provision for discounted construction loans	53	18	-	53	18	-
- Provision for liabilities and charges	-	-	-	-	-	-
- Negative translation adjustments	-	-	-	-	-	-
- Positive translation adjustments	-	-	-	-	-	-
- Guarantee program	-	-	-	-	-	-
- Depreciation on loans	68	23	-	53	18	-
	<b>4,05,687</b>	<b>1,39,692</b>	<b>-</b>	<b>4,24,180</b>	<b>1,46,059</b>	<b>-</b>

Origin of deferred taxation	Opening balance			Year-end balance		
	Amount	Deferred taxation		Amount	Amount	
		Assets	Dette		Assets	
Depreciation considered as deferred for tax	19,339.00	6,659.00	-	19,339.00	6,659.00	-
Losses carried forward	2,56,688.00	88,386.00	-	2,79,263.00	96,160.00	-
Research tax credit	-	-	-	-	-	-
Charges for which tax result deduction is deferred	-	-	-	-	-	-
- Paid holiday	1,160.00	400.00	-	1,063.00	366.00	-
- solidarity contribution	103.00	35.00	-	94.00	32.00	-
- DAEC	6,867.00	2,365.00	-	614.00	211.00	-
- Provision for exchange rate losses	-	-	-	-	-	-
- Provision CASA	-	-	-	-	-	-
- Assets depreciation	19,905.00	6,854.00	-	17,555.00	6,045.00	-
- Employees profit-sharing	-	-	-	-	-	-
- Provision for discounted construction loans	39.73	13.49	-	39.73	13.49	-
- Provision for liabilities and charges	-	-	-	-	-	-
- Negative translation adjustments	-	-	-	-	-	-
- Positive translation adjustments	-	-	-	-	-	-
- Guarantee program	-	-	-	-	-	-
- Depreciation on loans	50.98	17.24	-	39.73	13.49	-
	<b>3,04,144.00</b>	<b>1,04,727.00</b>	-	<b>3,18,008.00</b>	<b>1,09,500.00</b>	-

**b) Contingent taxation**

(Euros/Rs. lacs)

33 1/3% + 3.3%

Origin of contingent taxation	Opening balance			Year-end balance		
	Amounts	Contingent taxation		Amounts	Contingent taxation	
		Assets	Liabilities		Assets	Liabilities
Long-term gains	-	-	-	-	-	-
- taxed to 10%	-	-	-	-	-	-
- taxed to 15%	-	-	-	-	-	-
- taxed to 25%	-	-	-	-	-	-
- taxed to 18%	-	-	-	-	-	-
- taxed to 19%	-	-	-	-	-	-
Short-term gains with a taxation spread over several periods	-	-	-	-	-	-
Long-term losses	-	-	-	-	-	-
(tax deductible over the ten followings fiscal periods.)	-	-	-	-	-	-
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**25) TRANSLATION ADJUSTMENTS**

On 31 December, 2015, the translation adjustments are as follows:

Adjustments	Amounts		Difference covered by hedging transactions		Provision for exchange rate	
	In thousands of euros	Rs. lacs	In thousands of euros	Rs. lacs	In thousands of euros	Rs. lacs
Positive translation adjustments (unrealised losses)	-	-	-	-	-	-
- on non-financial fixed assets	-	-	-	-	-	-
- on financial fixed assets	-	-	-	-	-	-
- on trade receivables	-	-	-	-	-	-
- on financial debts	-	-	-	-	-	-
- on short-term debts	-	-	-	-	-	-
Negative translation adjustments (unrealised gains)	-	-	-	-	-	-
- on non-financial fixed assets	-	-	-	-	-	-
- on financial fixed assets	-	-	-	-	-	-
- on trade receivables	19	14.24	-	-	-	-
- on financial debts	-	-	-	-	-	-
- on short-term debts	60	44.98	-	-	-	-

A provision for exchange rate losses is accounted to cover the unrealised losses.

**26) EXECUTIVE REMUNERATION**

In 2015, the total remuneration and benefits in kind paid to executives totalled:

	Euros	INR in lacs
– Board of Directors	–	–
– Management	11,12,199.00	833.82

**27) AUDITORS**

The auditing fees for 2015 are the followings;

	Euros	Rs. lacs
Statutory auditing fees	40,000	29.99
Consolidation auditing fees	25,000	18.74
<b>TOTAL</b>	<b>65,000</b>	<b>48.73</b>

**28) AVERAGE HEADCOUNT**

The average headcount of the company during the period 2015 is:

	Employees	Lended or temp employees
Managerial grades	124.5	0.3
Technical and supervisory grades	154.1	9.3
Workers	183.4	51.3
Apprentices + short-term labour contracts	25.1	–
CASA employees	–	–
<b>TOTAL</b>	<b>487.1</b>	<b>60.8</b>

**29) IDENTITY OF PARENT COMPANY CONSOLIDATING THE ACCOUNTS OF PEUGEOT MOTOCYCLES**

The financial accounts are included in the consolidating accounts of the group MAHINDRA TWO WHEELERS Ltd – Mahindra Towers P.K. – Kurne Chowk, Worli – MUMBAI 400018 INDIA, following the full consolidation method.

The financial accounts are also included in the consolidation accounts of the group PEUGEOT - 75 Avenue de la Grande Armée 75016 PARIS, under the equity method.

For the fiscal year 2015, PEUGEOT MOTOCYCLES generated a tax loss of Euros 3,01,12,230.00, INR 22,575.14 lacs.

**30) LIST OF SUBSIDIARIES AND EQUITY INTERESTS**

SUBSIDIARIES AND EQUITY INTERESTS	OWNER'S EQUITY		INTEREST HELD (%)	2015 RESULTS	
	In thousands of euros	Rs. lacs		In thousands of euros	Rs. lacs
<b>A / Detailed information about subsidiaries and equity interests;</b>					
1 / Subsidiaries (over 50% of the share-capital)	–	–	–	–	–
– PMI	261	195.67	100	17	12.74
2 / Equity interests (10 to 50% of the share-capital)	–	–	–	–	–
– JQPM	9,603	7,199.37	50	70	52.48
	–	–	–	–	–
<b>B / General information about subsidiaries and equity interests</b>					
1 / Subsidiaries not included in A:	–	–	–	–	–
A / French	–	–	–	–	–
B / Foreign PMD	545	408.59	100	58	43.48
2 / Equity interests not included in A:	–	–	–	–	–
A / French	–	–	–	–	–
B / Foreign	–	–	–	–	–

A/ Information about subsidiaries and equity interests related to interests valued over 1% of the equity of PMTC.

B/ General information about other subsidiaries and equity interests.



**PEUGEOT MOTOCYCLES SAS**  
**“Société par actions simplifiées” with share capital of Euros 98,09,472.00, INR 7,354.16 lacs**  
**Head office : rue du 17 Novembre 25350 BEAULIEU MANDEURE (Doubs)**  
**RCS Belfort : B 875 550 667**  
**Siret : 875 550 667 00013**  
**APE n° 3091Z**  
**VAT number : FR 71 875 550 667**

**LISTING OF SECURITIES HELD**  
**31 DECEMBER 2015**

Number of shares	Par value		COMPANIES	Gross Value		Amortisation Depreciation or Capitalised gains		Net Value	
	Euros	Rs. lacs		Euros	Rs. lacs	Euros	Rs. lacs	Euros	Rs. lacs
1	26,000.00	19.42	PEUGEOT MOTOCYCLES DEUTSCHLAND	31,799.00	23.84	–	–	31,799.00	23.84
15 675	16.00	0.01	PEUGEOT MOTOCYCLES ITALIA	4,66,485.00	349.72	2,15,905.00	161.86	2,50,580.00	187.86
1	68,35,705.00	5,124.73	JINAN QINGQI MOTORCYCLES	68,35,705.00	5,124.73	68,35,705.00	5,124.73	–	–
			<b>TOTAL</b>	<b>73,33,989.00</b>	<b>5,498.29</b>	<b>70,51,610.00</b>	<b>5,286.60</b>	<b>2,82,379.00</b>	<b>211.70</b>

**Details on subsidiaries of : PEUGEOT MOTOCYCLES SAS**

<p><b>PMI - PEUGEOT MOTOCYCLES ITALIAE</b>  <b>PEUGEOT MOTOCYCLES ITALIA SPA</b>  Via Gallarate N° 199  20151 MILANO  Télécom Italia : (39) 2 30 70 36 16  <b>Subsidiary of PEUGEOT MOTOCYCLES : 100%</b>  <b>ACTIVITE</b>  <b>Import and distribution of motorized two-wheelers vehicles in Italy</b></p>
--

<b>Fiscal year</b>	<b>2014</b>		<b>2015</b>	
Delivered volumes to the network	3,438		4,027	
Headcount on December 31	17		15	
<b>Financial information:</b>	<b>2014</b>		<b>2015</b>	
	<b>Thousands in euros</b>	<b>Rs. Lacs</b>	<b>Thousands in euros</b>	<b>Rs. Lacs</b>
Revenues	7,147	5,358.11	7,197	5,395.60
Cash flows from operation	73	54.73		
Net result	(27)	(20.24)	17	12.74
Net equity	234	175.43	251	188.17
Investments	4	3.00	–	–
Dividends distributed during the year	–	–	–	–



**FINANCIAL RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS**

(In euros)

NATURE OF THE INDICATIONS	2011	2012	2013	2014	2015
<b>FINANCIAL POSITION AT BALANCE SHEET DATE (Euros)</b>	-	-	-	-	-
a/Share capital	71,42,400.00	71,42,400.00	71,42,400.00	71,42,400.00	98,09,472.00
b/Number of shares issued	446,400	446,400	446,400	446,400	613,092
<b>OVERALL RESULTS OF CURRENT OPERATIONS (Euros)</b>	-	-	-	-	-
a/Sales before tax	12,72,77,939.00	10,23,44,055.00	9,76,12,499.00	9,56,15,009.00	9,40,41,307.00
b/Profit before tax, depreciation and provisions	(2,88,11,016.00)	(4,18,76,423.00)	(3,36,27,987.00)	(2,33,85,781.00)	(2,67,77,574.00)
c/Corporate income tax	5,83,950.00	9,34,466.00	448,937.00	7,88,916.00	2,672.00
d/Profit after tax, depreciation and provisions	(4,95,11,986.00)	(4,33,64,609.00)	(2,90,84,691.00)	(3,27,02,109.00)	(2,40,37,811.00)
e/Distributed profit :	-	-	-	-	-
- Dividends	-	-	-	-	-
- Compensations	-	-	-	-	-
<b>OPERATION RESULTS PER SHARE (Euros)</b>	-	-	-	-	-
a/Profit after tax but before depreciation and provisions	(63.00)	(92.00)	(74.00)	(51.00)	(44.00)
b/Profit after tax, depreciation and provisions	(111.00)	(97.00)	(65.00)	(73.00)	(39.00)
c/Dividends distributed per share	-	-	-	-	-
- Net dividend	-	-	-	-	-
- Tax prepaid on dividends	-	-	-	-	-
<b>WORKFORCE</b>	-	-	-	-	-
a/Number of employees	783	630	502	490	498
b/Total payroll	2,11,60,939.00	2,18,16,146.00	1,74,23,164.00	1,65,20,145.00	1,68,54,610.00
c/Amount paid in relation to social benefits (Social security, Charities, etc...)	-	-	-	-	-
	1,14,38,662.00	1,01,69,789.00	71,18,423.00	68,65,879.00	73,55,769.00

(Rs. lacs)

NATURE OF THE INDICATIONS	2011	2012	2013	2014	2015
<b>FINANCIAL POSITION AT BALANCE SHEET DATE (Rs. lacs)</b>	-	-	-	-	-
a/ Share capital	5,355.00	5,355.00	5,355.00	5,355.00	7,354.00
b/ Number of shares issued	446,400	446,400	446,400	446,400	613,092
<b>OVERALL RESULTS OF CURRENT OPERATIONS (Rs. lacs)</b>	-	-	-	-	-
a/ Sales before tax	95,420.00	76,727.00	73,180.00	71,683.00	70,503.00
b/ Profit before tax, depreciation and provisions	(21,600.00)	(31,395.00)	(25,211.00)	(17,532.00)	(20,075.00)
c/ Corporate income tax	438.00	701.00	337.00	591.00	2.00
d/ Profit after tax, depreciation and provisions	(37,119.00)	(32,510.00)	(21,805.00)	(24,517.00)	(18,021.00)
e/ Distributed profit :	-	-	-	-	-
- Dividends	-	-	-	-	-
- Compensations	-	-	-	-	-
<b>OPERATION RESULTS PER SHARE (Rs. lacs)</b>	-	-	-	-	-
a/ Profit after tax but before depreciation and provisions	-	-	-	-	-
b/ Profit after tax, depreciation and provisions	-	-	-	-	-
c/ Dividends distributed per share	-	-	-	-	-
- Net dividend	-	-	-	-	-
- Tax prepaid on dividends	-	-	-	-	-
<b>WORKFORCE</b>	-	-	-	-	-
a/ Number of employees	783	630	502	490	498
b/ Total payroll	15,864.00	16,356.00	13,062.00	12,385.00	12,636.00
c/ Amount paid in relation to social benefits (Social security, Charities, etc...)	8,576.00	7,624.00	5,337.00	5,147.00	5,515.00

For the Board of Directors

**Frédéric Fabre**  
Président, Director General

Date: 25<sup>th</sup> May 2016

**DIRECTORS' REPORT****PEUGEOT MOTOCYCLES ITALIA S.P.A.**

Company subject to the direction and coordination of PEUGEOT MOTOCYCLES S.A.

Registered Office VIA GALLARATE 199 - 20100 MILANO - Fully paid up share capital Euros 2,64,000.00, INR 197,92 lacs

**MANAGEMENT REPORT  
AT 31 DECEMBER 2015**

Dear Shareholders,

We submit for your attention the financial statements at December 31, 2015, prepared in accordance with local regulations as interpreted and supplemented by the accounting standards issued by the National Council of Certified Public Accountants and by the Italian Accounting Board (OIC), which it generates a gain of € 16,933.00, INR 12.69 lacs after depreciation of € 13,456.00, INR 10.09 lacs accrued current taxes of Euro 25,581.00, INR 19.18 lacs and reversed deferred tax assets of Euro 4,602.00, INR 3.45 lacs.

**Operational environment and performance**

Your company, as you know, operates in the wholesale sector of mopeds and two-wheel vehicles, where it operates as a wholesaler.

Under Article. In 2428 it is reported that the activity is carried out at the headquarters in Milan, Via Gallarate n. 199, and there are no secondary offices.

**Operating performance****Of the relevant market analysis**

The total of the two wheels in Italian motor (motorcycles and scooters targati vehicles + 50 cm3) in 2015 has finally returned to positive territory with 1,94,515 sold vehicles, or + 6,37% compared to 2014.

Of which:

**vehicles 50 cc.**

- continues the negative trend of the vehicles to 50 cc. with 23,392 units recorded -12.47% compared to 2014

Month	2014	2015	Var %
Jan	1,666	1,351	-18.91
Feb	1,574	1,322	-16.01
Mar	2,445	1,823	-25.44
Apr	2,371	2,279	-3.88
May	2,524	2,221	-12
Jun	3,288	2,906	-11.62
July	3,954	3,528	-10.77
Aug	1,739	1,516	-12.82
Sep	2,601	2,374	-8.73
Oct	2,252	1,714	-23.89
Nov	1,218	1,198	-1.64
Dec	1,092	1,160	6.23
<b>Total</b>	<b>26,724</b>	<b>23,392</b>	<b>-12.47</b>

**vehicles > 50 cc.**

The registered (vehicles with a cylinder capacity exceeding 50 cm3) in Italy showed a positive trend, with 1,71,123 units of + 9.6% compared to 2014 and with all the months of positive sign with the total year 2015, the exception of March.

- Scooter:** the scooter volumes amounted to 1,08,621 units, representing nearly two-thirds dell'immatricolato Italian and have grown up to the + 6.98%.

Month	2014	2015	Var %
Jan	5,090	5,421	6.50
Feb	5,299	5,126	-3.26
Mar	10,717	8,805	-17.84
Apr	12,805	12,923	0.92
May	12,450	13,489	8.35
Jun	13,022	14,056	7.94
July	13,218	16,799	27.09
Aug	5,156	5,898	14.39
Sep	9,064	10,326	13.92
Oct	7,914	7,442	-5.96
Nov	4,038	5,058	25.26
Dec	2,761	3,278	18.73
<b>Total</b>	<b>1,01,534</b>	<b>1,08,621</b>	<b>6.98</b>

- Moto:** motorcycles registered a double-digit growth consuntivando 62,502 registrations and a + 14.46%.

Month	2014	2015	Var %
Jan	3,544	3,825	7.93
Feb	4,431	4,784	7.97
Mar	7,323	7,817	6.75
Apr	7,487	8,673	15.84
May	7,088	7,829	10.45
Jun	6,525	7,711	18.18
July	6,015	7,449	23.84
Aug	2,084	2,493	19.63
Sep	3,621	4,559	25.90
Oct	3,182	3,425	7.64
Nov	1,718	2,314	34.69
Dec	1,589	1,623	2.14
<b>Total</b>	<b>54,607</b>	<b>62,502</b>	<b>14.46</b>

**Recordings vehicles up to 50 cc**

The trend in registrations of vehicles up to 50 cc is summarized in the table below.

	2009	2010	2011	2012	2013	2014	2015	Var.15/14
Total	96,761	85,921	71,427	48,807	31,645	26,724	23,392	-12.47%

**TOP 20 MOPEDS 2015**

The "Top 20 mopeds" for trademarks registered in 2015 are shown in the table below

Rank	Brand	Model	Segment	Total 2015
1	PIAGGIO	LIBERTY 50 RST 4T	Scooter	1,831
2	APRILIA	SCARABEO 50 2T	Scooter	1,786
3	PIAGGIO	LIBERTY 50 RST 2T	Scooter	1,398
4	PIAGGIO	VESPA PRIMAVERA 50	Scooter	993
5	PIAGGIO	VESPA PRIMAVERA 50 4T	Scooter	982
6	APRILIA	SCARABEO 50 4T 4V	Scooter	803
7	YAMAHA	AEROX	Scooter	742
8	BETA	RR 50 ENDURO	Plurimarcia	620
9	HONDA ITALIA	VISION 50	Scooter	609
10	KYMCO	AGILITY 50 R16 2T	Scooter	590
11	KYMCO	AGILITY 50 R16	Scooter	531
12	PEUGEOT	KISBEE 50	Scooter	441
13	PEUGEOT	TWEET 50	Scooter	431
14	BETA	RR 50 MOTARD	Plurimarcia	407
15	YAMAHA	BW'S	Scooter	372
16	PIAGGIO	ZIP 50 2T	Scooter	371
17	KYMCO	AGILITY 50	Scooter	366
18	PIAGGIO	NRG POWER DD	Scooter	339
19	APRILIA	SR 50 R	Scooter	329
20	PIAGGIO	NRG POWER DT	Scooter	314

**Scooter registrations over 50 cc**

The trend of registrations over 50cc scooter is summarized in the table below.

	2009	2010	2011	2012	2013	2014	2015	Var.15/14
Total	2,95,442	2,13,456	1,72,099	1,47,177	1,01,139	1,01,534	1,08,621	6.98%

**Motorcycle registrations**

The trend of motorcycle registrations are summarized in the table below.

	2009	2010	2011	2012	2013	2014	2015	Var.15/14
Total	1,09,345	93,608	83,005	59,348	52,795	54,607	62,502	14.46%

**TOP 20 REGISTERED 2015 (only scooter)**

The “Top 20” by brand registered in 2015 are shown in the table below

Rank	Brand	Model	Segment	Total 2015
1	HONDA ITALIA	SH 150	Scooter	8,451
2	HONDA ITALIA	SH 125	Scooter	6,850
3	HONDA ITALIA	SH 300	Scooter	6,803
4	PIAGGIO	BEVERLY 300	Scooter	6,168
5	KYMCO	AGILITY 125 R16	Scooter	4,598
6	YAMAHA	TMAX 500	Scooter	4,097
7	PIAGGIO	LIBERTY 125 3V	Scooter	4,005
8	PIAGGIO	BEVERLY 350	Scooter	2,949
9	YAMAHA	XMAX 250	Scooter	2,947
10	PIAGGIO	VESPA GTS 300 SUPER	Scooter	2,703
11	KYMCO	AGILITY 200I R16	Scooter	2,689
12	HONDA	INTEGRA	Scooter	2,235
13	YAMAHA	XMAX 400	Scooter	2,111
14	KYMCO	PEOPLE ONE 125I	Scooter	2,066
15	PIAGGIO	VESPA PRIMAVERA 125	Scooter	1,974
16	PIAGGIO	LIBERTY 150 3V	Scooter	1,891
17	KYMCO	DOWNTOWN 300	Scooter	1,888
18	YAMAHA	XENTER 150	Scooter	1,854
19	KYMCO	PEOPLE GTI 300	Scooter	1,830
20	KYMCO	XCITING 400I	Scooter	1,766

The market for “mopeds” has decreased this year by recording, compared to 2014, 3,332 units less; it follows that the two-wheeler sector continues to lose in terms of generational change. The signs are not good, but the industry also believe that this segment will be able to stabilize.

The economic environment remains complex even if you can identify some positive factors such as increasing the climate of consumer confidence and the decrease in fuel prices remain weak even if the recovery in industrial production and employment recovery.

The high cost of insurance continues to be an important brake on sales of scooters (especially the 50 cc.).

And ‘now necessary to reactivate replacement demand to modernize the fleet that still has 60% of vehicles, amounting to 5 million vehicles, with over 10 years of life.

The Company has seen an improvement in market share compared to 2014 thanks to the volumes developed by Tweet that somehow managed to compensate for the shortcomings in terms of the range due to the lack of certain strategic products that recorded interesting volumes (ex. LXR and Geopolis).

Their combined market share increased from 3.3% in 2014 to 3.4% in 2015 (+ 0.1 percentage points).

With regard to the 50 cc. the Company has recorded a positive result, despite the great difficulties encountered by this segment continuously decrease, falling from 4.6% in 2014 to 4.7% in 2015 (+ 0.1 percentage points).

As for the registered of the market, the Company has recorded a slight increase from 2.9% in 2014 to 3.2% in 2015 (+0.3 percentage points), an increase which sees among the factors to highlight the already Tweet performance quoted model and the ability of your company to counter with an offer of unique services and exclusive strong promotional pressure and mass communication in progress by major competing brands.

#### **Operating performance in the sectors in which the company operates**

As about your company, the past financial year to be considered generally positive, given the fact that this is the first year in profit of the company after some time.

The Company increased its market share both in the scooter sector that registered in the moped sector.

The table below shows the consequent results in the last two years in terms of production value, gross operating profit and pre-tax profit.

(in euros)

	31/12/2015	31/12/2014
Production value	72,04,333	71,47,772
EBITDA	(3,83,358)	(3,72,963)
Result before the taxes	47,116	36,255

(Rs. Lacs)

	31/12/2015	31/12/2014
Production value	5,401.09	5,358.68
EBITDA	(287.40)	(279.61)
Result before the taxes	35.32	27.18

**Key economic data**

The company's reclassified income statement compared with the previous year is as follows:

(in euros)

	31/12/2015	31/12/2014	Changes
Net revenues	67,50,912	67,35,880	15,032
External Costs	60,80,432	58,98,489	1,81,943
<b>Value added</b>	<b>6,70,480</b>	<b>8,37,391</b>	<b>(1,66,911)</b>
Cost of labor	10,53,838	12,10,354	(1,56,516)
<b>EBITDA</b>	<b>(3,83,358)</b>	<b>(3,72,963)</b>	<b>(10,395)</b>
Amortization, impairment and other provisions	13,456	14,656	(1,200)
<b>Operating income</b>	<b>(3,96,814)</b>	<b>(3,87,619)</b>	<b>(9,195)</b>
Other income	4,53,421	4,11,892	41,529
Financial income and expenses	(9,490)	11,982	(21,472)
<b>Ordinary result</b>	<b>47,117</b>	<b>36,255</b>	<b>10,862</b>
Net extraordinary items	(1)		(1)
<b>Result before the taxes</b>	<b>47,116</b>	<b>36,255</b>	<b>10,861</b>
Income tax	30,183	63,347	(33,164)
<b>Net income</b>	<b>16,933</b>	<b>(27,092)</b>	<b>44,025</b>

(Rs. Lacs)

	31/12/2015	31/12/2014	Changes
Net revenues	5,061.16	5,049.89	11.27
External Costs	4,558.50	4,422.10	136.40
<b>Value added</b>	<b>502.66</b>	<b>627.79</b>	<b>(125.13)</b>
Cost of labor	790.06	907.40	(117.34)
<b>EBITDA</b>	<b>(287.40)</b>	<b>(279.61)</b>	<b>(7.79)</b>
Amortization, impairment and other provisions	10.09	10.99	(0.90)
<b>Operating income</b>	<b>(297.49)</b>	<b>(290.60)</b>	<b>(6.89)</b>
Other income	339.93	308.80	31.13
Financial income and expenses	(7.11)	8.98	(16.10)
<b>Ordinary result</b>	<b>35.32</b>	<b>27.18</b>	<b>8.14</b>
Net extraordinary items			
<b>Result before the taxes</b>	<b>35.32</b>	<b>27.18</b>	<b>8.14</b>
Income tax	22.63	47.49	(24.86)
<b>Net income</b>	<b>12.69</b>	<b>(20.31)</b>	<b>33.01</b>

A better description of the company's earnings situation are shown in the table below some profitability ratios compared to the same indices relating to the budgets of previous years.

	31/12/2015	31/12/2014	31/12/2013
<b>ROE net</b>	0.07	- 0.12	- 0.10
<b>ROE gross</b>	0.19	0.16	0.11
<b>ROI</b>	0.01	- 0.53	- 0.78
<b>ROS</b>	0.01	- 0.02	- 0.03

**Balance sheet highlights**

The reclassified balance sheet of the company compared with the previous year is as follows:

(in euros)

	31/12/2015	31/12/2014	Changes
Intangible assets, net			
Net tangible fixed assets	68,495	81,951	(13,456)
Net financial assets	207	207	0
Deferred tax assets	213,828	2,18,431	(4,603)
<b>fixed assets</b>	<b>2,82,530</b>	<b>3,00,589</b>	<b>(18,059)</b>
Inventories	85,657	73,362	12,295



(in euros)

	31/12/2015	31/12/2014	Changes
Loans to Customers	39,07,893	44,60,769	(5,52,876)
Receivables from parent	28,902	12,144	16,758
Other credits	1,54,143	1,36,714	17,429
Prepayments and accrued income	175	123	52
<b>Short-term operating activities</b>	<b>41,76,770</b>	<b>46,83,112</b>	<b>(5,05,800)</b>
Trade payables	5,79,144	2,22,262	3,71,183
Due to parent	19,09,737	21,78,329	(2,68,592)
tax and social security debts	1,23,122	2,63,842	(1,40,720)
other debts	17,20,244	18,61,887	1,41,643
Accrued liabilities	300	600	(300)
<b>Short-term operating liabilities</b>	<b>43,32,547</b>	<b>45,26,920</b>	<b>(1,94,373)</b>
<b>net working capital</b>	<b>(1,55,777)</b>	<b>1,56,192</b>	<b>(3,11,969)</b>
Employee termination indemnities	2,72,618	2,38,514	34,104
tax and social security debts (over 12 months)	-	-	-
Other medium and long-term liabilities	23,800	23,500	300
<b>Medium and long term liabilities</b>	<b>2,96,418</b>	<b>2,62,014</b>	<b>34,404</b>
<b>invested capital</b>	<b>(1,69,665)</b>	<b>1,94,767</b>	<b>(3,64,432)</b>
Net assets	(2,50,582)	(2,33,647)	(16,935)
financial position in the medium term net	1,024	1,023	1
Short-term net financial position	4,19,223	37,857	3,81,366
<b>Own means and net financial debt</b>	<b>1,69,665</b>	<b>(1,94,767)</b>	<b>3,64,432</b>

(Rs. Lacs)

	31/12/2015	31/12/2014	Changes
Intangible assets, net			
Net tangible fixed assets	51.35	61.44	(10.09)
Net financial assets	0.16	0.16	0
Deferred tax assets	160.31	163.76	(3.45)
<b>fixed assets</b>	<b>211.81</b>	<b>225.35</b>	<b>(13.54)</b>
Inventories	64.22	55.00	9.22
Loans to Customers	2,929.75	3,344.24	(414.49)

(Rs. Lacs)

	31/12/2015	31/12/2014	Changes
Receivables from parent	21.67	9.10	12.56
Other credits	115.56	102.49	13.07
Prepayments and accrued income	0.13	0.09	0.04
<b>Short-term operating activities</b>	<b>3,131.32</b>	<b>3,510.93</b>	<b>(379.20)</b>
Trade payables	434.18	166.63	278.28
Due to parent	1,431.73	1,633.09	(201.36)
tax and social security debts	92.30	197.80	(105.50)
other debts	1,288.46	1,395.86	106.19
Accrued liabilities	0.22	0.45	(0.22)
<b>Short-term operating liabilities</b>	<b>3,248.11</b>	<b>3,393.83</b>	<b>(145.72)</b>
<b>net working capital</b>	<b>(116.79)</b>	<b>117.10</b>	<b>(233.88)</b>
Employee termination indemnities	204.38	178.81	25.57
tax and social security debts (over 12 months)	-	-	-
Other medium and long-term liabilities	17.84	17.62	0.22
<b>Medium and long term liabilities</b>	<b>222.22</b>	<b>196.43</b>	<b>25.79</b>
<b>invested capital</b>	<b>(127.20)</b>	<b>146.02</b>	<b>(273.21)</b>
Net assets	(187.86)	(175.17)	(12.70)
financial position in the medium term net	0.77	0.77	
Short-term net financial position	314.29	28.38	285.91
<b>Own means and net financial debt</b>	<b>127.20</b>	<b>(146.02)</b>	<b>273.21</b>

A better description of the financial strength of the company are reported in the table below certain financial ratios relating to (i) the method of functioning of medium/long-term loans (ii) the composition of the sources of funding, compared with the same relative indices the prior year.

(in euros)

	31/12/2015	31/12/2014
Primary margin structure	(32,430)	(67,965)
Quotient of the primary structure	0.89	0.77
Secondary structure margin	2,63,988	1,94,049
Quotient secondary structure	1.93	1.64

(Rs. Lacs)

	31/12/2015	31/12/2014
Primary margin structure	(24.31)	(50.95)
Quotient of the primary structure	0.00	0.00
Secondary structure margin	197.91	145.48
Quotient secondary structure	0.00	0.00

**Financial Highlights**

The net financial position at December 31, 2015, was as follows:

(in euros)

	31/12/2015	31/12/2014	Changes
Bank deposits	4,19,098	37,529	3,81,569
Cash and cash equivalents on hand	125	328	(203)
Own actions	-	-	-
<b>Cash and treasury shares</b>	<b>4,19,223</b>	<b>37,857</b>	<b>3,81,366</b>
<b>Financial assets not held as fixed assets</b>			
Bonds and convertible bonds (within 12 months)	-	-	-
Due to shareholders for funding (within 12 months)	-	-	-
Bank borrowings (within 12 months)	-	-	-
Due to other lenders (within 12 months)	-	-	-
Advances for foreign payments	-	-	-
Short-funding share financial	-	-	-
<b>Short-term borrowings</b>			
<b>Short-term net financial position</b>	<b>4,19,223</b>	<b>37,857</b>	<b>3,81,366</b>
Bonds and convertible bonds (over 12 months)	-	-	-

(in euros)

	31/12/2015	31/12/2014	Changes
Due to shareholders for financing (over 12 months)	-	-	-
Due to banks (over 12 months)	-	-	-
Due to other lenders (over 12 months)	-	-	-
Advances for foreign payments	-	-	-
Long-funding share financial	-	-	-
	<b>(1,024)</b>	<b>(1,023)</b>	<b>(1)</b>
<b>Medium and long-term net financial position</b>	<b>1,024</b>	<b>1,023</b>	<b>1</b>
<b>Net financial position</b>	<b>4,20,247</b>	<b>38,880</b>	<b>3,81,367</b>

(Rs. lacs)

	31/12/2015	31/12/2014	Changes
Bank deposits	314.20	28.14	286.06
Cash and cash equivalents on hand	0.09	0.25	(0.15)
Own actions	-	-	-
<b>Cash and treasury shares</b>	<b>314.29</b>	<b>28.38</b>	<b>285.91</b>
<b>Financial assets not held as fixed assets</b>			
Bonds and convertible bonds (within 12 months)	-	-	-
Due to shareholders for funding (within 12 months)	-	-	-
Bank borrowings (within 12 months)	-	-	-
Due to other lenders (within 12 months)	-	-	-
Advances for foreign payments	-	-	-

(Rs. lacs)

	31/12/2015	31/12/2014	Changes
Short-funding share financial	-	-	-
<b>Short-term borrowings</b>	-	-	-
<b>Short-term net financial position</b>	<b>314.29</b>	<b>28.38</b>	<b>285.91</b>
Bonds and convertible bonds (over 12 months)	-	-	-
Due to shareholders for financing (over 12 months)	-	-	-
Due to banks (over 12 months)	-	-	-
Due to other lenders (over 12 months)	-	-	-
Advances for foreign payments	-	-	-
Long-funding share financial	(0.77)	(0.77)	(0.00)
<b>Medium and long-term net financial position</b>	<b>0.77</b>	<b>0.77</b>	<b>0.00</b>
<b>Net financial position</b>	<b>315.06</b>	<b>29.15</b>	<b>285.91</b>

A better description of the financial position are shown in the table below certain financial ratios, compared with the same index of the previous year's budget.

	31/12/2015	31/12/2014
primary liquidity	1.04	1.03
secondary liquidity	1.06	1.04
indebtedness	18.38	20.39
Rate of coverage of fixed assets	1.85	1.57

The primary liquidity index of 1.04. The financial situation of the company is to be considered good.

The secondary liquidity index of 1.06. The absolute value of the net working capital is certainly adequate in relation to the amount of current debts.

The debt ratio is equal to 18.38. The amount of debts assumed very significant dimensions in relation to the existing equity, but there was still a slight improvement compared to the indebtedness of the previous year.

The rate of coverage of fixed assets, equal to 1.85, shows that the amount of own funds and consolidated debts is considered appropriate in relation to the amount of fixed assets. Shareholders' equity together with the consolidated debts are to be considered the appropriate amount in relation to the amount of fixed assets.

#### Environment-related information and personnel

Given the company's social role as highlighted by the document on the report on the management of the National Council of Chartered Accountants and accounting experts, it is considered appropriate to provide the following information concerning the environment and personnel.

#### Staff

During the year there were no deaths in the work of the staff in writing to the payroll.

During the year there were no serious occupational accidents which have resulted in serious injury or fatal to personnel enrolled in the registration book.

Finally, during the year no allegations were recorded in order to illnesses of employees or former employees and causes of bullying, for which the company was declared definitively responsible.

#### Environment

During the year there were no environmental issues for which the company was found guilty definitively. During the year to our society we were not imposed sanctions or penalties for environmental crimes or damages.

#### Investments

During the year, no investments were made.

#### Research and development

Your Company, given the type of activity carried out, does not carry out their own research and development activities

#### Relationships with subsidiaries, affiliates, parent and sister companies

During the year were entertained the following transactions with subsidiaries, associates, parents and sisters:

- PEUGEOT MOTOCYCLES S.A.;
- MAHINDRA TWO WHEELERS EUROPE HOLDING S.A.R.L.

The Company entered into the following transactions with the group companies

(in euros)

Company	Financial payables	Financial receivables	Payables comm.li	Receivables comm.li	Sales	Purchase
Peugeot Motocycles S.A.	–	–	18,902	19,09,737	75,037	40,72,712
Mahindra Two Wheelers Europe Holding S.A.R.L.	–	–	10,000	–	10,000	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>28,902</b>	<b>21,02,249</b>	<b>85,037</b>	<b>42,53,155</b>

(Rs. Lacs)

Company	Financial payables	Financial receivables	Payables comm.li	Receivables comm.li	Sales	Purchase
Peugeot Motocycles S.A.	–	–	14.17	1,431.73	56.26	3,053.31
Mahindra Two Wheelers Europe Holding S.A.R.L.	–	–	7.50	–	7.50	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>21.67</b>	<b>1,576.06</b>	<b>63.75</b>	<b>3,188.59</b>

These reports, which do not include any atypical and/or unusual transactions are conducted at arm's length.

In particular, in addition to our society, Company subject to the direction and coordination of PEUGEOT MOTOCYCLES S.A. the latter and the other companies that are subject, are set out below and analytical reports, detailing the reasons and interests whose evaluation has influenced the decision

#### Trade and other transactions

(in euros)

Company	Debs	Credits	Costs		Revenues	
			Goods	Services	Goods	Services
Peugeot Motocycles S.A.	19,09,737	18,902	39,68,495	1,04,217	2,217	72,820
Mahindra Two Wheelers Europe Holding S.A.R.L.	–	10,000	–	–	–	10,000
<b>Total</b>	<b>19,09,737</b>	<b>28,902</b>	<b>39,68,495</b>	<b>1,04,217</b>	<b>2,217</b>	<b>82,820</b>

(Rs. Lacs)

Company	Debs	Credits	Costs		Revenues	
			Goods	Services	Goods	Services
Peugeot Motocycles S.A.	1,431.73	14.17	2,975.18	78.13	1.66	54.59
Mahindra Two Wheelers Europe Holding S.A.R.L.	–	7.50	–	–	–	7.50
<b>Total</b>	<b>1,431.73</b>	<b>21.67</b>	<b>2,975.18</b>	<b>78.13</b>	<b>1.66</b>	<b>62.09</b>

#### Own shares and shares/units of holding companies

Your company does not own, nor has purchased or sold during the year, treasury shares or shares of the parent, either directly or indirectly.

#### Information regarding the risks and uncertainties pursuant to art. 2428, paragraph 2, to the point 6-bis of the Italian Civil Code

Under Article. 2428, paragraph 2, to the point 6-bis of the Italian Civil Code is provided below information regarding the

use of financial instruments, as relevant to the assessment of the financial position.

The following are, then, a series of quantitative information, designed to provide information about the size of exposure to the risks of the enterprise.

#### Financial risk

For the type of activity, the Company does not handle complex financial risks and does not use derivative financial instruments.

The Company, following what are the decisions taken by the parent PEUGEOT MOTOCYCLES S.A. in relation to financial indebtedness, does not resort to the financial market on its own, but cover their needs by using forms of coverage with the only shareholder who use corporate credit lines and lines of credit with financial institutions and manages its liquidity by means a centralized treasury system.

#### Credit risk

Credit risk represents the Company's exposure to potential losses arising from non-fulfillment of commercial obligations by counterparties.

In order to limit this risk, the Company constantly monitors the individual customer positions, analyzes the expected cash flows and those that actually do to engage promptly any recovery actions.

In addition, the Company entered into a credit insurance policy to further limit the risk of the same.

The Impairment losses on receivables are calculated on the basis of the risk of counterparty default, determined considering the information available on the solvency of the counterparty, the historical data and the coverage provided by credit insurance policy. The book value of receivables is reduced indirectly by setting up a fund.

Single significant positions, for which there is objective evidence of partial or total uncollectibility are written down individually. The amount of depreciation is calculated taking into account the information available on the solvency of the counterparty, the historical data, the estimated recoverable future cash flows and the date of collection, and the burden and cost of recovery.

The positions that are not written down individually are included in groups with similar characteristics in terms of credit risk written down on a collective basis according to percentage that increases the overdue period.

#### Liquidity risk

Liquidity risk is the risk that available financial resources are not sufficient to meet financial and commercial obligations in the terms and due dates.

Specifically, the Company manages this risk through corporate credit facilities and manages its liquidity through a centralized treasury system that deals with the centralized management of treasury and finance.

#### Market risk

##### *Price risk*

The Company is not exposed to price risk.

#### **Other significant events during the year**

The company is being sued by the competitor company PIAGGIO S.P.A. for alleged violations of patents owned by the same. In this quote the competitor Company requires to ascertain the fact, inhibit the continuation of the same, proceed with the withdrawal of the "Metropolis" model from the market, as well as to proceed with the request for financial penalties.

During the year 2015, the Company, supported by its legal counsel, has rejected all applications for PIAGGIO S.P.A. as it deemed unfounded in fact and in law, by requiring the provision of an expert witness in order to provide its technical opinion on the possible validity and the possible infringement of patents owned by Piaggio.

Technical consultant of the Court was appointed in October 2015. The next hearing will then be held in the month of November 2016.

At present it is not expected to evaluate the outcome of the litigation currently in progress and have not made any provisions for risks.

#### **Destination of the operating result**

It proposes to the meeting so allocate the operating result:

**(in euros)**

Operating result 31/12/2015	Euro	16,933
5% to the legal reserve	Euro	850
Retained earnings	Euro	16,083

**(Rs. Lacs)**

Operating result 31/12/2015	Euro	12.69
5% to the legal reserve	Euro	0.64
Retained earnings	Euro	12.06

We thank you for your trust and we invite you to approve the budget as presented.

For the Board of Directors

The Chairman  
Frédéric Fabre

Date : 27<sup>th</sup> April 2016

## **AUDITORS REPORT INDEPENDENT UNDER ARTICLE 14 OF LEGISLATIVE DECREE NO. JANUARY 27, 2010, 39**

Shareholder of Peugeot Motocycles Italia S.p.A.

### **Report on the financial statements**

We have audited the financial statements of the Annex Peugeot Motocycles S.p.A., comprising the balance sheet at 31 December 2015, income statement for the year then ended and the notes.

### **Responsibility of directors for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation.

### **Responsibility of the auditing company**

And our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italy) established pursuant to art. 11, paragraph 3, of Legislative Decree no. 27 January 2010, n. 39. Those standards require that we comply with ethical principles and the PLANNING and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

The 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 risks of material misstatement in the financial statements due to fraud or to conduct or unintentional events. In making those risk assessments, the auditor considers internal control relevant to the preparation of the company's financial statements that give a true and fair view in order to design audit procedures appropriate to the circumstances and not to express an opinion on effectiveness of the entity's internal control. Also the audit includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements as a whole.

We believe we have obtained sufficient appropriate audit evidence on which to base our judgment.

### **Judgment**

In our opinion, the financial statements give a true and fair view of the financial position of Peugeot Motocycles Italy S.p.A. December 31, 2015 and net income for the year ended on that date, in accordance with the Italian regulations governing their preparation.

### **Report on other legal and regulatory requirements**

#### **Opinion on the consistency of the management report with the financial statements**

We have performed the procedures required in ISA (SA Italy) n. 720B the purpose of expressing, as required by law, an opinion on the consistency of the management report, whose responsibility lies with the administrators of Peugeot Motocycles Italy S.p.A., with the financial statements of Peugeot Motocycles Italy S.p.A. December 31, 2015. In our opinion, the management report is consistent with the financial statements of Peugeot Motocycles Italy S.p.A. December 31, 2015.

**Ernst & Young S.p.A**

**Massimiliano Vercellotti**  
(Partner)

Milan, 27th April 2016

**BALANCE SHEET**

Financial statements at 31/12/2015

	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>Assets</b>				
<b>A) Accounts receivable from shareholders in respect of unpaid share capital</b>				
<b>B) Fixed assets</b>				
<i>I. Intangible assets</i>				
1) Start-up and expansion costs	–	–	–	–
2) Research, development and advertising costs	–	–	–	–
3) Industrial patent and intellectual property rights	–	–	–	–
4) Concessions, licenses, trademarks and similar right	–	–	–	–
5) Goodwill	–	–	–	–
6) Work-in-progress and advances	–	–	–	–
7) Other intangible assets	–	–	–	–
	–	–	–	–
<i>II. Tangible assets</i>				
1) Land and buildings	–	–	–	–
2) Plant and machinery	–	–	–	–
3) Industrial and commercial equipment	–	–	–	–
4) Other assets	43,539.00	32.64	56,995.00	42.73
5) Work-in-progress and advances	24,956.00	18.71	24,956.00	18.71
	<b>68,495.00</b>	<b>51.35</b>	<b>81,951.00</b>	<b>61.44</b>
<i>III. Financial assets</i>				
1) Shareholdings in:				
a) controlled undertakings	–	–	–	–
b) affiliated undertakings	–	–	–	–
c) controlling companies	–	–	–	–
d) other companies	207.00	0.16	207.00	0.16
	<b>207.00</b>	<b>0.16</b>	<b>207.00</b>	<b>0.16</b>
2) Accounts Receivables				
a) from controlled undertakings	–	–	–	–
b) from affiliated undertakings	–	–	–	–
c) from controlling companies	–	–	–	–
d) Other accounts receivable				
– falling due after more than one year	1,024.00	0.78	1,023.00	0.77
	<b>1,024.00</b>	<b>0.78</b>	<b>1,023.00</b>	<b>0.77</b>
3) Other securities	–	–	–	–
4) Treasury shares (nominal amount)	<b>1,231.00</b>	<b>0.92</b>	<b>1,230.00</b>	<b>0.92</b>
<b>Total fixed assets</b>	<b>69,726.00</b>	<b>52.27</b>	<b>83,181.00</b>	<b>62.36</b>

	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>C. Current assets</b>				
<i>I. Stock</i>				
1) Raw materials, subsidiary materials and consumables	-	-	-	-
2) Work in process and semi-finished products	-	-	-	-
3) Work in progress on order	-	-	-	-
4) Finished products and goods	85,657.00	64.22	73,362.00	55.00
5) Payments on account (advances)	-	-	-	-
	<u>73,362.00</u>	<u>64.22</u>	<u>91,245.00</u>	<u>55.00</u>
<i>II. Accounts receivable</i>				
1) From customers				
- falling due within one year	39,07,893.00	2,929.75	44,60,769.00	3,344.24
- falling due after more than one year	-	-	-	-
	<u>39,07,893.00</u>	<u>2,929.75</u>	<u>44,60,769.00</u>	<u>3,344.24</u>
2) From controlled undertakings	-	-	-	-
3) From affiliated undertakings	-	-	-	-
4) From controlling companies				
- falling due within one year	28,902.00	21.67	12,144.00	9.10
	<u>28,902.00</u>	<u>21.67</u>	<u>12,144.00</u>	<u>9.10</u>
4-bis) Tax credits				
- falling due within one year	1,14,569.00	85.89	1,04,553.00	78.38
	<u>1,14,569.00</u>	<u>85.89</u>	<u>1,04,553.00</u>	<u>78.38</u>
4-ter) Tax assets				
- falling due after more than one year	2,13,286.00	159.90	2,18,431.00	163.76
	<u>2,13,286.00</u>	<u>159.90</u>	<u>2,18,431.00</u>	<u>163.76</u>
5) Other accounts receivable				
- falling due within one year	40,116.00	30.07	32,161.00	24.11
	<u>40,116.00</u>	<u>30.07</u>	<u>32,161.00</u>	<u>24.11</u>
	<u>43,04,766.00</u>	<u>3,227.28</u>	<u>48,28,058.00</u>	<u>3,619.60</u>
<i>III. Financial assets other than fixed assets</i>				
1) Shareholdings in controlled undertakings	-	-	-	-
2) Shareholdings in affiliated undertakings	-	-	-	-
3) Shareholdings in controlling companies	-	-	-	-
4) Other shareholdings	-	-	-	-
5) Treasury shares	-	-	-	-
6) Other securities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>IV. Liquid assets</i>				
1) Bank and postal deposits	4,19,098.00	314.20	37,529.00	28.13
2) Cheques	-	-	-	-
3) Cash and cash equivalents	125.00	0.09	328.00	0.25
	<u>4,19,223.00</u>	<u>314.29</u>	<u>37,857.00</u>	<u>28.38</u>
<b>Total current assets</b>	<b>48,09,646.00</b>	<b>3,605.79</b>	<b>49,39,277.00</b>	<b>3,702.98</b>



	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>D) Prepayments and accrued income</b>				
– discounts on loans	–	–	–	–
– others	175.00	0.13	123.00	0.09
	<u>175.00</u>	<u>0.13</u>	<u>123.00</u>	<u>0.09</u>
<b>Total assets</b>	<b>48,79,547.00</b>	<b>3,658.20</b>	<b>50,22,581.00</b>	<b>3,765.43</b>

	31/12/2015		31/12/2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>Liabilities</b>				
<b>A) Shareholders' equity</b>				
<i>I. Share capital</i>	2,64,000.00	197.92	264,000.00	197.92
<i>II. Share premium reserve</i>	–	–	–	–
<i>III. Revaluation reserve</i>	–	–	–	–
<i>IV. Legal reserve</i>	24,086.00	18.06	24,086.00	18.06
<i>V. Reserve for Treasury shares</i>	–	–	–	–
<i>VI. Reserves provided for by the articles of association</i>	–	–	–	–
<i>VII. Other reserves</i>	1.00	–	–	–
<i>VIII. Retained earnings (loss) carry forwards</i>	(54,438.00)	(40.81)	(27,347.00)	(20.50)
<i>IX. Profit (loss) for the year</i>	16,933.00	12.69	(27,092.00)	(20.31)
<i>Total shareholders' equity</i>	<i>2,50,582.00</i>	<i>187.86</i>	<i>2,33,647.00</i>	<i>175.17</i>
<b>B) Provisions for liabilities and charges</b>				
1) Provision for pensions and similar obligations	–	–	–	–
2) Provision for deferred income taxes, including deferred tax assets	–	–	–	–
3) Other provisions	23,800.00	17.84	23,500.00	17.62
<i>Total provisions for liabilities and charges</i>	<i>23,800.00</i>	<i>17.84</i>	<i>23,500.00</i>	<i>17.62</i>
<b>C) Employees' leaving indemnity</b>	<b>2,72,618.00</b>	<b>204.38</b>	<b>2,38,514.00</b>	<b>178.81</b>
<b>D) Accounts Payables</b>				
1) Bonds	–	–	–	–
2) Convertible bonds	–	–	–	–
3) Shareholders' loans	–	–	–	–
4) Accounts payable to banks	–	–	–	–
5) Accounts payable to third party lenders	–	–	–	–
6) Payments received on account (advances)	–	–	–	–
7) Accounts payable to suppliers				
– falling due within one year	5,79,144.00	434.18	2,22,262.00	166.63
	<u>5,79,144.00</u>	<u>434.18</u>	<u>2,22,262.00</u>	<u>166.63</u>

	2015		2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
8) Accounts payable represented by negotiable instruments	–	–	–	–
9) Accounts payable to controlled undertakings	–	–	–	–
10) Accounts payable to affiliated undertakings	–	–	–	–
11) Accounts payable to controlling companies – falling due within one year	<u>19,09,737.00</u>	<u>1,431.73</u>	<u>21,78,329.00</u>	<u>1,633.09</u>
	19,09,737.00	1,431.73	21,78,329.00	1,633.09
12) Taxes payable – falling due within one year	<u>52,163.00</u>	<u>39.11</u>	<u>1,78,578.00</u>	<u>133.88</u>
	52,163.00	39.11	1,78,578.00	133.88
13) Accounts payable to social security institutions – falling due within one year	<u>70,959.00</u>	<u>53.20</u>	<u>85,264.00</u>	<u>63.92</u>
	70,959.00	53.20	85,264.00	63.92
14) Other accounts payable – falling due within one year	<u>17,20,244.00</u>	<u>1,289.67</u>	<u>18,61,887.00</u>	<u>1,395.86</u>
	17,20,244.00	1,289.67	18,61,887.00	1,395.86
<i>Total accounts payables</i>	43,32,247.00	3,247.89	45,26,230.00	3,393.31
<b>E) Accrued liabilities and deferred income</b>				
– other accrued liabilities and deferred income	<u>300.00</u>	<u>0.22</u>	<u>600.00</u>	<u>0.45</u>
	300.00	0.22	600.00	0.45
<b>Total shareholders' equity and liabilities</b>	<b>48,79,547.00</b>	<b>3,658.20</b>	<b>50,22,581.00</b>	<b>3,765.43</b>

**Frederic Fabre**  
Chairman of the Board of Directors

Date: 27<sup>th</sup> April 2016

**PROFIT AND LOSS ACCOUNT**

	31/12/2015		31/12/2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>A) Revenues</b>				
1) From sales and services	66,91,999.00	5,017.00	67,35,880.00	5,049.89
2) Changes in stocks of work in process, semi-finished and finished products	–	–	–	–
3) Work in progress on order	–	–	–	–
4) Capitalised internal work in progress	–	–	–	–
5) Other revenues:				
– miscellaneous	5,12,334.00	384.10	4,11,892.00	308.80
	5,12,334.00	384.10	4,11,892.00	308.80
<i>Total revenues</i>	72,04,333.00	5,401.09	71,47,772.00	5,358.85
<b>B) Expenses</b>				
6) <i>Raw materials, subsidiary materials, consumables and goods</i>	41,26,026.00	3,093.28	35,76,252.00	2,816.06
7) <i>Services</i>	16,05,643.00	1,203.75	16,78,787.00	1,258.59
8) <i>Rent/lease</i>	1,24,150.00	93.08	1,43,330.00	107.45
9) <i>Personnel costs</i>				
a) salaries and wages	7,44,819.00	558.39	8,71,592.00	653.43
b) social contributions	2,42,278.00	181.64	2,60,569.00	195.35
c) employees' leaving indemnity	59,211.00	44.39	77,873.00	58.38
d) accruals for pension and similar costs	–	–	–	–
e) other costs	7,530.00	5.64	320.00	0.24
	10,53,838.00	790.06	12,10,354.00	907.40
10) <i>Depreciation and value adjustments</i>				
a) depreciation of intangible assets	–	–	–	–
b) depreciation of tangible assets	13,456.00	10.09	14,656.00	10.99
c) other value adjustments	–	–	–	–
d) write down of accounts receivable recorded among current assets and liquid assets	62,735.00	47.03	2,36,381.00	177.21
	76,191.00	57.12	2,51,037.00	188.20
11) <i>Changes in raw materials, subsidiary materials, consumables and goods</i>	(4,658.00)	(3.49)	(517.00)	(0.39)
12) <i>Accruals to provisions for liabilities and charges</i>	–	–	–	–
13) <i>Other accruals</i>	300.00	0.22	1,500.00	1.12
14) <i>Miscellaneous running costs</i>	1,66,236.00	124.63	2,62,756.00	196.99
<i>Total expenses</i>	71,47,726.00	5,358.65	71,23,499.00	5,340.48
<b>Difference between revenues and expenses(A-B)</b>	56,607.00	42.44	24,273.00	18.20

	31/12/2015		31/12/2014	
	Euros	Rs. Lacs	Euros	Rs. Lacs
<b>C) Financial income and costs</b>				
15) <i>Income from shareholdings:</i>	-	-	-	-
16) <i>Other financial income:</i>				
a) from accounts receivable recorded among fixed assets	-	-	-	-
b) from securities recorded among fixed assets	-	-	-	-
c) from securities recorded among current assets	-	-	-	-
d) other income:				
- other income	2,983.00	2.24	11,982.00	8.98
	<u>2,983.00</u>	<u>2.24</u>	<u>11,982.00</u>	<u>8.98</u>
17) <i>Interest and other financial costs:</i>				
- others financial costs	12,465.00	9.35	-	-
	<u>12,465.00</u>	<u>9.35</u>	<u>-</u>	<u>-</u>
17-bis) <i>Current and deferred exchange gains and losses</i>	(8.00)	0.01	-	-
<b>Total financial income and costs</b>	<b>(9,490.00)</b>	<b>(7.11)</b>	<b>11,982.00</b>	<b>8.98</b>
<b>D) Value adjustments of financial assets</b>				
18) <i>Write-ups</i>	-	-	-	-
19) <i>Write downs</i>	-	-	-	-
<b>Total value adjustments to financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E) Extraordinary income and costs</b>				
20) <i>Income</i>	-	-	-	-
21) <i>Expenses:</i>				
- other extraordinary costs	1.00	-	-	-
	<u>1.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total extraordinary income and costs</b>	<b>(1.00)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Result before taxes (A-B±C±D±E)</b>	<b>47,116.00</b>	<b>35.32</b>	<b>36,255.00</b>	<b>27.18</b>
22) <i>Taxes on the income for the year current and deferred</i>				
a) Current taxes	25,039.00	18.77	1,15,369.00	56.22
b) Deferred taxes	-	-	-	-
c) Advance taxes	5,144.00	3.86	(52,022.00)	(39.00)
	<u>30,183.00</u>	<u>22.63</u>	<u>63,347.00</u>	<u>47.49</u>
<b>23) Profit (loss) of the year</b>	<b>16,933.00</b>	<b>12.69</b>	<b>(27,092.00)</b>	<b>(20.31)</b>

**Frederic Fabre**  
Chairman of the Board of Directors

Date: 27<sup>th</sup> April 2016

## PEUGEOT MOTOCYCLES ITALIA S.P.A.

Company subject to the direction and coordination of PEUGEOT MOTOCYCLES S.A.

Registered Office VIA GALLARATE 199 - 20100 MILANO - Fully paid up share capital  
Euros 2,64,000.00, INR 197,92 lacs

### Notes to the accounts for the year ended 31 December 2015

#### Introduction

Dear Shareholders,

These financial statements, submitted for your examination and approval, highlight a profit for the year of Euros 16,933.00, INR 12.95 lacs.

#### Activities performed and membership of a Group

As you know, your Company works in the sector of motorcycles and, more generally, two-wheeled vehicles.

#### Important events that occurred during the financial year

On 20 January 2015, the PEUGEOT S.A. Company stopped carrying on direction and coordination because, following reorganization of the PSA Group, PEUGEOT S.A. no longer holds the majority of shares in PEUGEOT MOTOCYCLES S.A.

In fact, following a capital increase of PEUGEOT MOTOCYCLES S.A. and transfer of part of the shares held by PEUGEOT S.A., the new majority shareholder of your holding company is the Company established under Luxembourg MAHINDRA TWO WHEELERS EUROPE HOLDING S.A.R.L.

Consequently, the company that currently carries on your direction and coordination is PEUGEOT MOTOCYCLES S.A.

#### Reporting criteria

The following financial statements comply with the provisions of article 2423 and following of the Italian Civil Code, as shown in these Notes to the Accounts, drawn up under article 2427 of the Civil Code, which, under and for the purposes of article 2423, are an integral part of these financial statements.

The financial statement values are in Euro units, and the relevant amounts are rounded to the nearest Euro. Any differences from rounding off have been indicated in the "Euro Rounding Reserve" item included in the Equity items and "Euro rounding" under "Exceptional income and charges" in the Profit and Loss Account (Income Statement).

Pursuant to article 2423, fifth para., Civil Code, the notes to the accounts have been drawn up in Euro units.

The functional currency of the company is measured using the currency of the economic environment in which the company operates. For disclosure purpose at the year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = Euro 1.00 as advised by the ultimate parent entity.

#### Valuation bases

The bases used to draw up the financial statements for the year ended 31 December 2015 do not deviate from those used to draw up the financial statements for the previous year, in particular in the valuations and in the continuity of the same principles.

The financial statement items have been valued following general criteria of prudence and accruals-based accounting, on a going concern basis, and also bearing in mind the economic function of the considered asset or liability item.

Application of the principle of prudence involved individual valuation of the elements making up the single items of the assets or liabilities, to avoid compensations between losses that had to be recognised and profits that are not to be recognised because they have not been realised.

In compliance with the accruals concept, the effect of transactions and other events has been entered in the books and attributed to the financial year to which such transactions and events refer, and not to the year in which the relevant cash transfers physically took place (receipts and payments).

The continuity of application of the valuation bases over time is a necessary element for the purposes of comparability of the company's financial statements in the various financial years.

The valuation took into account the economic function of the considered asset or liability item that expresses the principle of substance over form - mandatory where not expressly in conflict with other specific financial statement regulations - and therefore allowed representation of transactions according to the economic situation underlying the formal aspects.

#### Derogations

No exceptional events occurred during the year which required recourse to the derogations referred to in art. 2423 para 4 of the Italian Civil Code.

#### Fixed assets

##### Tangible assets

These are entered at their purchase cost reduced by permanent impairments in value and adjusted by the corresponding sinking funds.

The value entered in the financial statements considers the incidental expenses and costs incurred for the use of the fixed asset, with the cost reduced by trade discounts and large cash discounts.

The depreciation expenses, charged to the profit and loss account (income statement), have been calculated according to the expected use, destination and economic and technical life of the assets, on the basis of the criterion of their remaining useful lives, a criterion held to be well-represented by the following rates, which are unchanged from the previous financial year:

- signs:	10%
- office machinery:	20%
- computer machinery:	20%
- furniture and fittings:	12%
- equipment materials:	15%
- Cost of office fixtures:	20%

If, irrespective of the depreciation already recorded, there is a permanent impairment in value, the fixed asset is correspondingly written down. If in subsequent financial years, the conditions for the write-down cease to exist, the original value will be restored, adjusted by the depreciation alone.

Fixed assets acquired at no cost are entered at their likely market value plus the costs incurred or to be incurred for including the assets permanently and profitably in the production process.

#### Long-term investments

Long-term investments are valued at cost and are entered at purchase or subscription cost, adjusted where necessary, for permanent impairments in value.

#### Receivables

These are presented at the likely realisable value. Adjustment of the face value of receivables to the estimated realisable value is obtained through the entering of a special provision for bad debts, taking into consideration the general economy, the financial situation of the sector and also the country risk.

#### Payables

These are entered at their face value, modified on the occasion of returns or invoicing adjustments.

#### Accruals and deferrals

These have been determined on an accruals basis for the financial year.

**Left-over stock**

Left-over stock is entered at the lower value between purchase cost, determined with the weighted average cost method, and the realisable value deducible from the state of the market.

As regards the cost configuration adopted for each individual category of goods in stock, we point out that:

- new vehicles have been entered at the specific purchase cost;
- demonstration vehicles have been entered at the specific purchase cost, possibly adjusted to market value deducible from Eurotax.

**Holdings**

Holdings in other companies have been entered at purchase cost.

**Provisions for risks and charges**

Allocations for risks and charges are allocated to cover losses or payables of certain or probable existence, the amount or timing of which could not however be determined at the end of the financial year.

The valuation of such provisions has been made in compliance with the general criteria of prudence and accruals-based accounting, and no provisions without economic justification have been set up for generic risks.

The potential liabilities have been entered in the balance sheet and entered in the funds because they were deemed probable and the amount of the relevant charge could be reasonably estimated.

**Severance pay fund**

This is the actual accrued amount payable to employees in compliance with the law and labour contracts in force, considering all forms of permanent remuneration.

The fund corresponds to the total of the individual indemnities accrued for all employees at the closing date of the financial statements, net of any payments on account, and is equal to the amount which would have had to be paid to employees in the event of termination of employment on that date.

**Income tax**

Taxes are allocated according to the accruals-based accounting system; they therefore represent the provisions for taxes paid or to be paid for the financial year, determined according to current tax rates and regulations.

The expected payable, net of payments made on account, is entered in the "Tax payables" item, while any net receivable is entered in the "Tax receivables" item. Future tax effects regarding temporary differences between the value attributed to an asset or liability according to statutory criteria and the value attributed to these assets or liabilities for tax purposes are determined on the basis of the foreseeable charge/benefit in tax terms, calculated considering the taxable amount and the tax rates expected for the financial year in which the aforesaid differences will be cancelled. The tax effects thus determined are reviewed in each financial year on the basis of new events or more reliable forecasts. The assets for prepaid taxes, where necessary, are entered in compliance with the principle of prudence and only if there is reasonable certainty that, in the financial years into which the deductible temporary differences that led to the entry of prepaid taxes will be carried over, there will be a taxable income no lower than the amount of the differences that will be cancelled out. The prepaid taxes are recorded in the balance sheet (statement of financial position) in the "Receivables for prepaid taxes" item, while the deferred taxes payable, where they exist, are recorded in "Provisions for risks and charges".

**Recognition of revenues**

Revenues from sales of products are recognised at the time of transfer of ownership, which is normally identified with delivery or dispatch of the goods.

Financial revenues and those derived from the supply of services are recognised on an accruals basis.

Revenues and income, costs and charges regarding transactions in foreign currency are calculated at the exchange rate prevailing on the date of the relevant transaction.

**Costs for Research & Development**

These are charged entirely to the profit and loss account (income statement) when incurred.

**Criteria for conversion of values expressed in foreign currency**

The receivables and payables originally expressed in foreign currency, entered according to the exchange rates prevailing at the time they arose, are aligned with the exchange rates prevailing on the balance sheet date.

**Information on financial instruments issued by the company**

Pursuant to art. 2427-bis of the Italian Civil Code, we point out that the company has not issued financial instruments.

**Suspense accounts**

The commitments and risks undertaken by the company have been indicated in the suspense accounts at face value.

Although not affecting the size of the consignee company's equity, third party assets located on the company's premises involve safekeeping, with connected charges, and are indicated at the value deduced from the relevant documentation.

**Employment figures**

There were the following changes in the average number of staff employed by the company, divided by category, compared to the previous financial year.

Staff	31/12/2015	31/12/2014	Changes
Executives	1	1	-
Office Workers and Managerial Staff	14	16	(2)
	15	17	(2)

**Assets**

**B) Fixed assets**

**II. Tangible fixed assets**

balance 31/12/2015	balance 31/12/2014	Changes
68,495.00€ , INR 51.35 lacs	81,951.00 € , INR 61.44 lacs	(13,456.00)€ , INR (10.09) lacs

**Other assets**

Description	Amount Euros	Amount Rs. lacs
Historical costs	4,10,135.00	307.48
Depreciation for previous financial years	(3,53,140.00)	(264.75)
<b>Balance at 31/12/2014</b>	<b>56,995.00</b>	<b>42.73</b>
Depreciation for the year	(13,456.00)	(10.09)
<b>Balance at 31/12/2015</b>	<b>43,539.00</b>	<b>32.64</b>

**Payments on account and fixed assets in the course of construction**

Description	Amount Euros	Amount Rs. lacs
<b>Balance at 31/12/2014</b>	24,956.00	18.71
Acquisition year	-	-
<b>Balance at 31/12/2015</b>	<b>24,956.00</b>	<b>18.71</b>

**III. Long-term investments**

Balance at 31/12/2015	Balance at 31/12/2014	Changes
1,231.00€ , INR 0.92 lacs	1,230.00€ , INR 0.92 lacs	1.00€

**Holdings**

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Other companies	207.00	207.00	-
<b>Total</b>	<b>207.00</b>	<b>207.00</b>	-

(in Rs. Lacs)

Description	31/12/2015	31/12/2014	Changes
Other companies	0.15	0.15	-
<b>Total</b>	<b>0.15</b>	<b>0.15</b>	<b>-</b>

The holdings in other companies entered in long-term investments refer to 4 shares of the Associazione Nazionale Ciclomotori (Italian national motorcycle association).

**Receivables**

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Others	1,024.00	1,023.00	1.00
<b>Total</b>	<b>1,024.00</b>	<b>1,023.00</b>	<b>1.00</b>

(in Rs. Lacs)

Description	31/12/2015	31/12/2014	Changes
Others	0.77	0.76	0.01
<b>Total</b>	<b>0.77</b>	<b>0.76</b>	<b>0.01</b>

This item consists solely of recoverable security deposits.

**C) Current assets**

**I. Inventories**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
85,657.00	73,362.00	12,295.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
64.22	55.00	9.22

A summary of the balance sheet stock is shown below

(in Euros)

	Financial year start value	Change during the financial year	Financial year end value
New vehicles	6,322.00	8,794.00	15,116.00
Historical cost of demonstration vehicles	69,833.00	17,534.00	87,367.00
Depreciation fund for demonstration vehicles	(2,793.00)	(14,033.00)	(16,826.00)
Demonstration vehicles	67,040.00	3,501.00	70,541.00
<b>Total inventory</b>	<b>73,362.00</b>	<b>12,295.00</b>	<b>85,657.00</b>

(in Rs. lacs)

	Financial year start value	Change during the financial year	Financial year end value
New vehicles	4.74	6.59	11.33
Historical cost of demonstration vehicles	52.35	13.15	62.50
Depreciation fund for demonstration vehicles	(2.09)	(10.52)	(12.61)
Demonstration vehicles	50.26	2.62	52.88
<b>Total inventory</b>	<b>55.00</b>	<b>9.22</b>	<b>64.22</b>

The Depreciation fund for demonstration vehicles at 31 December 2015 is Euro 16,826.00, INR 12.61 lacs and during the financial year saw the following movements:

Description	Depreciation fund (euros)	Depreciation fund (Rs. lacs)
Balance 01.01.2015	2,793.00	2.09
Actual allocation	14,939.00	11.20
Use(*)	(906.00)	(0.68)
<b>Balance at 31.12.2014</b>	<b>16,826.00</b>	<b>12.61</b>

**II. Receivables**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
43,04,766.00	48,28,058.00	(5,23,292.00)

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
3,227.28	3,619.60	(392,31)

The balance is subdivided, according to the due dates, as follows:

(in Euros)

Description	Within 12 months	After 12 months	Total
Accounts receivables	39,11,109.00		39,11,109.00
From holding companies	25,686.00		25,686.00
For tax receivables	1,14,027.00		1,14,027.00
For prepaid taxes		2,13,828.00	2,13,828.00
From others	40,116.00		40,116.00
	<b>40,90,938.00</b>	<b>21,3,828.00</b>	<b>43,04,766.00</b>

(Rs. Lacs)

Description	Within 12 months	After 12 months	Total
Accounts receivables	39,11,109.00		39,11,109.00
From holding companies	25,686.00		25,686.00
For tax receivables	1,14,027.00		1,14,027.00
For prepaid taxes		2,13,828.00	2,13,828.00
From others	40,116.00		40,116.00
	<b>40,90,938.00</b>	<b>21,3,828.00</b>	<b>43,04,766.00</b>

The composition of the receivables by geographical area is shown in the table below.

(in Euros)

Receivables	Italy	Europe	Total
Trade accounts receivables	39,11,109.00		39,11,109.00
Receivables from holding companies		25,686.00	25,686.00
Tax receivables	1,14,027.00		1,14,027.00
Prepaid taxes	2,13,828.00		2,13,828.00
Receivables from others	40,116.00		40,116.00
<b>Total receivables entered in current assets</b>	<b>42,79,080.00</b>		<b>43,04,766.00</b>

(Rs. lacs)

Receivables	Italy	Europe	Total
Trade accounts receivables	2,932.16		2,932.16
Receivables from holding companies		19.26	19.26
Tax receivables	85.49		85.49
Prepaid taxes	160.31		160.31
Receivables from others	30.07		30.07
<b>Total receivables entered in current assets</b>	<b>3,208.03</b>		<b>3,227.28</b>

**Trade accounts receivables**

(in Euros)

Description	31/12/2015	31/12/2014	Variation
Receivables documented by invoice	20,35,286.00	25,83,748.00	(5,48,462.00)
Credit notes to be issued	(9,347.00)	(34,140.00)	24,793.00
Bank Draft falling due	3,12,252.00	3,33,174.00	(20,922.00)
Customers in litigation	23,25,172.00	23,49,343.00	(24,171.00)
Provisions for bad debts	(7,52,254.00)	(7,71,356.00)	19,102.00
<b>Total</b>	<b>39,11,109.00</b>	<b>44,60,769.00</b>	<b>(5,49,660.00)</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Variation
Receivables documented by invoice	1,525.85	1,937.36	(411.18)
Credit notes to be issued	(7.01)	(25.59)	18.59
Bank Draft falling due	234.10	249.78	(15.69)
Customers in litigation	1,743.18	1,761.30	(18.12)
Provisions for bad debts	(563.96)	(578.29)	14.32
<b>Total</b>	<b>2,932.16</b>	<b>3,344.24</b>	<b>(412.08)</b>

The Credit notes to be issued item, of Euro 9,347.00, INR 7.01 lacs, regards charges represented by promotional incentives that will be recognized through the issue of credit notes to authorized dealers on the basis of sales already made by them as at 31 December 2015 but for which it was not possible to issue the relevant credit note.

The bad debts in litigation are covered by suitable insurance. For the part exceeding this cover, the Company adjusts the provision for bad debts each year.

**Provision for bad debts**

Description	Provision for bad debts (Euros)	Provision for bad debts (Rs. Lacs)
Balance at 31/12/2014	7,71,356.00	578.29
Use during the financial year	(81,837.00)	(61.35)
Financial year allocation	62,735.00	47.03
<b>Balance at 31/12/2015</b>	<b>7,52,254.00</b>	<b>563.96</b>

**Tax receivables**

The tax receivables are made up as follows.

(in Euros)

Description	31/12/2015	31/12/2014	Changes
National revenue for withheld taxes	4,640.00	3,548.00	1,092.00
Receivables from the national revenue for IRES (Corporate Income Tax)	77,490.00	43,043.00	34,447.00
VAT due from the national revenue	-	19,137.00	(19,137.00)
Receivables from the national revenue for IRAP (regional business tax)	31,897.00		31,897.00
Receivable for electronic stamp duty	-	38,825.00	(38,825.00)
<b>Total</b>	<b>1,14,027.00</b>	<b>1,04,553.00</b>	<b>9,474.00</b>

(in Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
National revenue for withheld taxes	12.10	2.66	0.82
Receivables from the national revenue for IRES (Corporate Income Tax)	58.09	30.02	25.82
VAT due from the national revenue	-	14.35	(14.35)
Receivables from the national revenue for IRAP (regional business tax)	23.91		23.91
Receivable for electronic stamp duty	-	29.11	(29.11)
<b>Total</b>	<b>85.49</b>	<b>78.38</b>	<b>7.10</b>

**Prepaid taxes**

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Prepaid taxes	2,13,828.00	2,18,431.00	(4,603.00)
<b>Total</b>	<b>2,13,828.00</b>	<b>2,18,431.00</b>	<b>(4,603.00)</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Prepaid taxes	160.31	163.76	(3.45)
<b>Total</b>	<b>160.31</b>	<b>163.76</b>	<b>(3.45)</b>

The amount of Euro 2,13,828.00, INR 160.31 lacs refers to prepaid taxes regarding temporary differences formed in previous financial years and in the current financial year, which we consider can be recovered in future financial years with reasonable certainty on the basis of objective elements.

(in Euros)

Description	Receivables for prepaid taxes
Initial balance of prepaid taxes	2,18,431.00
- Use of prepaid taxes	(22,505.00)
- Adjustment to new rate	(823.00)
+ Allocation for prepaid taxes	18,725.00
<b>Final balance of prepaid taxes</b>	<b>2,13,828.00</b>



(Rs. lacs)

Description	Receivables for prepaid taxes
Initial balance of prepaid taxes	163.76
- Use of prepaid taxes	(16.87)
- Adjustment to new rate	(0.62)
+ Allocation for prepaid taxes	14.04
<b>Final balance of prepaid taxes</b>	<b>160.31</b>

#### IV. Cash on hand

The cash on hand consists of the company's cash resources in current accounts and of the liquid assets in the company's accounts at the financial year end date.

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
4,19,223.00	37,857.00	3,81,366.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
314.29	28.38	285.91

#### Analysis of changes in cash on hand

(in Euros)

Description	Financial year start value	Change during the financial year	Financial year end value
Bank and post office deposits	37,529.00	3,81,569.00	4,19,098.00
Cash and cash equivalents	328.00	(203.00)	125.00
<b>Total cash on hand</b>	<b>37,857.00</b>	<b>3,81,366.00</b>	<b>4,19,223.00</b>

(Rs. lacs)

Description	Financial year start value	Change during the financial year	Financial year end value
Bank and post office	28.14	286.06	314.20
Cash and cash equivalents	0.25	(0.15)	0.09
<b>Total cash on hand</b>	<b>28.38</b>	<b>285.91</b>	<b>314.29</b>

#### D) Accruals and deferrals

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
175.00	123.00	52.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
0.13	0.09	0.04

The item is detailed as follows.

(in Euros)

Description	Financial year start value	Change during the financial year	Financial year end value
Other prepayments	123.00	52.00	175.00
<b>Total accrued income and prepayments</b>	<b>123.00</b>	<b>52.00</b>	<b>175.00</b>

(Rs. lacs)

Description	Financial year start value	Change during the financial year	Financial year end value
Other prepayments	0.09	0.04	0.13
<b>Total accrued income and prepayments</b>	<b>0.09</b>	<b>0.04</b>	<b>0.13</b>

#### Liability

##### A) Equity

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
250,582.00	2,33,647.00	16,935.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
187.86	175.17	12.70

(in Euros)

Description	31/12/2014	Increases	Decreases	31/12/2015
Capital	2,64,000.00	-	-	2,64,000.00
Legal reserve	24,086.00	-	-	24,086.00
Profit (losses) carried forward	(27,347.00)	(27,091.00)	-	(54,438.00)
Profit (losses) for the financial year	(27,092.00)	16,933.00	(27,092.00)	16,933.00
Rounding off		1.00		1.00
<b>Total</b>	<b>2,33,647.00</b>	<b>(10,157.00)</b>	<b>(27,092.00)</b>	<b>2,50,582.00</b>

(Rs. lacs)

Description	31/12/2014	Increases	Decreases	31/12/2015
Capital	197.92	-	-	197.92
Legal reserve	18.07	-	-	18.07
Profit (losses) carried forward	(20.50)	(20.31)	-	(40.81)
Profit (losses) for the financial year	(20.31)	12.69	(20.31)	12.69
Rounding off				
<b>Total</b>	<b>175.17</b>	<b>(7.61)</b>	<b>(20.31)</b>	<b>187.86</b>

The table below details the movements in equity:

(in Euros)					
	Share capital	Legal reserve	Losses carried forward	Operating result	Total
<b>31.12.12</b>	<b>2,64,000.00</b>	<b>24,086.00</b>	<b>41,167.00</b>	<b>(42,739.00)</b>	<b>286.514</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(42,739.00)	42,739.00	-
Result for financial year 2013	-	-	-	(25,775.00)	(25,775.00)
<b>31.12.13</b>	<b>2,64,000.00</b>	<b>24,086.00</b>	<b>(1,572.00)</b>	<b>(25,775.00)</b>	<b>2,60,739.00</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(25,775.00)	25,775.00	-
Result for financial year 2014	-	-	-	(27,092.00)	(27,092.00)
<b>31.12.14</b>	<b>2,64,000.00</b>	<b>24,086.00</b>	<b>(27,347.00)</b>	<b>(27,092.00)</b>	<b>2,33,647.00</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(27,090.00)	27,092.00	2.00
Result for financial year 2015	-	-	-	16,933.00	16,933.00
<b>31.12.15</b>	<b>2,64,000.00</b>	<b>24,086.00</b>	<b>(54,437.00)</b>	<b>16,933.00</b>	<b>2,50,582.00</b>

(in Rs. lacs)					
	Share capital	Legal reserve	Losses carried forward	Operating result	Total
<b>31.12.12</b>	<b>197.92</b>	<b>18.06</b>	<b>30.86</b>	<b>(32.04)</b>	<b>214.80</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(32.04)	32.04	-
Result for financial year 2013	-	-	-	(19.32)	(19.32)
<b>31.12.13</b>	<b>197.92</b>	<b>18.06</b>	<b>(1.18)</b>	<b>(19.32)</b>	<b>2,60,739.00</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(19.32)	19.32	-
Result for financial year 2014	-	-	-	(20.31)	(20.31)
<b>31.12.14</b>	<b>197.92</b>	<b>18.06</b>	<b>(20.50)</b>	<b>(20.31)</b>	<b>175.17</b>
Allocation of the operating result:	-	-	-	-	-
- Use for covering a loss	-	-	-	-	-
- Other allocations	-	-	(20.31)	20.31	-
Result for financial year 2015	-	-	-	12.69	12.69
<b>31.12.15</b>	<b>197.92</b>	<b>18.06</b>	<b>(40.81)</b>	<b>12.69</b>	<b>187.86</b>

#### Availability and use of equity

As at 31/12/2015, the fully subscribed and paid up share capital amounts to Euro 264,000.00, INR 197.92 lacs divided into n. 16,500 nominal shares of 16 euros, INR 0.01 lacs each, totally owned by PEUGEOT MOTOCYCLES S.A.

#### Origin, possibility of use and distributability of equity items

(in Euros)					
	Amount	Possibility of use	Amount available	Summary of the uses made in the three previous financial years	
				to cover losses	for other reasons
Capital	2,64,000.00	B	2,64,000.00		
Legal reserve	24,086.00	B	24,086.00		

(in Euros)					
	Amount	Possibility of use	Amount available	Summary of the uses made in the three previous financial years	
				to cover losses	for other reasons
Profits carried forward	(54,438.00)	-	-	-	-
Non-distributable amount	-	-	2,88,086.00	-	-
Residual distributable amount	-	-	-	-	-

(\*) A: for increase of capital; B: for covering losses; C: for distribution to shareholders

(Rs. lacs)

	Amount	Possibility of use	Amount available	Summary of the uses made in the three previous financial years	
				to cover losses	for other reasons
Capital	197.92	B	197.92	-	-
Legal reserve	18.06	B	18.06	-	-
Profits carried forward	(40.81)	-	-	-	-
<b>Non-distributable amount</b>	-	-	<b>215.98</b>	-	-
<b>Residual distributable amount</b>	-	-	-	-	-

(\*) A: for increase of capital; B: for covering losses; C: for distribution to shareholders

**B) Provisions for risks and charges**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
23,800.00	23,500.00	300.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
17.84	17.62	0.22

The amount of 23,800.00 Euro, INR 17.84 lacs refers to a fund set up to cope with potential liabilities connected with disputes with staff and to allocation of an electric battery recycling fund.

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Staff fund	10,000.00	10,000.00	-
Electric battery recycling fund	13,800.00	13,500.00	300.00
<b>Total</b>	<b>23,800.00</b>	<b>23,500.00</b>	<b>300.00</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Staff fund	7.50	7.50	-
Electric battery recycling fund	10.35	10.12	300.00
<b>Total</b>	<b>17.84</b>	<b>17.62</b>	<b>0.22</b>

**C) Employee severance pay**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
2,72,618.00	2,38,514.00	34,104.00

(in Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
204.38	178.81	25.57

**Analysis of changes in employee severance pay**

	Severance pay (Euros)	Severance pay (Rs. Lacs)
Financial year start value	2,38,514.00	178.81
Allocation during the financial year	59,211.00	44.39

	Severance pay (Euros)	Severance pay (Rs. Lacs)
Uses	(25,107.00)	(18.82)
Total changes	34,104.00	25.57
<b>Financial year end value</b>	<b>2,72,618.00</b>	<b>204.38</b>

This fund represents the actual amount as at 31 December 2015 payable by the company to employees on the payroll at that date, net of any paid advances.

**D) Payables**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
43,32,247.00	45,26,320.00	(1,94,073.00)

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
3,247.89	3,393.38	(145.50)

Payables are valued at their nominal value and their due date is divided as follows.

Description	Within 12 months (euros)	Within 12 months (Rs. Lacs)
Trade accounts payables	5,79,144.00	434.18
Payables to holding companies	19,09,737.00	1,431.73
Tax payables	52,163.00	39.11
Payables to national insurance institutes	70,959.00	53.20
Other payables	17,20,244.00	1,289.67
<b>Total</b>	<b>43,32,247.00</b>	<b>3,247.89</b>

**Analysis of the changes in and of the due date of the payables**

(in Euros)

Description	Financial year start value	Change during the financial year	Financial year end value
Trade accounts payables	2,22,262.00	3,56,882.00	5,79,144.00
Payables to holding companies	21,78,329.00	(2,68,592.00)	19,09,737.00
Tax payables	1,78,578.00	(1,26,415.00)	52,163.00
Payables to national insurance and social security institutes	85,264.00	(14,305.00)	70,959.00
Other payables	18,61,887.00	(1,41,643.00)	17,20,244.00
<b>Total payables</b>	<b>4,53,26,320.00</b>	<b>(1,94,073.00)</b>	<b>43,32,247.00</b>

(Rs. Lacs)

Description	Financial year start value	Change during the financial year	Financial year end value
Trade accounts payables	166.63	267.55	434.18
Payables to holding companies	1,633.09	(201.36)	1,431.73
Tax payables	133.88	(94.77)	39.11
Payables to national insurance and social security institutes	63.92	(10.72)	53.20
Other payables	1,395.86	(106.19)	1,289.67
<b>Total payables</b>	<b>33,981.14</b>	<b>(145.50)</b>	<b>3,247.89</b>

**Division of payables by geographical area**

The division of Payables at 31 December 2015 according to geographical area is shown in the table below:

(in Euros)

Geographical area	Trade accounts payables	Payables to holding companies	Tax payables	Payables to national insurance institutes	Other payables	Total payables
Italy	5,79,144.00		52,163.00	70,959.00	1,15,491.00	8,32,058.00
Europe		19,09,737.00			16,04,753.00	35,00,189.00
<b>Total</b>	<b>5,79,144.00</b>	<b>19,09,737.00</b>	<b>52,163.00</b>	<b>70,959.00</b>	<b>17,20,244.00</b>	<b>43,32,247.00</b>

(in Rs. lacs)

Geographical area	Trade accounts payables	Payables to holding companies	Tax payables	Payables to national insurance institutes	Other payables	Total payables
Italy	434.18		39.11	53.20	86.58	623.79
Europe		1,431.73			12,051.24	2,624.09
<b>Total</b>	<b>434.18</b>	<b>1,431.73</b>	<b>39.11</b>	<b>53.20</b>	<b>1,289.67</b>	<b>3,247.89</b>

**E) Accruals and deferrals**

Origin, possibility of use and distributability of equity items

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
300.00	600.00	(300.00)

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
0.22	0.45	(0.22)

Description	Amount (euros)	Amount (Rs. Lacs)
Accrued expenses for bank charges	600	0.45
Change during the financial year	(300)	(0.22)
	<b>300</b>	<b>0.22</b>

As of 31 December 2015, there are no accruals and deferrals with duration of more than 5 years.

**Profit and loss account (income statement)**
**A) Value of production**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
72,04,333.00	71,47,772.00	56,561.00

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
5,401.09	5,358.68	42.40

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Revenues from sales and services	67,50,912.00	67,35,880.00	15,032.00
Other revenues and income	4,53,421.00	4,11,892.00	41,529.00
	<b>72,04,333.00</b>	<b>71,47,772.00</b>	<b>56,561.00</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Revenues from sales and services	5,061.16	5,049.89	11.27
Other revenues and income	339.93	308.80	31.13
	<b>5,401.09</b>	<b>5,358.68</b>	<b>42.40</b>

**Details on revenues from sales**

(in Euros)

Category	31/12/2015	31/12/2014	Changes
Sale of vehicles	60,40,982.00	58,90,256.00	15,07,26.00
Sale of spare parts	69,07,09.00	7,18,962.00	(28,253.00)
Sale of bicycles	41,384.00	85,589.00	(44,205.00)
Sale of press vehicles	49,992.00	-	49,992.00
Sale of other items	23,611.00	69,667.00	(46,056.00)
Parent Company Guarantees	67,674.00	73,978.00	(6,304.00)
Trade discounts	(1,63,440.00)	(1,02,544.00)	(60,896.00)
Allowances granted	-	(28.00)	28.00
<b>Total</b>	<b>67,50,912.00</b>	<b>67,35,880.00</b>	<b>15,032.00</b>

(Rs. Lacs)

Category	31/12/2015	31/12/2014	Changes
Sale of vehicles	4,528.92	4,41.92	113.00
Sale of spare parts	517.82	539.01	21.18
Sale of bicycles	31.03	64.17	33.14
Sale of press vehicles	37.48	-	37.48
Sale of other items	17.70	52.23	34.53
Parent Company Guarantees	50.74	55.46	4.73
Trade discounts	(122.53)	76.88	45.65
Allowances granted	-	(0.02)	0.02
<b>Total</b>	<b>5,061.16</b>	<b>5,049.89</b>	<b>11.27</b>

Other revenues and income

(in Euros)			
Category	31/12/2015	31/12/2014	Changes
Transport costs	2,793.00	3,155.00	(362.00)
CONAI (National Packaging Consortium) for packaging	414.00	335.00	79.00
Debit for stamp duty costs	63,424.00	55,808.00	7,616.00
Re-invoicing of costs	2,78,188.00	2,74,056.00	4,132.00
Sundry revenues	1,08,602.00	78,450.00	30,152.00
Capital gains from tangible fixed assets	-	88.00	(88.00)
<b>Total</b>	<b>4,53,421.00</b>	<b>4,11,892.00</b>	<b>41,529.00</b>

(Rs. Lacs)			
Category	31/12/2015	31/12/2014	Changes
Transport costs	2.09	2.37	(0.27)
CONAI (National Packaging Consortium) for packaging	0.31	0.25	0.06
Debit for stamp duty costs	47.55	41.84	5.71
Re-invoicing of costs	208.56	205.46	3.10
Sundry revenues	81.42	58.81	22.60
Capital gains from tangible fixed assets	-	0.07	(0.07)
<b>Total</b>	<b>339.93</b>	<b>308.80</b>	<b>31.13</b>

B) Production costs

(in Euros)		
Balance at 31/12/2015	Balance at 31/12/2014	Changes
71,47,726.00	71,23,499.00	24,227.00

(Rs. lacs)		
Balance at 31/12/2015	Balance at 31/12/2014	Changes
5,358.65	5,340.49	18.16

(in Euros)			
Description	31/12/2015	31/12/2014	Changes
Raw and auxiliary materials, goods	15,72,295.00	16,78,787.00	(1,06,492.00)
Services	1,24,150.00	1,43,330.00	(19,180.00)
Rentals and leasing	7,44,819.00	8,71,592.00	(1,26,773.00)
Wages and salaries	2,42,278.00	2,60,569.00	(18,291.00)
Social security contributions	59,211.00	77,873.00	(18,662.00)
Severance pay	7,530.00	320.00	7,210.00
Other staff costs	13,456.00	14,656.00	(1,200.00)
Depreciation of tangible fixed assets	62,735.00	2,36,381.00	(1,73,646.00)
Current assets bad debt write-offs	(4,658.00)	(517.00)	(4,141.00)
Change in stock of raw materials	300.00	1,500.00	(1,200.00)
	<b>71,47,726.00</b>	<b>71,23,499.00</b>	<b>24,227.00</b>

(Rs. Lacs)

Description	31/12/2015	31/12/2014	Changes
Raw and auxiliary materials, goods	3,118.28	2,681.12	437.17
Services	1,178.75	1,258.59	(79.84)
Rentals and leasing	93.08	107.45	(14.38)
Wages and salaries	558.39	653.43	(95.04)
Social security contributions	181.64	195.35	(13.71)
Severance pay	44.39	58.38	(13.99)
Other staff costs	5.65	0.24	5.41
Depreciation of tangible fixed assets	10.09	10.99	(0.90)
Current assets bad debt write-offs	47.03	177.21	(130.18)
Change in stock of raw materials	(3.49)	(0.39)	(3.10)
	<b>0.22</b>	<b>1.12</b>	<b>(0.90)</b>

Costs for raw and auxiliary materials, consumables and goods and service costs

These are closely correlated to the description in the Annual Report and the performance of point A (Value of Production) in the Profit and Loss Account (Income Statement). We specify below the nature of the items regarding these costs:

(in Euros)			
Description	31/12/2015	31/12/2014	Changes
New vehicles	53,68,175.00	51,62,864.00	2,05,311.00
Spare parts	7,22,196.00	5,90,797.00	1,31,399.00
Bicycles	32,278.00	65,886.00	(33,608.00)
Consumables	2,017.00	2,904.00	(887.00)
Sundry purchases	602.00	26,399.00	(25,797.00)
Discounts on purchases	(20,00,000.00)	(23,17,026.00)	3,17,026.00
CONAI	758.00	-	758.00
Fuels and lubricants	33,348.00	44,428.00	(11,080.00)
	<b>41,59,374.00</b>	<b>35,76,252.00</b>	<b>5,83,122.00</b>

(in Rs. lacs)			
Description	31/12/2015	31/12/2014	Changes
New vehicles	4,024.52	3,870.60	153.92
Spare parts	541.43	442.92	98.51
Bicycles	24.20	49.39	(25.20)
Consumables	1.51	2.18	(0.66)
Sundry purchases	0.45	19.79	(19.34)
Discounts on purchases	(1,499.40)	(1,737.07)	237.67
CONAI	0.57	-	0.57
Fuels and lubricants	25.00	33.31	(8.31)
	<b>3,118.28</b>	<b>2,681.12</b>	<b>437.17</b>

Costs for services

The costs for services consist of:

(in Euros)			
Description	31/12/2015	31/12/2014	Changes
Trade premiums	927.00	1,19,700.00	(1,18,773.00)
Transport costs	27,929.00	4,805.00	23,124.00

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Warranty	-	73,978.00	(73,978.00)
Professional fees	1,60,946.00	79,492.00	81,454.00
Travel and business trips	66,822.00	84,790.00	(17,968.00)
Advertising	2,19,187.00	2,93,540.00	(74,353.00)
Technical Documentation	19,351.00	8,968.00	10,383.00
Trade meetings	25,061.00	9,341.00	15,720.00
Professional Training	334.00	1,459.00	(1,125.00)
Type approval costs	21,680.00	18,051.00	3,629.00
Entertainment expenses	3,162.00	2,929.00	233.00
Costs for external services	31,575.00	77,199.00	(45,624.00)
Repair and maintenance costs	9,803.00	9,403.00	400.00
Postal expenses	7,589.00	48,305.00	(40,716.00)
Telephone charges	10,435.00	18,533.00	(8,098.00)
Gas	7,020.00	7,020.00	-
Fairs and shows	3,24,411.00	2,87,620.00	36,791.00
External support costs	1,02,922.00	1,80,443.00	(77,521.00)
Insurance costs	3,35,369.00	3,03,061.00	32,308.00
Bank charges	9,526.00	-	9,526.00
Debt collection costs	1,57,760.00	-	1,57,760.00
Canteen	-	13,590.00	(13,590.00)
CONAI	-	561.00	(561.00)
Sundry expenses	30,486.00	35,990.00	(5,504.00)
	<b>15,72,295.00</b>	<b>16,78,787.00</b>	<b>(1,06,483.00)</b>

(Rs. Lacs)

Description	31/12/2015	31/12/2014	Changes
Trade premiums	0.69	89.74	(89.04)
Transport costs	20.94	3.60	17.34
Warranty	-	55.46	(55.46)
Professional fees	120.66	59.60	61.07
Travel and business trips	50.10	63.57	(13.47)
Advertising	164.32	220.07	(55.74)
Technical Documentation	14.51	6.72	7.78
Trade meetings	18.79	7.00	11.79
Professional Training	0.25	1.09	(0.84)
Type approval costs	16.25	13.53	2.72
Entertainment expenses	2.37	2.20	0.17
Costs for external services	23.67	57.88	(34.20)
Repair and maintenance costs	7.35	7.05	0.30
Postal expenses	5.69	36.21	(30.52)
Telephone charges	7.82	13.89	(6.07)
Gas	5.26	5.26	-
Fairs and shows	243.21	215.63	27.58
External support costs	77.16	135.28	(58.12)
Insurance costs	251.43	227.20	24.22
Bank charges	7.14	-	7.14
Debt collection costs	118.27	0.00	118.27
Canteen	-	10.19	(10.19)
CONAI	-	0.42	(0.42)
Sundry expenses	22.86	26.98	(4.13)
	<b>1,178.75</b>	<b>1,258.59</b>	<b>(79.83)</b>

#### Costs for rentals and leasing

This item basically regards the costs of renting buildings and the costs of leasing service cars and office machinery.

#### Staff costs

The entry includes the whole expenditure for employees including bonuses, grade increases, contingency increments, holidays not taken and other statutory and collective bargaining provisions.

#### Depreciation of tangible fixed assets

As regards depreciation, it should be noted that this is calculated on the basis of the useful life of the asset and its use in production.

The cost charged to the financial year is 13,456.00 Euro, INR 10.09 lacs.

#### Write-offs of bad debts included in current assets and of cash on hand

Adjustment of the face value of receivables to the estimated realisable value has been obtained through the entering of a special provision for bad debts of Euro 62,735.00, INR 47.03 lacs.

#### Other operating expenses

In detail, this item, whose balance is Euro 166,236, is presented as follows:

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Stamp duty	61,987.00	55,008.00	6,979.00
Debt collection costs	-	1,66,523.00	(1,66,523.00)
Gifts and tips	8,200.00	13,676.00	(5,476.00)
Membership fees	994.00	1,707.00	(713.00)
Non-deductible penalties	1,089.00	1,402.00	(313.00)
Other charges	20,131.00	8,080.00	12,051.00
Bank charges	-	10,664.00	(10,664.00)
Duties and taxes	5,994.00	5,696.00	298.00
Warranty	67,674.00	-	67,674.00
Sundry expenses	167.00	-	167.00
	<b>1,66,236.00</b>	<b>2,62,756.00</b>	<b>(96,520.00)</b>

(in Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Stamp duty	46.47	41.24	5.23
Debt collection costs	-	124.84	(124.84)
Gifts and tips	6.15	10.25	(4.11)
Membership fees	0.75	1.28	(0.53)
Non-deductible penalties	0.82	1.05	(0.23)
Other charges	15.09	6.06	9.03
Bank charges	-	7.99	(7.99)
Duties and taxes	4.49	4.27	0.22
Warranty	50.74	-	50.74
Sundry expenses	0.13	-	0.13
	<b>124.63</b>	<b>196.99</b>	<b>(72.36)</b>

#### C) Financial income and charges

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
(9,490.00)	11,982.00	(21,472.00)

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
(7.11)	8.98	(16.10)

**Other financial income**

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Bank interest	42,00	293,00	(251,00)
Interest on late payments from customers	2,940,00	11,689,00	(8,749,00)
Rounding off	1,00		1,00
	<b>2,983,00</b>	<b>11,982,00</b>	<b>(8,999,00)</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Bank interest	0,03	0,22	(0,19)
Interest on late payments from customers	2,20	8,76	(6,56)
Rounding off	0,00	0,00	0,00
	<b>2,24</b>	<b>8,98</b>	<b>(6,75)</b>

**Interest and other financial charges**

(in Euros)

Description	31/12/2015	31/12/2014	Changes
Interest payable to treasury	(12,416,00)		(12,416,00)
Other interest payable	(49,00)		(49,00)
	<b>(12,465,00)</b>		<b>(12,465,00)</b>

(Rs. lacs)

Description	31/12/2015	31/12/2014	Changes
Interest payable to treasury	(9,31)	0,00	(9,31)
Other interest payable	(0,04)	0,00	(0,04)
	<b>(9,35)</b>	<b>0,00</b>	<b>(9,35)</b>

**Gains and losses on exchange rates**

The losses on exchange rates entered in the Profit and Loss Account (Income Statement) total Euro 8, INR 0.01 lacs.

**E) Exceptional income and charges**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
(1.00)	-	(1.00)

The item refers solely to the rounding off to the nearest Euro unit, necessary for preparing the financial statements.

**Taxes on operating income**

(in Euros)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
30,183.00	63,347.00	(33,164.00)

(Rs. lacs)

Balance at 31/12/2015	Balance at 31/12/2014	Changes
22.63	47.49	(24.86)

(in Euros)

Taxes	Balance at 31/12/2015	Balance at 31/12/2014	Changes
<b>Current taxes:</b>	25,581.00	1,15,369.00	(89,788.00)
IRES (corporate income tax)	19,000.00	87,202.00	(68,546.00)
IRAP (regional business tax)	6,581.00	28,167.00	(21,586.00)
<b>Deferred (prepaid) taxes</b>	4,602.00	(52,022.00)	56,624.00
<b>Current taxes:</b>	4,602.00	(52,022.00)	56,624.00
	<b>30,183.00</b>	<b>63,347.00</b>	<b>(33,164.00)</b>

(Rs. Lacs)

Taxes	Balance at 31/12/2015	Balance at 31/12/2014	Changes
<b>Current taxes:</b>	19.18	86.49	(67.31)
IRES (corporate income tax)	14.24	65.38	(51.39)
IRAP (regional business tax)	4.93	21.12	(16.18)
<b>Deferred (prepaid) taxes</b>	3.45	(39.00)	42.45
<b>Current taxes:</b>	3.45	(39.00)	42.45
	<b>22.63</b>	<b>47.49</b>	<b>(24.86)</b>

The taxes for the financial year have been entered.

As concerns IRES, the tax payable is included in the "Payables to the consolidating company" item net of payments made on account, of withholding taxes and, in general, of tax credits.

The table below shows the reconciliation between the theoretical charge resulting from the financial statements and the theoretical tax charge:

**Reconciliation between tax charge shown in the financial statements and theoretical tax charge (IRES)**

(in Euros)

Description	Value	Taxes
Pre-tax result	47,116.00	-
Theoretical tax charge (%)	27.50	12,957.00
<b>Temporary differences deductible in subsequent financial years:</b>	-	-
Write-downs and allocations	77,974.00	-
<b>Rotation of temporary differences from previous financial years</b>	<b>77,974.00</b>	<b>21,443.00</b>
Losses on receivables 2015	(81,837.00)	-
<b>Differences that will not be carried over to subsequent financial years</b>	<b>(81,837.00)</b>	<b>(22,505.00)</b>
Other increases	36,081.00	-
IRPEF (personal income tax) prize competitions	927.00	-
Losses on exchange rates	8.00	-
Professional associations	994.00	-
Contingent liabilities and sundry losses	11,434.00	-
Contingent assets	(19,724.00)	-
Other decreases	(5,133.00)	-
	<b>24,587.00</b>	<b>6,761.00</b>
<b>Taxable income</b>	67,840.00	-
<b>Current income taxes for the financial year</b>	-	<b>18,656.00</b>
<b>IRAP (regional business tax) allocated for the financial year</b>	-	<b>19,000.00</b>

(Rs. lacs)

Description	Value	Taxes
Pre-tax result	35.32	-
Theoretical tax charge (%)	0.02	9.71
<b>Temporary differences deductible in subsequent financial years:</b>	-	-
Write-downs and allocations	58.46	
<b>Rotation of temporary differences from previous financial years</b>	<b>58.46</b>	<b>16.08</b>
Losses on receivables 2015	(61.35)	-
<b>Differences that will not be carried over to subsequent financial years</b>	<b>(61.35)</b>	<b>(16.87)</b>
Other increases	27.05	-
IRPEF (personal income tax) prize competitions	0.69	-
Losses on exchange rates	0.01	-
Professional associations	0.75	-
Contingent liabilities and sundry losses	8.57	-
Contingent assets	(14.79)	-
Other decreases	(3.85)	-
	<b>18.43</b>	<b>5.07</b>
<b>Taxable income</b>	<b>50.86</b>	<b>-</b>
<b>Current income taxes for the financial year</b>	<b>-</b>	<b>13.99</b>
<b>IRAP (regional business tax) allocated for the financial year</b>	<b>-</b>	<b>14.24</b>

**Calculation of taxable amount for IRAP (regional business tax)**

(in Euros)

Description	Value	Taxes
Difference between value and costs of production	11,73,480.00	
Theoretical tax charge (%)	<b>3.90</b>	<b>45,766.00</b>
Losses on receivables 2015	(81,837.00)	
Tax wedge for permanent employees	(10,47,183.00)	
<b>Taxable amount for IRAP</b>	<b>44,460.00</b>	
<b>Current IRAP for the financial year</b>		<b>1,734.00</b>
<b>IRAP allocated for the financial year</b>		<b>6,581.00</b>

(Rs. Lacs)

Description	Value	Taxes
Difference between value and costs of production	879.76	0.00
Theoretical tax charge (%)	<b>0.00</b>	<b>34.31</b>
Losses on receivables 2015	(61.35)	0.00
Tax wedge for permanent employees	(785.07)	0.00
<b>Taxable amount for IRAP</b>	<b>33.33</b>	<b>0.00</b>
<b>Current IRAP for the financial year</b>	<b>0.00</b>	<b>1.30</b>
<b>IRAP allocated for the financial year</b>	<b>0.00</b>	<b>4.93</b>

**Prepaid and deferred taxes**

Pursuant to art. 2427 no. 14 of the Italian Civil Code, the table relating to deferred and prepaid taxes is shown below.

**Entry of deferred and prepaid taxes and consequent effects:**

(in Euros)

	31/12/2015		31/12/2014	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Prepaid taxes:</b>				
Allocation for bad debt exceeding 0.5%	7,48,358.00	2,03,602.00	7,67,460.00	2,11,052.00
Allocation to provision for risks	10,000.00	2,790.00	10,000.00	3,140.00
Allocation to electric battery recycling fund	13,800.00	3,850.00	13,500.00	4,239.00
Allocation to provision for stock write-down	14,939.00	3,585.00	-	-
<b>Total</b>	<b>7,87,097.00</b>	<b>2,13,287.00</b>	<b>7,90,960.00</b>	<b>2,18,431.00</b>
<b>Deferred taxes:</b>				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net deferred (prepaid) taxes</b>	<b>7,87,097.00</b>	<b>2,13,287.00</b>	<b>7,90,960.00</b>	<b>2,18,431.00</b>
Prepaid taxes relating to tax losses of the financial year	-	-	-	-
Prepaid taxes relating to tax losses of the previous financial year	-	-	-	-
Temporary Differences excluded from calculation of deferred/prepaid taxes	-	-	-	-
Tax losses that can be carried forward	-	-	-	-
<b>Net</b>	<b>7,87,097.00</b>	<b>2,13,287.00</b>	<b>7,90,960.00</b>	<b>2,18,431.00</b>

(Rs. lacs)

	31/12/2015		31/12/2014	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Prepaid taxes:</b>				
Allocation for bad debt exceeding 0.5%	561.04	152.64	575.36	158.23
Allocation to provision for risks	7.50	2.09	7.50	2.35
Allocation to electric battery recycling fund	10.35	2.89	10.12	3.18
Allocation to provision for stock write-down	11.20	2.69	-	-
<b>Total</b>	<b>590.09</b>	<b>159.90</b>	<b>592.98</b>	<b>163.76</b>
<b>Deferred taxes:</b>				
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net deferred (prepaid) taxes</b>	<b>590.09</b>	<b>159.90</b>	<b>592.98</b>	<b>163.76</b>
Prepaid taxes relating to tax losses of the financial year	-	-	-	-
Prepaid taxes relating to tax losses of the previous financial year	-	-	-	-
Temporary Differences excluded from calculation of deferred/prepaid taxes	-	-	-	-
Tax losses that can be carried forward	-	-	-	-
<b>Net</b>	<b>590.09</b>	<b>159.90</b>	<b>592.98</b>	<b>163.76</b>

As provided for by accounting standard no. 10 of the Italian Accounting Body (OIC), the financial information is set out below.



## A. Cash flows from operating activity

	(in Euros)	
	2015	2014
<b>A. Cash flows from operating activity</b>		
Profit (loss) for the year	16,933.00	(27,092.00)
Income tax	30,183.00	63,347.00
Interest payable (receivable)	9,482.00	(11,982.00)
(Dividends)		-
(Capital gains) Capital losses arising from transfer of assets		-
<b>1. Profit (loss) for the financial year before taxes, interest, dividends and capital gains/losses from transfer</b>	<b>56,598.00</b>	<b>24,273.00</b>
<i>Adjustments for non-monetary elements that had no offset in the net working capital</i>		
Allocations to funds: Severance pay/other funds	59,511.00	79,373.00
Amortization/Deprecation of fixed assets	13,456.00	14,656.00
Write-downs due to permanent impairments in value	-	-
Other adjustments for non-monetary elements	-	-
<b>2. Cash flow before changes in net working capital</b>	<b>1,29,565.00</b>	<b>1,18,302.00</b>
<i>Changes in net working capital</i>		
Decrease (increase) in surplus	(12,295.00)	17,883.00
Decrease (increase) in trade accounts receivables	5,36,118.00	6,84,878.00
Increase (decrease) in trade accounts payables	88,290.00	(7,89,847.00)
Decrease (increase) in accrued income and prepayments	(52.00)	717.00
Increase (decrease) in accrued expenses and deferred income	(300.00)	(1,500.00)
Other changes in net working capital	(1,80,233.00)	(87,908.00)
<b>3. Cash flow after changes in net working capital</b>	<b>5,61,093.00</b>	<b>(57,475.00)</b>
<i>other adjustments</i>		
Collected interest	2,983.00	11,982.00
(Paid interest)	(12,465.00)	-
(Paid taxes)	(1,45,137.00)	28,882.00
Collected dividends	-	-
(Use of provisions: Severance Pay)	(25,107.00)	(1,38,273.00)
<b>4. Cash flow after other adjustments</b>	<b>3,81,367.00</b>	<b>(1,54,884.00)</b>
<b>TOTAL Cash flow from operating activity (A)</b>	<b>3,81,367.00</b>	<b>(1,54,884.00)</b>
<b>B. Cash flows from investing activity</b>		
<i>Tangible fixed assets</i>		
(Investments)	-	(3,419.00)
Cost price of disinvestments	-	1,061.00
<i>Intangible fixed assets</i>		
(Investments)	-	-
Cost price of disinvestments	-	-
<i>Long-term investments</i>		
(Investments)	(1.00)	-
Cost price of disinvestments	(1.00)	-
<i>Movable financial assets</i>		
(Investments)	-	-
Cost price of disinvestments	-	-
<i>Acquisition or transfer of subsidiaries or business branches net of cash on hand</i>		
	-	-
<b>TOTAL Cash flow from investing activity (B)</b>	<b>(1.00)</b>	<b>(3,419.00)</b>
<b>C. Cash flows from financing activity</b>		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	-	-
Raising of loans	-	-
Repayment of loans	-	-
<i>Shareholders' funds</i>		
Capital increase against payment	-	-
Transfer (purchase) of own shares	-	-
Dividends (and interim dividend) paid	-	-
<b>TOTAL Cash flow from financing activity (C)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash on hand (A+B+C)</b>	<b>3,81,366.00</b>	<b>(1,58,303.00)</b>
<b>Cash on hand at 1 January</b>	<b>37,857.00</b>	<b>1,96,160.00</b>
<b>Cash on hand at 31 December</b>	<b>4,19,223.00</b>	<b>37,857.00</b>

	(Rs.Lacs)	
	2015	2014
<b>A. Cash flows from operating activity</b>		
Profit (loss) for the year	12.69	(20.31)
Income tax	22.63	47.49
Interest payable (receivable)	7.11	(8.98)
(Dividends)		-
(Capital gains) Capital losses arising from transfer of assets		-
<b>1. Profit (loss) for the financial year before taxes, interest, dividends and capital gains/losses from transfer</b>	<b>42.43</b>	<b>18.20</b>
<i>Adjustments for non-monetary elements that had no offset in the net working capital</i>		
Allocations to funds: Severance pay/other funds	44.62	59.51
Amortization/Deprecation of fixed assets	10.09	10.99
Write-downs due to permanent impairments in value	-	-
Other adjustments for non-monetary elements	-	-
<b>2. Cash flow before changes in net working capital</b>	<b>97.13</b>	<b>88.69</b>
<i>Changes in net working capital</i>		
Decrease (increase) in surplus	(9.22)	13.41
Decrease (increase) in trade accounts receivables	401.93	513.45
Increase (decrease) in trade accounts payables	66.19	(592.15)
Decrease (increase) in accrued income and prepayments	(0.04)	0.54
Increase (decrease) in accrued expenses and deferred income	(0.22)	(1.12)
Other changes in net working capital	(135.12)	(65.90)
<b>3. Cash flow after changes in net working capital</b>	<b>420.65</b>	<b>(43.09)</b>
<i>other adjustments</i>		
Collected interest	2.24	8.98
(Paid interest)	(9.35)	-
(Paid taxes)	(108.81)	21.65
Collected dividends	-	-
(Use of provisions: Severance Pay)	(18.82)	(103.66)
<b>4. Cash flow after other adjustments</b>	<b>285.91</b>	<b>(116.12)</b>
<b>TOTAL Cash flow from operating activity (A)</b>	<b>285.91</b>	<b>(116.12)</b>
<b>B. Cash flows from investing activity</b>		
<i>Tangible fixed assets</i>		
(Investments)	-	(2.56)
Cost price of disinvestments	-	(3.36)
Cost price of disinvestments	-	0.80
<i>Intangible fixed assets</i>		
(Investments)	-	-
Cost price of disinvestments	-	-
<i>Long-term investments</i>		
(Investments)	(0.00)	-
Cost price of disinvestments	(0.00)	-
Cost price of disinvestments	-	-
<i>Movable financial assets</i>		
(Investments)	-	-
Cost price of disinvestments	-	-
Cost price of disinvestments	-	-
<i>Acquisition or transfer of subsidiaries or business branches net of cash on hand</i>		
Acquisition or transfer of subsidiaries or business branches net of cash on hand	-	-
<b>TOTAL Cash flow from investing activity (B)</b>	<b>(0.00)</b>	<b>(2.56)</b>
<b>C. Cash flows from financing activity</b>		
<i>Borrowed capital</i>		
Increase (decrease) in short-term payables to banks	-	-
Raising of loans	-	-
Repayment of loans	-	-
<i>Shareholders' funds</i>		
Capital increase against payment	-	-
Transfer (purchase) of own shares	-	-
Dividends (and interim dividend) paid	-	-
<b>TOTAL Cash flow from financing activity (C)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash on hand (A+B+C)</b>	<b>285.91</b>	<b>(118.68)</b>
<b>Cash on hand at 1 January</b>	<b>28.38</b>	<b>147.06</b>
<b>Cash on hand at 31 December</b>	<b>314.29</b>	<b>28.38</b>

**Other information**

Pursuant to the law, the total remunerations of the directors and the Auditing Body are given below.

Position	Remuneration (euros)	Remuneration (Rs. Lacs)
Directors	-	-
Board of Statutory Auditors	11,561.00	8.67

The remunerations due to the audit firm for financial year 2015 are also summarised:

Position	Remuneration (euros)	Remuneration (Rs. Lacs)
Independent audit firm	20,800.00	15.59

**Coordination activities**

The Peugeot Motocycles Italia S.P.A. Company is a 51% owned subsidiary of the Mahindra Group listed on a Stock exchange in India. The Company participates in the group consolidation of Mahindra & Mahindra Limited.

On 23 April 2015, the Company informed the Chamber of Commerce of the termination of the management and coordination activity by PEUGEOT S.A. and also of its subjection to the management and coordination of another company, pursuant to Art. 2497 Bis of the Italian Civil Code, that it identified as PEUGEOT MOTOCYCLES SA. in this regard. The essential data of the holding company PEUGEOT MOTOCYCLES SA, which carries on management and coordination, presented below in the lead schedule required by Art. 2497-bis of the Italian Civil Code are taken from the last financial statements approved for the financial year ended on 31 December 2014.

**Balance Sheet (Statement of Financial Position) of the company that carries on the management and coordination activity**

(in Euros)

	31/12/2014	31/12/2013
A) Receivables from shareholders for payments still due	-	-
B) Fixed assets	40,41,678.00	38,94,265.00
C) Current assets	4,29,22,210.00	4,76,23,364.00
D) Accrued income and prepayments		
<b>Total assets</b>	<b>4,69,63,888.00</b>	<b>5,15,17,629.00</b>
A) Equity		
Share capital	71,42,400.00	71,42,400.00
Reserves	4,30,33,058.00	4,52,385.00
Profit (losses) carried forward		(2,25,25,036.00)
Profit (loss) for the year	(3,27,02,109.00)	(2,90,84,691.00)
<b>Total equity</b>	<b>1,74,73,349.00</b>	<b>(4,40,14,942.00)</b>
B) Provisions for risks and charges	1,22,60,167.00	42,38,147.00
C) Employee severance pay	-	-
D) Payables	1,72,30,372.00	9,12,94,424.00
E) Accrued expenses and deferred income		
<b>Total liabilities</b>	<b>4,69,63,888.00</b>	<b>5,15,17,629.00</b>

(Rs. lacs)

	31/12/2014	31/12/2013
A) Receivables from shareholders for payments still due	-	-
B) Fixed assets	303.00	291.95

(Rs. lacs)

	31/12/2014	31/12/2013
C) Current assets	3,217.88	3,570.32
D) Accrued income and prepayments	0.00	-
<b>Total assets</b>	<b>3,520.88</b>	<b>3,862.28</b>
A) Equity	0.00	0.00
Share capital	535.47	535.47
Reserves	3,226.19	33.92
Profit (losses) carried forward	0.00	(1,688.70)
Profit (loss) for the year	(2,451.68)	(2,180.48)
<b>Total equity</b>	<b>1,309.98</b>	<b>(3,299.80)</b>
B) Provisions for risks and charges	919.14	317.73
C) Employee severance pay	-	-
D) Payables	1,291.76	6,844.34
E) Accrued expenses and deferred income	0.00	-
<b>Total liabilities</b>	<b>3,520.88</b>	<b>3,862.28</b>

**Profit and Loss Account (Income Statement) of the company that carries on the management and coordination activity**

(in Euros)

	31/12/2014	31/12/2013
A) Value of production	10,88,99,268.00	10,53,60,662.00
B) Production costs	12,84,44,692.00	13,50,75,402.00
C) Financial income and charges	(33,47,921.00)	(30,59,195.00)
D) Adjustments to the value of financial assets	-	-
E) Exceptional income and charges	(1,05,97,679.00)	32,40,307.00
Income taxes for the financial year	7,88,916.00	4,48,937.00
<b>Profit (loss) for the year</b>	<b>(3,27,02,108.00)</b>	<b>(2,90,84,691.00)</b>

(Rs. lacs)

	31/12/2014	31/12/2013
A) Value of production	81,641.78	78,988.89
B) Production costs	96,294.99	1,01,266.03
C) Financial income and charges	(2,509.94)	(2,293.48)
D) Adjustments to the value of financial assets	-	-
E) Exceptional income and charges	(7,945.08)	2,429.26
Income taxes for the financial year	591.45	336.57
<b>Profit (loss) for the year</b>	<b>(24,516.77)</b>	<b>(21,804.79)</b>

These financial statements, made up of the Balance Sheet (Statement of Financial Position), Profit and Loss Account (Income Statement) and Notes to the Accounts, is a true and fair view of the assets, liabilities, financial position and profit and loss as well as the business result for the financial year and corresponds to the entries in the account books.

For the Board of Directors

**The Chairman**  
Frédéric Fabre

Date: 27<sup>th</sup> April 2016

## MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2015

### 1. Basis of the company

The PEUGEOT MOTOCYCLES DEUTSCHLAND GmbH (Peugeot Motocycles or PMD) is a subsidiary of PEUGEOT MOTOCYCLES S.A. (PMTC), Valentigney/France. The German subsidiary was set up on 1<sup>st</sup> September, 1997 and sells two-wheeled cycles as well as parts and accessory products through a network of authorized dealers.

As at 31<sup>st</sup> December 2015, PMD employed a total workforce of 18 employees in three departments:

- Sales, marketing, finance & administration
- Customer service, parts & accessories
- Field service: The five regional managers live within their respective sales regions, where they serve approx. 400 dealers altogether.

Peugeot Motocycles operates the following website in Germany:

[www.peugeot-scooters.de](http://www.peugeot-scooters.de)

In January 2015, a long-term strategic partnership agreement was signed between the brand Peugeot Scooters and the Indian corporation Mahindra & Mahindra. This has also resulted in a change in our shareholder relations. Mahindra & Mahindra now holds 51% of our share capital, while Automobiles Peugeot holds 49%. This new cooperation assures the required international expansion of our brand Peugeot Scooters (e.g. in India).

The vehicles sold on the German market are built by PMTC in France as well as by our partner Qingqi and by the joint venture company with Qingqi in China. The scooters are transported by GEFCO Deutschland GmbH. The vehicles are delivered directly to the dealers from the central warehouse in France without interim storage by PMD.

As a rule, the prices at which PMD purchases the scooters are defined by the parent company once per year. The same applies to the selling prices for customers (recommended retail price – RRP) which are normally defined by headquarters for the entire year in consultation with the German subsidiary.

### 2. Overall economic and branch-conditioned framework

All in all, the German economy proved stable on average over the year 2015. According to the Federal Statistical Office, gross domestic product after adjustment for price changes was 1.7% higher than in the prior year. The German economy was able above all to profit from a high level of domestic demand. Unemployment totalled 6,4% in Germany in 2015.

Competitive pressure in the German market in which Peugeot Motocycles operates has been considerable in recent years, due to the large number of new products.

This market can be broken down into the following segments (refer to the below mentioned table of market shares as per December 2015):

- Motorized two-wheeled cycles < = 50 cc

According to the industry association Industrierverband Motorrad e.V (IVM), the sales of motorized cycles (altogether 32,648) are 4.5% less than in the prior year.

- Scooters > 50 cc for which licensing is mandatory

With a total of 29,119 vehicles sold, the market volume was 3.0% higher in 2015 than in the prior year.

#### Table: Market shares (main competitors) < = 50 and > 50 cc

Source: industry association Industrierverband Motorrad e.V (IVM) December 2015)

	Scooters < = 50 cc				
	Date: Sell-in; end of December 2015				
	2015		2014		Change in % point
Market share	Ranking	Market share	Ranking		
<b>Peugeot</b>	26.2%	1	26.6%	1	-0.4
<b>Vespa</b>	21.6%	2	18.0%	2	+3.6
<b>Kymco</b>	17.2%	3	15.3%	3	+1.9
<b>Piaggio</b>	12.6%	4	9.8%	4	+2.8
<b>Total</b>	<b>32,648</b>		<b>34,199</b>		<b>-4.5%</b>

	Scooters > 50 cc				
	Date: Licences; end of December 2015				
	2015		2014		Change in % point
Market share	Ranking	Market share	Ranking		
<b>Piaggio</b>	32.7%	1	34.6%	1	-1.9
<b>Honda</b>	11.4%	2	12.7%	2	-1.3
<b>Other manufacturers</b>	10.5%	3	10.0%	3	+0.5
<b>Kymco</b>	9.9%	4	8.9%	4	+1.0
<b>Yamaha</b>	6.4%	5	5.7%	5	+0.7
<b>Peugeot</b>	5.4%	6	5.6%	6	-0.2
<b>Total</b>	<b>29,144</b>		<b>28,271</b>		<b>+3.1%</b>

**Business size**
**Table: Sales volume PMD 2009 to 2015**

Source: PMD sales statistics (sell-in; as per December 2015)

	2009	2010	2011	2012	2013	2014	2015
<b>Large/small mopeds</b>	291	205	212	184	85	0	0
<b>Scooters up to 50 cc</b>	14,299	11,858	11,349	10,187	9,235	9,088	8,548
<b>Light motor cycles from 51 to 500 cc</b>	1,579	1,364	1,288	1,609	1,380	1,653	1,474
<b>Speed-change vehicles</b>	80	91	77	2	0	0	0
<b>Total</b>	<b>16,249</b>	<b>13,518</b>	<b>12,926</b>	<b>11,982</b>	<b>10,700</b>	<b>10,741</b>	<b>10,022</b>
<b>Development y/y-1</b>	<b>-27.8%</b>	<b>-16.8%</b>	<b>-4.4%</b>	<b>-7.3%</b>	<b>-10.7%</b>	<b>+0.4%</b>	<b>-6,7%</b>

At first, PMD grew rapidly after being founded in 1997. In recent years, however, the number of units sold has declined considerably. This decline in sales volume was halted for the first time in 2014 – but in 2015 the number of invoices decreased again (TOTAL: 10,022 units).

The brand Peugeot Scooters continues to rank **first** among the brand suppliers in the 50 cc segment in Germany.

The market as a whole is shrinking, as this special sales channel for so-called “cheap scooters” is dwindling more and more. Most of the large brand manufacturers, on the other hand, have been able to increase their market share in this segment.

With regard to the light motor cycles (scooters) for which licensing is mandatory, Peugeot Scooters was not able to reach the same volumes as 2014 – the year of the launch of the new three-wheeled model “Metropolis”.

But the results of PMD in the segment of 125cc scooters were successful – the MAS is going up (+0.2% points).

In addition, PMD realized a TO of € 4,338, INR 3.25 lacs with bicycles including e-bikes of the brand Peugeot Cycles (prior year: € 57,667, INR 43.23 lacs) – the bikes were sold to the motorized two-wheelers dealers in 2015. The company Cycleurope is licensee here and responsible for producing the bicycle collection on behalf of the French parent.

The scooter-business of PMD in generally is lightly behind the good results of 2014.

**3. Position of assets, finance and profit**

Due to the slightly lower sales volume, sales revenue in the 2015 financial year were lower than in 2014, decreasing 5.1% to € 16.0 million, INR 11,995.20 lacs.

The financial year's profit was € 8.8k, INR 6.60 lacs lower than the prior year. A net profit of € 58,385.96, INR 43.77 lacs is reported.

The financial statements are reflected in the following key figures:

- EBIDTA: € 103.1k, INR 77.29 lacs (prior year: € 163.2k, INR 122.35 lacs)
- EBIT: € 100.6k, INR 75.42 lacs (prior year: € 158.5k, INR 118.83 lacs)

- The turnover rate calculated as the ratio of sales to trade receivables equals 55.9 (prior year: 8.1). Receivables management has again improved considerably as a result.
- The return on sales, calculated as the ratio of sales to earnings from current operations, reached a value of 0.48% in 2015 and was lower than the prior year's value (0.57%).

Total assets of PMD amounted to € 1,170k, INR 0.88 lacs in 2015 (prior year: € 3,767k, INR 2,824.12 lacs). Shareholders' equity now totals € 470.7k, INR 352.88 lacs (prior year: € 412.3k, INR 309.10 lacs). The capital ratio, calculated as the ratio of shareholders' equity to total capital, has increased from 10.9% in 2014 to 40.2% in 2015.

At € 286.2k, INR 214.56 lacs, trade receivables are € 1,799.9k, INR 1,349.39 lacs lower than in the prior year; they now account for 24.5% of total assets (prior year: 55.4%).

Of the total assets, 0.0% comprise sums payable to affiliated companies (prior year: 63.1%). These have decrease by € 2,375.8k, INR 1,781.14 lacs.

Our company's liquidity is assured through the provision of funds by the parent company.

The cashflow (net income for the year + depreciation) decreased by € 11.0k, INR 8.25 lacs from € 71.9k, INR 53.90 lacs (prior year) to € 60.9k, INR 45.66 lacs. This development has not affected our liquidity position.

All in all the business development in 2015 is satisfactorily.

**4. Workforce**

On average, the company employed 18 men and women in the financial year 2015 (prior year: 18).

In the financial year 2015, the company provided and realized regular information and further training programmes, such as the following:

- Internal computer training courses
- Product training on new models
- Weekly ZM conference call
- Monthly team discussions
- Quarterly staff meetings

## 5. Risk management, opportunities and risks of future development

Both the motorcycle industry association Industrieverband Motorrad e.V. (IVM) and Peugeot Motocycles Deutschland GmbH expect the year 2016 to develop as follows:

- 50 cc segment: continuing (slight) decrease
- Scooters > 50 cc: same level as in 2015.

PMD increased its recommended retail prices and the transport costs beginning 2016, among other things to take into account higher costs. Several new models like the new sport scooter Speedfight4 and the retro-style scooter Django will become a major source of sales for PMD.

With these new, mostly strong-selling models, Peugeot Motocycles expects to continue to enlarge its share of the <= 50 cc market, as well as in the segment where licensing is mandatory.

From March 2016 onwards, PMD will be the exclusive reseller of "Peugeot Cycle"-bikes in Germany. Reason: The automotive division of Peugeot Cars will stop all commercial activities with the bikes they had before.

Financial risks exist as a matter of principle due to the low capital base. Here, PMD is reliant on support from the parent company PMTC when necessary.

PMD's receivables management is designed and organized in such a way that there are no significant unsecured risks in this sector. With only a few exceptions, receivables from dealers are secured against risk of default through the

SANTANDER Consumer Bank. A standardized dunning process is not implemented, as the control system in combination with weekly direct debits ensures that PMD is always in a position to identify potential solvency problems among the dealers before they arise.

With regard to the future development of our business and company, we do not see any risks threatening the company's survival, nor risks with a major impact on its position of assets, finance and profit.

## 6. Outlook 2016

Taking into account the first market results, we expect a sales volume of around 10,000 units for the whole year 2016.

The first results of the markets shows a more stable 50cc-market than expected; the +50cc-market is at the beginning of the year in line with forecast.

Even there is a commercial focus on high margin scooters, like Speedfight, Django and Metropolis.

The net profit before taxes is expected to reach around € 70k with sales volumes on the level of 2015 and an expected TO of € 16.5 million, INR 12,370.05 lacs (+3%) as a result of the improved model mix and stronger focus on margins and discounts.

Mörfelden-Walldorf, 20<sup>th</sup> April 2016

Volker Klein

Xavier Delpech de Saint Guilhem

**BALANCE SHEET AS OF 31 DECEMBER, 2015**

	31/12/2015	31/12/2015	31/12/2014	31/12/2014
	€	Rs. Lacs	€	Rs. Lacs
<b>Assets</b>				
<b>A. <u>Fixed assets</u></b>				
<b>I. Intangible assets</b>				
Industrial property and similar rights and assets	7,500.00	5.62	0.00	0.00
<b>II. Tangible assets</b>				
Other equipment, factory and office equipment	4,090.01	3.07	6,623.83	4.97
<b>III. Financial assets</b>				
Participating interests	2,904.47	2.18	2,904.47	2.18
<b>B. <u>Current assets</u></b>				
<b>I. Inventories</b>				
Merchandise	91,963.62	68.95	65,038.78	48.76
<b>II. Receivables and other assets</b>				
1. Trade receivables	286,178.14	214.55	2,086,046.19	1,563.91
2. Receivables from affiliated companies	280,033.26	209.94	1,497,997.00	1,123.05
– of which from shareholder: € 280,033.26 [INR 202.19 lacs] (prior year: € 1,244,599.00 [INR 898.63 lacs])				
3. Other assets	67,812.20	50.84	46,259.78	34.68
	<b>634,023.60</b>	<b>475.33</b>	<b>3,630,302.97</b>	<b>2,721.64</b>
<b>III. Cash on hand and bank balances</b>	415,979.40	311.86	58,790.19	44.08
<b>C. <u>Prepaid expences and deferred charges</u></b>	13,970.01	10.47	3,667.00	2.75
	<b>1,170,431.11</b>	<b>877.47</b>	<b>3,767,327.24</b>	<b>2,824.37</b>

## SHAREHOLDERS' EQUITY AND LIABILITIES

	31/12/2015	31/12/2015	31/12/2014	31/12/2014
	€	Rs. Lacs	€	Rs. Lacs
<b>A. Shareholders' equity</b>				
I. Subscribed capital	26,000.00	19.49	26,000.00	19.49
II. Capital reserves	264,390.05	198.21	264,390.05	198.21
III. Unappropriated profits brought forward	121,883.11	91.38	54,717.72	41.02
IV. Net income for the year	58,385.96	43.77	67,165.39	50.35
	<b>470,659.12</b>	<b>352.85</b>	412,273.16	309.08
<b>B. Accruals</b>				
1. Tax accruals	0.00	0.00	14,678.99	11.00
2. Other accruals	585,787.93	439.17	651,636.43	488.53
	<b>585,787.93</b>	<b>439.17</b>	666,315.42	499.54
<b>C. Accounts payable</b>				
1. Bank loans and overdrafts	1,715.50	1.29	0.00	0.00
2. Trade payables	30,854.69	23.13	44,451.66	33.33
3. Payables to affiliated companies	0.00	0.00	2,375,760.18	1,781.11
– of which to shareholders: € 0,00 [INR 0] (prior year: € 2,375,760.18 [INR 1715.35 lacs])				
4. Other liabilities	81,413.87	61.04	268,526.82	201.31
– of which taxes: € 15.644,33 [INR 11.30 lacs] (prior year: € 203,844.14 [INR 147.18 lacs])				
	<b>113,984.06</b>	<b>85.45</b>	2,688,738.66	2,015.75
	<b>1,170,431.11</b>	<b>877.47</b>	3,767,327.24	2,824.37

Mörfelden-Walldorf, 20<sup>th</sup> April 2016

Volker Klein

Xavier Delpech de Saint Guilhem



**INCOME STATEMENT FOR THE PERIOD JANUARY 1 THROUGH 31 DECEMBER, 2015**

	1/1/2015 – 31/12/2015	1/1/2015 – 31/12/2015	1/1/2014 – 31/12/2014	1/1/2014 – 31/12/2014
	€	Rs. Lacs	€	Rs. Lacs
1. Sales	<b>15,993,507.65</b>	<b>11,990.33</b>	16,847,007.92	12,630.20
2. Other operating income	<b>288,673.83</b>	<b>216.42</b>	426,156.56	319.49
3. Cost of purchased services	<b>13,205,848.73</b>	<b>9,900.42</b>	13,618,975.54	10,210.15
4. Personnel expenses				
a) Wages and salaries	<b>1,041,461.47</b>	<b>780.78</b>	1,013,706.20	759.98
b) Social security	<b>173,102.10</b>	<b>129.77</b>	184,635.77	138.42
	<b>1,214,563.57</b>	<b>910.56</b>	1,198,341.97	898.40
5. Amortization and depreciation	<b>2,533.82</b>	<b>1.90</b>	4,715.96	3.54
6. Other operating expenses	<b>1,757,816.55</b>	<b>1,317.84</b>	2,289,814.84	1,716.67
7. Income from participating interests	<b>16,940.10</b>	<b>12.70</b>	17,505.08	13.12
8. Other interest and similar income	<b>527.57</b>	<b>0.40</b>	1,662.86	1.25
9. Interest and similar expenses	<b>41,499.31</b>	<b>31.11</b>	84,312.31	63.21
– of which to affiliated companies: € 169,78 [INR 0.13 lacs] (prior year: € 82.919,13 [INR 59.87 lacs])				
<b>10. Net operating income</b>	<b>77,387.17</b>	<b>58.02</b>	96,171.80	72.10
11. Taxes on income	<b>18,147.43</b>	<b>13.61</b>	26,200.39	19.64
12. Other Taxes	<b>853.78</b>	<b>0.64</b>	2,806.02	2.10
<b>13. Net income for the year</b>	<b>58,385.96</b>	<b>43.77</b>	67,165.39	50.35

Mörfelden-Walldorf, 20<sup>th</sup> April 2016

Volker Klein

Xavier Delpech de Saint Guilhem

**ANNEX TO THE NOTES FOR THE FINANCIAL YEAR 2015**  
**FIXED ASSET-MOVEMENT-SCHEDULE FOR THE YEAR ENDED 31 DECEMBER, 2015**

	Acquisition cost		Amortization and depreciation			Net book value	
	1 January, 2015	Addition 2015	Disposals 2015	31 December, 2015	Disposals 2015	31 December, 2015	31 December, 2014
<b>I. Intangible assets</b>							
Industrial property and similar rights and assets	€ 53,801.05	7,500.00	0.00	61,301.05	53,801.05	7,500.00	0.00
Rs. Lacs	40.33	5.62	0.00	45.96	40.33	5.62	0.00
<b>II. Tangible assets</b>							
Other equipment, factory and office equipment	€ 139,173.78	0.00	565.95	138,607.83	132,549.95	2,533.82	6,623.83
Rs. Lacs	104.34	0.00	0.42	103.91	99.37	1.90	4.97
<b>III. Financial assets</b>							
Participating interests	€ 2,973.61	0.00	0.00	2,973.61	0.00	0.00	2,973.61
Rs. Lacs	2.23	0.00	0.00	2.23	0.00	0.00	2.23
<b>TOTAL</b>	€ 195,948.44	7,500.00	565.95	202,882.49	186,351.00	2,533.82	9,597.44
Rs. Lacs	146.90	5.62	0.42	152.10	139.71	1.90	7.20

## NOTES FOR THE FINANCIAL YEAR 2015

**1. General declarations**

The PEUGEOT Motocycles Deutschland GmbH fulfils the size criteria for a small corporation. The available annual financial statements have been prepared in accordance with §§ 242 et seq. and §§ 264 et seq. of the German Commercial Code (HGB), as well as with the relevant regulations pursuant to the German Limited Liability Companies Act.

The financial year is identical to the calendar year.

The income statement has unchanged been prepared according to the nature of expense method.

To make the presentation clearer, we have reported the remaining term of receivables and accounts payable in the notes instead of in the balance sheet.

The functional currency of the company is measured using the currency of the economic environment in which the company operates. For disclosure purpose at the year end this has been converted into the currency of the ultimate parent company, Indian Rupees, at a pre-determined 'convenient rate'. This is displayed as comparative balances for both the current and prior years.

All foreign currency amounts, including comparatives are translated for convenience into Indian Rupees at the exchange rate of Rs. 74.97 = Euro 1.00 as advised by the ultimate parent entity.

**2. Accounting and valuation principles**

As in the prior year, the following accounting and valuation principles were applied when preparing the annual financial statements.

**2.1. Fixed assets**

**Tangible assets** are balanced at acquisition cost less scheduled depreciation. They are amortized in accordance with their expected useful life.

Since the financial year 2008, minor-value assets with acquisition cost of between INR 0.11 lacs, Euros 150.00 and INR 0.75 lacs, Euros 1,000.00 have been capitalized and written off at 20% of their acquisition cost p.a. over a period of five years. Minor-value assets with acquisition cost of less than INR 0.11 lacs, Euros 150.00 are expensed in the year of purchase.

In the case of financial assets, the profit participation rights are valued at the lower of acquisition cost or fair value.

**2.2. Inventories**

Merchandise are balanced at acquisition cost. Write-downs to the lower market value have been made where necessary.

**2.3. Receivables, other assets and liquid funds**

Receivables, other assets and liquid funds are balanced at face value. Default risks associated with trade accounts receivable have been duly taken into account through individual valuation allowances as at the balance sheet date.

**2.4. Accruals**

The accruals take account of all identifiable risks and uncertain liabilities; they are formed on the basis of anticipated requirements according to reasonable commercial judgement. There are no pension commitments and pre-retirement part-time working agreements.

**2.5. Liabilities**

Accounts payable are shown at their repayment value.

**2.6. Currency translation**

There are no accounts receivable and payable in foreign currency as at the balance sheet date. No transactions were undertaken in foreign currencies during the financial year.

**3. Notes to the balance sheet****3.1. Fixed assets**

Development of the individual asset items with indication of write-downs over the financial year can be seen from the enclosed schedule of fixed asset movements (appended to the Notes).

**3.2. Receivables and other assets**

As in the prior year, all receivables and other assets have a remaining term of less than one year.

Receivables from affiliated companies exist only towards the shareholder. These receivables don't include trade receivables.

**3.3. Accruals**

Other accruals in the amount of INR 439.32 lacs, 586 thousands in euros (prior year: INR 488.80 lacs, 652 thousands in euros) primarily comprise the following:

– Volume and loyalty bonuses for the dealership: INR 350.11 lacs, 467 thousands in euros (prior year: INR 338.11 lacs, 451 thousands in euros)

– Recycling costs, batteries: INR 33.74 lacs, 45 thousands in euros (prior year: INR 33.74 lacs, 45 thousands in euros)

– Holidays not yet taken: INR 9 lacs, 12 thousands in euros (prior year: INR 6 lacs, 8 thousands in euros)

– Other personnel costs: INR 24.74 lacs, 33 thousands in euros (prior year: INR 24.74 lacs, 33 thousands in euros)

– Unpaid invoices: INR 21 lacs, 28 thousands in euros (prior year: INR 32.24 lacs, 43 thousands in euros)

**3.4. Liabilities**

As in the prior year, all accounts payable have a remaining term of less than one year. The liabilities are not secured.

Accounts payable to affiliated companies include trade payables in the amount of INR 866.65 lacs, 1,156 thousands in euros.

**4. Notes to the income statement****4.1. Sales revenue**

The sales (INR 11,990.70 lacs, 15,994 thousands in euros) are essentially attributable to the sale of scooters to dealers (INR 10,734.95 lacs, 14,319 thousands in euros), as well as to the sale of spare parts (INR 838.91 lacs, 1,119 thousands in euros) and bicycles (INR 3 lacs, 4 thousands in euros).

**4.2. Other operating income**

Other operating income in the amount of INR 319.37 lacs, 426 thousands in euros primarily comprises guarantee costs charged to the parent company PEUGEOT Motocycles S.A. ("PMTC") (INR 177.68 lacs, 237 thousands in euros), insurance compensation (INR 15.74 lacs, 21 thousands in euros) and income from the reversal of accruals (INR 11.25 lacs, 15 thousands in euros).

**4.3. Income/expenses relating to other periods**

The result for the financial year 2015 includes income from reversing accruals in the amount of INR 11.25 lacs, 15 thousands in euros.

**5. Other declarations****5.1 Other financial commitments and contingent liabilities**

The company has concluded leases and leasing arrangements. These commitments total INR 201.67 lacs, 269 thousands in euros as at the balance sheet date. A bank guarantee in the amount of INR 17.24 lacs, 23 thousands in euros exists to the benefit of the landlord. The advantage of leases and leasing arrangements lies in the optimization of liquidity. There are no identifiable significant risks.

**5.2 Workforce**

On average, the company employed 17 women and men in the financial year (prior year: 18).

**5.3. Management**

The company's managing directors in the financial year 2015 were:

- Mr. Volker Klein (Diplom-Ingenieur (graduate in engineering science)), Oppenheim
- Mr. Xavier Delpech de Saint Guilhem (Finance Director, Peugeot Motocycles S.A.), Mandure (France)

Concerning the remuneration of the management the option permitted by § 286 (4) of the German Commercial Code (HGB) is exercised.

**5.4. Parent company**

PMD is a wholly owned (100%) subsidiary of **Peugeot Motocycles S.A., Valentigney Mandure/France**, and included in their (sub-) consolidated financial statements. The company belongs to the group **Mahindra & Mahindra Limited, Mumbai/India**, which prepares the top-level consolidated financial statements.

These consolidated financial statements are available at the companies' head office.

Mörfelden-Walldorf, 20<sup>th</sup> April, 2016

Volker Klein

Xavier Delpech de Saint Guilhem

## Report of the Directors

### Operation

Your Company was incorporated on 8<sup>th</sup> December, 2014 in Luxembourg as a wholly owned subsidiary of Mahindra Two Wheelers Limited. Your company acquired 51% stake in Peugeot Motorcycles SAS ("PMTCS") on 19<sup>th</sup> January, 2015.

During the year your company has received the refund of equity contribution of Euro 2.1 million (Rs. 157.29 million) on account of closing adjustment clause 4.5 of Purchase and Investment agreement entered with Peugeot S.A. for the acquisition of 51% stake in Peugeot Motorcycles S.A.S., Mandeure.

### Directors

Composition of the Board of Directors of your Company is as below:

Name of Directors	Nationality	Change
Mr. Rajesh Jejurikar	Indian	Appointed Since inception
Mr. Mahendra Bhalerao	Indian	Appointed Since inception
Mr. Livio Gambardella	Luxembourgian	Appointed Since inception

### Financial Status

Total Expenses & Loss of your Company for the period ended 31<sup>st</sup> March, 2016 stood at Euro 47,722.32 (Rs. 33.92 lacs) compared to Euro 1,050.68 (Rs. 0.71 lacs) in the previous year. Paid up Capital of your Company as on 31<sup>st</sup> March, 2016 is Euro 14,900,000 (Rs. 11,170.53 Lacs) compared to Euro 17,000,000 (Rs. 11,502.20 Lacs).

The Board of Directors has reviewed and approved the accompanying financial statement of your company for the period ended 31<sup>st</sup> March, 2016.

### Statement of Directors

In the opinion of the Board of Directors, the accompanying financial statements together with its notes, annexures etc. as set out herein are drawn up so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2016.

### Audit & Auditor

Pursuant to the prevailing laws of Luxembourg, appointment of an auditor is not mandatory for your company. Accordingly, your company has not appointed Auditor to certify its financial statement.

On Behalf of the Board

**Rajesh Jejurikar**  
Director

Date: 23<sup>rd</sup> May, 2016  
Place: Mumbai

**Mahendra Bhalerao**  
Director

Date: 23<sup>rd</sup> May, 2016  
Place: Mumbai

**Livio Gambardella**  
Director

Date: 23<sup>rd</sup> May, 2016  
Place: Luxembourg

**BALANCE SHEET AS AT 31<sup>st</sup> March, 2016**

Particulars	Note No.	As at 31 <sup>st</sup> March 2016		As at 31 <sup>st</sup> March 2015	
		Euro	Rupees in lacs	Euro	Rupees in lacs
<b>I EQUITY AND LIABILITIES</b>					
<b>(1) Shareholder's Funds</b>					
(a) Share Capital .....	1	14,900,000.00	11,170.53	17,000,000.00	11,502.20
(b) Reserves and Surplus .....	2	(48,773.00)	(36.07)	(1,050.68)	(0.71)
		<u>14,851,227.00</u>	<u>11,134.46</u>	<u>16,998,949.32</u>	<u>11,501.49</u>
<b>(2) Non-Current Liabilities</b>					
(a) Long-term borrowings .....		-	-	-	-
(b) Deferred tax liabilities (Net) .....		-	-	-	-
(c) Long term provisions.....		-	-	-	-
<b>(3) Current Liabilities</b>					
(a) Short-term borrowings.....		-	-	-	-
(b) Trade payables					
(i) Due to Micro, Small & Medium Enterprises.....		-	-	-	-
(ii) Due to Other than Micro, Small & Medium Enterprises.....		-	-	-	-
(c) Other current liabilities.....	3	11,255,438.37	8,438.62	-	-
(d) Short-term provisions .....	4	30,588.53	22.49	-	-
		<u>11,286,026.90</u>	<u>8,461.11</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<u>26,137,253.90</u>	<u>19,595.57</u>	<u>16,998,949.32</u>	<u>11,501.49</u>
<b>II ASSETS</b>					
<b>(1) Non-current assets</b>					
(a) Fixed assets					
(i) Tangible assets.....		-	-	-	-
(ii) Intangible assets.....		-	-	-	-
(iii) Capital work-in-progress .....		-	-	-	-
(iv) Intangible assets under development .....		-	-	-	-
(b) Deferred tax assets (net) .....		-	-	-	-
(c) Non current investments .....	5	26,010,315.00	19,499.70	16,900,692.00	11,435.01
(d) Long term loans and advances.....	6	1,070.00	1.50	-	-
(e) Other non-current assets.....		-	-	-	-
		<u>26,011,385.00</u>	<u>19,501.20</u>	<u>16,900,692.00</u>	<u>11,435.01</u>
<b>(2) Current assets</b>					
(a) Inventories.....		-	-	-	-
(b) Trade receivables .....		-	-	-	-
(c) Cash and bank balances .....	7	122,959.99	92.21	98,257.32	66.48
(d) Current Investments .....		-	-	-	-
(e) Short-term loans and advances.....	8	2,908.91	2.16	-	-
(f) Other current assets .....		-	-	-	-
		<u>125,868.90</u>	<u>94.38</u>	<u>98,257.32</u>	<u>66.48</u>
<b>Total</b>		<u>26,137,253.90</u>	<u>19,595.57</u>	<u>16,998,949.32</u>	<u>11,501.49</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

For and on behalf of the Board

Place : 23<sup>rd</sup> May, 2016

Date : Mumbai

Rajesh Jejurikar

Director

Mahendra Bhalerao

Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
		Euro	Rupees in lacs	Euro	Rupees in lacs
I. Revenue from operations - Gross .....		-	-	-	-
Less: Excise Duty .....		-	-	-	-
Revenue from operations - Net .....		-	-	-	-
II. Other Income.....		-	-	-	-
III. <b>Total Revenue (I + II)</b> .....		-	-	-	-
IV. Expenses:					
Cost of materials consumed.....		-	-	-	-
Purchase of Stock-in-Trade.....		-	-	-	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade.....		-	-	-	-
Employee benefit expense.....		-	-	-	-
Finance costs .....		-	-	-	-
Depreciation and amortization expense....		-	-	-	-
Other expenses .....	9	47,722.32	33.92	1,050.68	0.71
V. <b>Total Expenses</b> .....		47,722.32	33.92	1,050.68	0.71
VI. Loss before tax (III - V) .....		(47,722.32)	(33.92)	(1,050.68)	(0.71)
VII. Tax expense:					
(1) Current tax.....		-	-	-	-
(2) Deferred tax.....		-	-	-	-
VIII. Loss for the year (VI - VII)		(47,722.32)	(33.92)	(1,050.68)	(0.71)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

For and on behalf of the Board

Place : 23<sup>rd</sup> May, 2016

Date : Mumbai

**Rajesh Jejurikar**

Director

**Mahendra Bhalerao**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016**

	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss before tax.....	(47,722.32)	(33.92)	(1,050.68)	(0.71)
Adjustment for:				
Depreciation/Amortisation.....	-	-	-	-
Interest expense.....	-	-	-	-
(Profit)/loss on sale of fixed assets.....	-	-	-	-
(Profit)/loss on sale of investments.....	-	-	-	-
Asset written off.....	-	-	-	-
Foreign Exchange Fluctuation Reserve.....	-	(1.43)	-	-
Stamp duty, registration charges on increase in authorised share capital and issue of shares.....	-	-	58.00	0.04
Interest income.....	-	-	-	-
	<b>(47,722.32)</b>	<b>(35.35)</b>	<b>(992.68)</b>	<b>(0.67)</b>
Operating profit before Working Capital changes				
Adjustments for changes in Working capital.....				
Long term Loans and advances.....	(1,070.00)	(1.50)	-	-
Other non-current assets.....	-	-	-	-
Inventories.....	-	-	-	-
Trade Receivables.....	-	-	-	-
Short term Loans and advances.....	-	-	-	-
Other current assets.....	(2,908.91)	(2.16)	-	-
Long term Provisions.....	-	-	-	-
Trade Payables.....	-	-	-	-
Other current liabilities.....	11,255,438.37	8,438.62	-	-
Short term Provisions.....	30,588.53	22.49	-	-
	<b>11,234,325.67</b>	<b>8,422.10</b>	<b>(992.68)</b>	<b>(0.67)</b>
Taxes paid.....	-	-	-	-
Net Cash from Operating activities.....	<b>11,234,325.67</b>	<b>8,422.10</b>	<b>(992.68)</b>	<b>(0.67)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>				
Fixed Assets:				
Purchase.....	-	-	-	-
Sale.....	-	-	-	-
Investments:				
Purchase.....	-	-	-	-
Sale.....	-	-	-	-
Purchase of Long term Investment - Subsidiary.....	(9,109,623.00)	(8,064.69)	(16,900,692.00)	(11,435.01)
Interest received.....	-	-	-	-
Net Cash (used) in investing activities.....	<b>(9,109,623.00)</b>	<b>(8,064.69)</b>	<b>(16,900,692.00)</b>	<b>(11,435.01)</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016 (CONTD...)**

	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Share application money received .....	-	-	-	-
Proceeds from issuance of Share Capital (See note 1) ..	<b>(2,100,000.00)</b>	<b>(331.67)</b>	17,000,000.00	11,502.20
Repayment of Long term borrowings .....	-	-	-	-
Proceeds from Short term borrowings.....	-	-	-	-
Repayment of Short term borrowings.....	-	-	-	-
Stamp duty, registration charges on increase in authorised share capital.....	-	-	(58.00)	(0.04)
Interest paid.....	-	-	-	-
Net Cash from in financing activities.....	<b>(2,100,000.00)</b>	<b>(331.67)</b>	16,999,942.00	11,502.16
<b>D NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>24,702.67</b>	<b>25.74</b>	98,257.32	66.48
Cash and Cash Equivalents (Opening balance) .....	<b>98,257.32</b>	<b>66.48</b>	-	-
Cash and Cash Equivalents (Closing balance) .....	<b>122,959.99</b>	<b>92.21</b>	98,257.32	66.48

**Notes :**

- 1 Figures in brackets represent outflows of cash and cash equivalents.
- 2 cash and cash equivalents comprise of.

	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Cash on hand	-	-	-	-
Balances with Banks	<b>122,959.99</b>	<b>92.21</b>	98,257.32	66.48
	<b>122,959.99</b>	<b>92.21</b>	98,257.32	66.48

For and on behalf of the Board

Place : 23<sup>rd</sup> May, 2016

Date : Mumbai

**Rajesh Jejurikar**

Director

**Mahendra Bhalerao**

Director



## Notes forming part of the Financial Statements

### NOTE 1 - SHARE CAPITAL

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
<b>Authorised:</b>				
17,000,000 (31 <sup>st</sup> March 2015,17,000,000) equity shares of Euro 1/- each.	17,000,000.00	12,744.90	17,000,000.00	11,502.20
	<b>17,000,000.00</b>	<b>12,744.90</b>	<b>17,000,000.00</b>	<b>11,502.20</b>
<b>Issued, Subscribed and Paid up:</b>				
14,900,000 (31 <sup>st</sup> March, 2015, 17,000,000 ) equity shares of Euro 1/- each fully paid up.	14,900,000.00	11,170.53	17,000,000.00	11,502.20
Total	<b>14,900,000.00</b>	<b>11,170.53</b>	<b>17,000,000.00</b>	<b>11,502.20</b>

Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:	As at 31 <sup>st</sup> March, 2016			As at 31 <sup>st</sup> March, 2015		
	Euro	Rupees in lacs	No. of shares	Euro	Rupees in lacs	No. of shares
No of equity shares outstanding at the beginning of the year	17,000,000.00	11,502	17,000,000.00	-	-	-
Add: Additional equity shares issued during the year	-	-	-	17,000,000	11,502	17,000,000
Less: Equity Shares forfeited/Bought back during the year	2,100,000.00	331.67	2,100,000.00	-	-	-
No of equity shares outstanding at the end of the year	<b>14,900,000.00</b>	<b>11,171</b>	<b>14,900,000.00</b>	<b>17,000,000</b>	<b>11,502</b>	<b>17,000,000</b>

#### Notes:

- Of the above 14,900,000 (previous year 17,000,000) shares are held by Mahindra Two Wheelers Limited the holding company.
- Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

Particulars	2016		2015	
	Number of shares	% Shareholding	Number of shares	% Shareholding
<b>Equity Shares:</b>				
Mahindra Two Wheelers Limited	14,900,000	100.00	17,000,000	100.00

### NOTE 2 - RESERVES AND SURPLUS

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Foreign currency translation reserve	-	(1.44)	-	-
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>				
Opening Balance	(1,050.68)	(0.71)		
Add: (Loss) for the year	(47,722.32)	(33.92)	(1,050.68)	(0.71)
Closing Balance	<b>(48,773.00)</b>	<b>(34.63)</b>	<b>(1,050.68)</b>	<b>(0.71)</b>
<b>Total</b>	<b>(48,773.00)</b>	<b>(36.07)</b>	<b>(1,050.68)</b>	<b>(0.71)</b>

### NOTE 3 - OTHER CURRENT LIABILITIES

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Other payables				
Trade/security deposits received	755.37	0.75	-	-
Deferred Consideration payable to PSA	11,254,683.00	8,437.87	-	-
<b>Total</b>	<b>11,255,438.37</b>	<b>8,438.62</b>	<b>-</b>	<b>-</b>

**NOTE 4 - SHORT-TERM PROVISIONS**

	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
<b>Provision-Others:</b>				
Provision for Potential Statutory Liabilities	30,588.53	22.49	-	-
	<u>30,588.53</u>	<u>22.49</u>	-	-
<b>Total</b>	<u>30,588.53</u>	<u>22.49</u>	-	-

**NOTE 5 - NON CURRENT INVESTMENTS**

	Face Value per Unit	As at 31 <sup>st</sup> March 2016			As at 31 <sup>st</sup> March 2015		
		Number	Euro	Rupees in lacs	Number	Euro	Rupees in lacs
<b>Investment in Equity Instruments (Trade and fully paid up unless otherwise specified)</b>							
<b>Unquoted</b>							
<b>In Subsidiary Companies:</b>							
Peugeot Motocycles S.A.S Mandeure	EURO 16	312,677	26,010,315	19,499.70	312,677	16,900,692	11,435.01
<b>Total</b>		<u>312,677</u>	<u>26,010,315</u>	<u>19,499.70</u>	<u>312,677</u>	<u>16,900,692</u>	<u>11,435.01</u>

**NOTE 6 - LONG TERM LOANS AND ADVANCES**

	As at 31 <sup>st</sup> March 2016		As at 31 <sup>st</sup> March 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Taxes paid in advance less provision (current tax)	1,070.00	1.50	-	-
<b>Total</b>	<u>1,070.00</u>	<u>1.50</u>	-	-

**NOTE 8 - SHORT TERM LOANS AND ADVANCES**

	As at 31 <sup>st</sup> March 2016		As at 31 <sup>st</sup> March 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Prepaid expenses	2,908.91	2.16	-	-
<b>Total</b>	<u>2,908.91</u>	<u>2.16</u>	-	-

**NOTE 7 - CASH AND CASH EQUIVALENTS**

	As at 31 <sup>st</sup> March 2016		As at 31 <sup>st</sup> March 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Cash on hand	-	-	-	-
Balances with banks				
In current accounts	122,959.99	92.21	98,257.32	66.48
<b>Total</b>	<u>122,959.99</u>	<u>92.21</u>	<u>98,257.32</u>	<u>66.48</u>

**NOTE 9 - OTHER EXPENSES**

	For the year ended 31 <sup>st</sup> March 2016		For the year ended 31 <sup>st</sup> March 2015	
	Euro	Rupees in lacs	Euro	Rupees in lacs
Rates & taxes	6,470.00	4.36	-	-
Legal & Professional	36,061.62	25.95	238.28	0.17
Miscellaneous expenses	5,190.70	3.60	812.40	0.54
<b>Total</b>	<u>47,722.32</u>	<u>33.92</u>	<u>1,050.68</u>	<u>0.71</u>

Note 10 - The Foreign Currency Assets and Liabilities have been translated in the Functional currency at the closing Foreign Exchange rate of Rs. 74.97 per Euro and the items in the statement of profit and loss has been translated at the average foreign exchange rate of Rs. 72.09 per Euro.

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their fourth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

**Financial Highlights****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Gross Income	<b>4,011.07</b>	5,936.72
Less Excise Duty	-	-
Net Income	<b>4,011.07</b>	5,936.72
Profit Before Taxation, Depreciation and Amortisation	<b>(292.84)</b>	63.47
Less: Depreciation/Amortisation	<b>57.87</b>	131.51
Profit/(Loss) before taxation	<b>(350.71)</b>	(68.04)
Add: Provision for taxation for the year	<b>30.42</b>	14.43
Add: Deferred Tax (Liability)/Asset	<b>79.74</b>	94.44
Profit/(Loss) for the year after taxation	<b>(240.55)</b>	11.97
Balance of Profit/(Loss) from earlier years	<b>270.12</b>	269.29
Transition Depreciation Adjustment to reserves	-	11.14
Balance carried forward	<b>29.58</b>	270.12
Net Worth	<b>9,904.62</b>	7,735.17

No material changes and commitments have occurred after the closure of the financial year to which financial statements relate and the date of this report which would affect the financial position of the Company.

**Operations**

Your Company is actively pursuing major opportunities in Homeland Security business and has responded to various Request for Proposals issued by State Governments.

During the year, your Company has finalized the contract negotiations with Indian Ministry of Defence for training services on C130-J Aircraft Simulator.

Your Company has also been selected by The Boeing Company (USA) as sub-contractor for training service support for Simulator of C17 Aircraft to the Air Force Pilots.

**Dividend**

With a view to conserve resources and loss in the current year, your Directors do not recommend dividend for the year under review.

**Subsidiaries & Associates**

As on 31<sup>st</sup> March, 2016 your Company had the following two subsidiaries:

**(A) Mahindra Telephonics Integrated Systems Limited (MTISL)**

Your Company pursuant to the Joint Venture with Telephonics Corporation, USA, had incorporated a public company viz. Mahindra Telephonics Integrated Systems

Limited (JV Company), wherein your Company holds 51% of the Share Capital of the JV Company and balance 49% is held by Telephonics Corporation, USA. During the year, the JV Company earned a revenue of Rs. 4,59,26,893 and registered a loss of Rs. 4,74,65,654.

**(B) Mahindra Defence Naval Systems Private Limited (MDNSPL)**

Mahindra Defence Naval Systems Private Limited is a wholly owned subsidiary of your Company. During the year, MDNSPL earned a revenue of Rs. 8,25,81,774 with a loss of Rs. 1,66,14,277.

As on 31<sup>st</sup> March, 2016 your Company had the following Associate Company:

**Defence Land Systems India Limited (DLSIL)**

Defence Land Systems India Limited is an Associate Company in which your Company holds 37.99% of the paid up share capital of DLSIL. During the year, DLSIL earned a revenue of Rs. 20,39,55,313 and registered a loss of Rs. 9,30,79,804.

A report on the performance and financial position of each of the subsidiaries, associates and joint venture companies for the year ended 31<sup>st</sup> March, 2016 is given as **Annexure I**, and the same forms part of this report.

The audited statements of accounts for the year ended 31<sup>st</sup> March, 2016 of the Company's subsidiaries, together with the reports of their Directors and Auditors and Statement pursuant to section 129 of the Companies Act, 2013 are attached.

### Share Capital

During the year under review, the Authorised Share Capital of your Company stood at Rs. 50,00,00,000 divided into 5,00,00,000 Equity Shares of Rs. 10 each. There was no change in the Authorised Share Capital during the year under review.

The issued, subscribed and paid up Share Capital of the Company as at 31<sup>st</sup> March, 2016 was Rs. 8,46,20,050 divided into 84,62,005 Equity Shares of Rs. 10 each.

### Board of Directors

The composition of the Board of Directors of the Company is as follows:-

Sr. No.	Names of Directors	DIN	Category	Independent / Non Independent
1.	Mr. S. P. Shukla, Chairman	00007418	Non-Executive	Non Independent
2.	Mr. V. S. Parthasarathy	00125299	Non-Executive	Non Independent
3.	Mr. Zhooben Bhiwandiwala	00110373	Non-Executive	Non Independent
4.	Mr. S. Ramakrishna	02091639	Non-Executive	Non Independent

All the Directors of your Company have given requisite declarations pursuant to Section 164 of the Companies Act, 2013 that they are not disqualified to be appointed as Directors of your Company.

Mr. Zhooben Bhiwandiwala (DIN: 00110373), Director, retires by rotation and, being eligible, offers himself for re-appointment at the forthcoming Annual General Meeting.

### Number of Meetings

#### Board Meetings

Your Board of Directors met four times during the year under review i.e. on 19<sup>th</sup> May, 2015, 28<sup>th</sup> August, 2015, 1<sup>st</sup> December, 2015 and 4<sup>th</sup> March, 2016.

The attendance at the meetings of the Board was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Mr. S. P. Shukla	4
2.	Mr. V. S. Parthasarathy	2
3.	Mr. Zhooben Bhiwandiwala	2
4.	Mr. S. Ramakrishna	3

### General Meetings

The third Annual General Meeting of the Company was held on 28<sup>th</sup> August, 2015. During the year, two Extra Ordinary General Meetings were held on 2<sup>nd</sup> December, 2015 and on 30<sup>th</sup> March, 2016.

### Committees of the Board

#### Nomination and Remuneration Committee

The Company as a good governance initiative has formed the Nomination and Remuneration Committee which was reconstituted on 26<sup>th</sup> September, 2013 and it comprises of Mr. V. S. Parthasarathy and Mr. Zhooben Bhiwandiwala as the Members of the Committee. There were no meetings of the Committee held during the year.

### Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Key Managerial Personnel

There were no changes in the Key Managerial Personnel (KMPs) during the year. Mr. Mukul Verma and Mr. Rajesh Parte continue as Chief Financial Officer and Company Secretary of the Company, respectively. The provisions of sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are however not applicable to your Company in respect of KMPs other than Company Secretary.

### Risk Management Policy

Your Company has formulated Risk Management Policy including therein the elements of risks which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

### Policy on Prevention of Sexual Harassment

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

### Corporate Social Responsibility (CSR)

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

### Auditors

Messrs. Deloitte Haskins & Sells, Chartered Accountants, Gurgaon (Firm registration Number 015125N) were appointed as Auditors of your Company to hold office from the conclusion of 2<sup>nd</sup> Annual General Meeting (AGM) held on 17<sup>th</sup> September, 2014 until the conclusion of 7<sup>th</sup> AGM. In terms of Section 139(1) of Companies Act, 2013, such appointment is required to be ratified by members at every AGM.

As required under the provisions of section 139 of the Companies Act, 2013, your Company has obtained a written consent and certificate from the above Auditors to the effect that their appointment, if ratification made, would be in conformity with the conditions and criteria specified therein.

The members are requested to ratify the appointment of Auditors so made at the forthcoming AGM and fix their remuneration.

There were no qualifications, reservations or adverse remarks made by the Auditors in their report.

The provisions relating to submission of Secretarial Audit Report are not applicable to your Company.

#### **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 Board under section 143 (12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of the Companies (Accounts) Rules, 2014 are given as **Annexure II** to this Report.

#### **Disclosure of Particulars of Employees as required under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of public deposits, loans, guarantees or investments**

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with requirements of chapter V of the Companies Act, 2013.

During the year under review, your Company has invested in Subsidiaries and Associate Company. Your Company has not made any loans, investments and guarantees during the year under review which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

All Related Party Transactions entered during the year were “in the ordinary course of business” and “on arm’s length” basis. The particulars of contracts or arrangements with related parties are given in form AOC – 2 as **Annexure III** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual Return as on 31st March, 2016 is attached herewith as **Annexure IV** and the same forms part of this report.

#### **Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company’s operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3) (c) of the Companies Act, 2013).

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**S. P. Shukla**  
Chairman  
(DIN: 00007418)

Mumbai,

24<sup>th</sup> May, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT****AOC - 1****Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>	<b>Details</b>
1.	Name of the Subsidiary Company	Mahindra Telephonics Integrated Systems Limited (Subsidiary Company)	Mahindra Defence Naval Systems Private Limited (Subsidiary Company)
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Same as Holding Company's reporting period	Same as Holding Company's reporting period
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable	Not Applicable
4.	Share capital	507,843,130	150,313,300
5.	Reserves & surplus	(155,147,088)	(1,501,355)
6.	Total assets	381,648,846	213,571,632
7.	Total Liabilities	28,952,066	64,759,687
8.	Investments	–	–
9.	Turnover	45,926,893	82,581,774
10.	Profit/(Loss) before taxation	(47,465,654)	(24,634,900)
11.	Provision for taxation	–	(8,020,623)
12.	Profit/(Loss) after taxation	(47,465,654)	(16,614,277)
13.	Proposed Dividend	–	–
14.	% of shareholding	51%	100%

**Part "B": Associates and Joint Ventures****Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

<b>Name of Associates/Joint Ventures</b>	<b>Defence Land Systems India Limited (Associate Company)</b>
1. Latest audited Balance Sheet Date	31 <sup>st</sup> March, 2016
2. Shares of Associate/Joint Ventures held by the Company on the year end	
No.	68,000,000
Amount of Investment in Associates/Joint Venture	459,000,100
Extend of Holding %	37.99%
3. Description of how there is significant influence	Common Directors
4. Reason why the associate/joint venture is not consolidated	Consolidation being done at parent company level
5. Net worth attributable to shareholding as per latest audited Balance Sheet	33,81,44,638
6. Profit/(Loss) for the year	Not Applicable
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

- Names of Associates or Joint Ventures which are yet to commence operations – NIL
- Names of Associates or Joint Ventures which have been liquidated or sold during the year – NIL

For and on behalf of the Board

**S. P. Shukla**  
Chairman  
(DIN: 00007418)

Mumbai, 24<sup>th</sup> May, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

#### A. CONSERVATION OF ENERGY

- (a) the steps taken or impact on conservation of energy: **Nil**
- (b) the steps taken by the company for utilizing alternate sources of energy: **Nil**
- (c) the capital investment on energy conservation equipments: **Nil**

#### B. TECHNOLOGY ABSORPTION

- i) the efforts made towards technology absorption - **Nil**
- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: **Nil**
- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –
  - (a) the details of technology imported: **Not Applicable**
  - (b) the year of import: **Nil**
  - (c) whether the technology been fully absorbed: **Not Applicable**
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: **Not Applicable**
- iv) the expenditure incurred on Research and Development: **Nil**

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total Foreign Exchange Earned and Used:

	(Rupees in Lakhs)	
	<b>For the Financial Year Ended 31<sup>st</sup> March, 2016</b>	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	<b>260.11</b>	257.35
Total Foreign Exchange Used	<b>22.84</b>	68.39

For and on behalf of the Board

**S. P. Shukla**  
Chairman  
(DIN: 00007418)

Mumbai, 24<sup>th</sup> May, 2016



**ANNEXURE III TO THE DIRECTORS' REPORT**

**Form No. AOC-2**

**Particular of Transactions\* with related parties for year ended 31st March, 2016**

<b>Sr. No.</b>	<b>Names(s) of Related Party &amp; nature of relationship</b>	<b>Nature of contracts/ arrangements/ transactions</b>	<b>Duration of the contracts/ arrangements/ transaction</b>	<b>Salient terms of the contracts or arrangements or transaction including the value, if any</b>	<b>Date of approval by the Board</b>	<b>Amount paid as advances, if any</b>
1.	Defence Land Systems India Limited - Associate Company	Job work	April, 2015 to March, 2016	7,93,75,050	19 <sup>th</sup> May, 2015	NIL

\* Pursuant to Notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R. 590(E))

For and on behalf of the Board

**S. P. Shukla**  
Chairman  
(DIN: 00007418)

Mumbai, 24<sup>th</sup> May, 2016

**ANNEXURE IV TO THE DIRECTORS REPORT****Form No. MGT-9****Extract of Annual Return****as on the financial year ended on 31st March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U75220MH2012PLC233889
2.	<b>Registration Date</b>	30 <sup>th</sup> July, 2012
3.	<b>Name of the Company</b>	Mahindra Defence Systems Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by shares/Indian Non Government
5.	<b>Address of Registered Office and Contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018, Tel.: 022-24905828
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

<b>Sr. No.</b>	<b>Name and Description of Main Product/Services</b>	<b>NIC Code of the Product</b>	<b>% to total turnover of the Company.</b>
1.	Bullet proofing Business	30400	26%
2.	System Integrator	62020	19%
3.	Consulting Business	74904	54%

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

<b>Sr. No.</b>	<b>Name and Address of the Company</b>	<b>CIN/GIN</b>	<b>Holding/ Subsidiary of the Company</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1.	Mahindra and Mahindra Limited	L65990MH1945PLC004558	Holding Company	100%	2 (46) (ii)
2.	Mahindra Defence Naval Systems Private Limited	U75144MH2012PTC231267	Subsidiary	100%	2 (87) (ii)
3.	Mahindra Telephonics Integrated Systems Limited	U75302MH2013PLC242268	Subsidiary	51%	2 (87) (ii)
4.	Defence Land Systems India Limited	U29268MH2009PLC190702	Associate	37.99%	2 (6)

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

i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	-	6	6	-	-	6	6	-	-
b. Central Govt.	-	-	-	-	-	-	-	-	-
c. State Govt.	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	-	71,69,288	71,69,288	100%	-	84,62,005	84,62,005	100%	Nil
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total- A (1)</b>	-	71,69,294	71,69,294	100%	-	84,62,005	84,62,005	100%	Nil
<b>2. Foreign</b>	-								
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total- A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	71,69,294	71,69,294	100%	-	84,62,005	84,62,005	100%	Nil
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
Mutual Funds	-	-	-	-	-	-	-	-	-
Bank/FI	-	-	-	-	-	-	-	-	-
Cent. Govt.	-	-	-	-	-	-	-	-	-
State Govt.	-	-	-	-	-	-	-	-	-
Venture Capital	-	-	-	-	-	-	-	-	-
Insurance Co.	-	-	-	-	-	-	-	-	-
FIs	-	-	-	-	-	-	-	-	-
Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others									
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>71,69,294</b>	<b>71,69,294</b>	<b>100%</b>	-	<b>84,62,005</b>	<b>84,62,005</b>	<b>100%</b>	<b>Nil</b>

## ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra and Mahindra Limited	71,69,288	100	0	84,62,005	100	0	NIL
2	Narayan Shankar *	1	-	0	1	-	0	-
3	Chandrasekar Kandasamy*	1	-	0	1	-	0	-
4	Parthasarathy Vankipuram Srinivasa*	1	-	0	1	-	0	-
5	Durgashankar Subramaniam*	1	-	0	1	-	0	-
6	Rajeev Bidyanand Dubey*	1	-	0	1	-	0	-
7	Zhooben Dosabhoy Bhiwandiwala*	1	-	0	1	-	0	-
	<b>Total</b>	<b>71,69,294</b>	<b>100</b>	<b>0</b>	<b>84,62,005</b>	<b>100</b>	<b>0</b>	<b>NIL</b>

\* Nominees of Mahindra & Mahindra Limited for the purpose of complying with statutory provisions of Companies Act, 2013 with regard to minimum number of members.

iii. There is no change in the shareholding of the Promoter Group.

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mahindra & Mahindra Limited	71,69,288	100%	84,62,005	100%

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Parthasarathy Vankipuram Srinivasa	1	0.00	1	0.00

## V. INDEBTEDNESS

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

(₹ In lacs)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	N.A.	N.A.	N.A.	N.A.
1) Principal Amount				
2) Interest due but not paid				
3) Interest accrued but not due				
<b>Total of (1+2+3)</b>				
<b>Change in Indebtedness during the financial year</b>	N.A.	N.A.	N.A.	N.A.
+ Addition				
- Reduction				
Net change				
<b>Indebtedness at the end of the financial year-31.03.2016</b>	N.A.	N.A.	N.A.	N.A.
1) Principal Amount				
2) Interest due but not paid				
3) Interest accrued but not due				
<b>Total of (1+2+3)</b>	N.A.	N.A.	N.A.	N.A.

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission – As % of Profit – Others, specify	-	-	-
5.	Others, please specify Provident Fund & other Funds	-	-	-

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (₹ In Lacs)
	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	-		

**B. Remuneration of other directors:**

## I. Independent Directors:- Nil

Particulars of Remuneration	Name of Directors					Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-

## II. Other Non-Executive Directors:- Nil

Other Non-Executive Directors							Total Amount (₹ In Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>							
<b>Total B = (1+2)</b>							
Ceiling as per the Act	1% of the Net profits of the Company						

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:**

Sr. No.	Particulars of Remuneration	Name of the KMP		Total Amount (₹ In Lacs)
		Mukul Verma CFO	Rajesh Parte CS	
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	35.84	–	35.84
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.58	–	0.58
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission – As % of Profit – Others, specify	–	–	–
5.	Others, please specify Contribution to Provident Fund	–	–	–
	Performance Bonus	10.20	–	10.20
	Others	–	5.20	5.20
	<b>Total (C)</b>	<b>46.62</b>	<b>5.20</b>	<b>51.82</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):** None

For and on behalf of the Board

**S. P. Shukla**  
Chairman  
(DIN: 00007418)

Mumbai, 24<sup>th</sup> May, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF MAHINDRA DEFENCE SYSTEMS LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA DEFENCE SYSTEMS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, 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 Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure "A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:
    - i. The Company does not have any pending litigations which would impact its financial position.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses- Refer Note 36 to the financial statements.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in Annexure "B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

**Jaideep Bhargava**  
Partner  
(Membership No. 90295)

GURGAON, May 24, 2016



## ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 **MAHINDRA DEFENCE SYSTEMS LIMITED** (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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”. 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.

#### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 March 31, 2016, based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No. 015125N)

**Jaideep Bhargava**  
Partner  
(Membership No. 090295)

**GURGAON, May 24, 2016**

**ANNEXURE “B” TO THE AUDITORS’ REPORT**

**(Referred to in paragraph 2 under ‘Report on Legal and Regulatory Requirements’ section of our report of even date)**

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause 3(i)(c) of the Order is not applicable.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals other than for inventories lying with third party at the end of the year for which confirmation have been obtained and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of making investments during the year. The Company has not granted any loans or provided guarantees and securities during the year.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year. Therefore, the provisions of the clause 3(v) of the Order are not applicable to the Company.
- (vi) According to the information and explanations given to us, the maintenance of cost records under Section 148(1) of the Companies Act, 2013 is not applicable to the Company.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, statutory dues on account of Employees’ State Insurance and Excise Duty are not applicable to the Company. There were no undisputed amounts payable in respect of Provident fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
- (b) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as on March 31, 2016 on account of disputes.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of borrowings to bank. The Company has not taken any loans or borrowings from financial institutions and government and has not issued any debentures during the year.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us, there is no managerial remuneration payable during the year and hence reporting under clause 3(xi) of the Order is not applicable.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No. 015125N)

**Jaideep Bhargava**  
Partner  
(Membership No. 090295)

GURGAON, May 24, 2016

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

Particulars	Notes	(Amount in Rs.)	
		As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' fund</b>			
Share capital.....	2	84,620,050	71,692,940
Reserves and surplus.....	3	905,841,687	701,823,759
		<b>990,461,737</b>	<b>773,516,699</b>
<b>Non current liabilities</b>			
Long-term provisions.....	4	19,150,366	16,404,855
<b>Current liabilities</b>			
Short-term borrowings.....	5	110,356,214	—
Trade payables.....	6		
(1) total outstanding dues of micro enterprises and small enterprises.....		—	—
(2) total outstanding dues of creditors other than micro enterprises and small enterprises.....		105,114,675	250,695,133
Other current liabilities.....	7	20,921,284	23,647,015
Short-term provisions.....	8	757,860	515,916
		<b>237,150,033</b>	<b>274,858,064</b>
<b>Total</b> .....		<b>1,246,762,136</b>	<b>1,064,779,618</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets.....	9	15,577,662	16,583,828
Intangible assets.....		263,288	—
		15,840,950	16,583,828
Non-current investments.....	10	868,313,400	627,313,400
Deferred tax assets (net).....	11	22,784,769	14,810,304
Long-term loans and advances.....	12	62,102,490	30,645,799
Other non-current assets.....	13	2,308,220	3,768,913
		<b>971,349,829</b>	<b>693,122,244</b>
<b>Current assets</b>			
Inventory.....	14	3,036,401	9,654,939
Trade receivables.....	15	164,389,718	43,288,989
Cash and cash equivalents.....	16	28,016,346	236,989,525
Short-term loans and advances.....	17	30,768,704	28,255,998
Other current assets.....	18	49,201,138	53,467,923
		<b>275,412,307</b>	<b>371,657,374</b>
<b>Total</b> .....		<b>1,246,762,136</b>	<b>1,064,779,618</b>
<b>See accompanying notes forming part of the financial statements</b>		1 to 37	

In terms of our report attached  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

**Mukul Verma**  
Chief Financial Officer

Place : Gurgaon  
Date : 24<sup>th</sup> May 2016

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

**S. P. Shukla** Director  
DIN : 00007418

**V. S. Parthasarathy** Director  
DIN : 00125299

**Rajesh Parte** Company Secretary

Place : Mumbai  
Date : 24<sup>th</sup> May 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

		(Amount in Rs.)	
Particulars	Notes	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>I. Revenue from operations</b> .....	19	384,589,897	564,071,581
Other income.....	20	16,517,215	29,600,650
<b>Total revenue</b> .....		<b>401,107,112</b>	593,672,231
<b>II. Expenses</b>			
Cost of materials consumed.....	21	44,303,590	133,842,862
Job work charges for fabrication.....		72,566,909	122,904,687
Employee benefits expenses.....	22	161,052,153	146,305,488
Depreciation and amortisation expenses.....	9	5,787,294	13,150,590
Finance costs.....	23	2,864,343	31,219
Other expenses.....	24	149,604,222	184,241,229
<b>Total expenses</b> .....		<b>436,178,511</b>	600,476,075
<b>III. Profit/(loss) before tax (I-II)</b> .....		<b>(35,071,399)</b>	(6,803,844)
<b>IV. Tax expense</b>			
Current tax.....		-	6,287,059
Income tax relating to earlier years.....		(3,042,415)	(4,844,439)
Deferred tax charge/(benefits).....		(7,974,465)	(9,443,615)
<b>Profit/(loss) for the year (III-IV)</b> .....		<b>(24,054,519)</b>	1,197,151
<b>Earning per share (Face value of Rs. 10 per share) (in Rs.)</b>	31		
- Basic/Diluted.....		<b>(3.18)</b>	0.23
<b>See accompanying notes forming part of the financial statements</b>	1 to 37		

In terms of our report attached  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

**Mukul Verma**  
Chief Financial Officer

Place : Gurgaon  
Date : 24<sup>th</sup> May 2016

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

**S. P. Shukla** Director  
DIN : 00007418

**V. S. Parthasarathy** Director  
DIN : 00125299

**Rajesh Parte** Company Secretary

Place : Mumbai  
Date : 24<sup>th</sup> May 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash flows from operating activities</b>		
Profit/(loss) before tax.....	(35,071,399)	(6,803,844)
<b>Adjustments for:</b>		
Interest income on deposits .....	(2,470,724)	(1,930,775)
Depreciation and amortisation expenses.....	5,787,294	13,150,590
Profit on sale of fixed assets.....	(147,678)	(329,337)
Loss on sale of fixed assets .....	225,422	43,217
Fixed assets discarded .....	614,543	108,707
Profit on sale of unquoted trade current investments .....	-	(75,002)
Dividend income on unquoted non-trade current investments.....	-	(1,317,672)
Finance costs .....	2,864,343	31,219
<b>Operating profit/(loss) before working capital changes .....</b>	<b>(28,198,199)</b>	<b>2,877,103</b>
<b>Changes in working capital:</b>		
Adjustments for (increase)/decrease in operating assets:		
Long-term loans and advances .....	(13,525,000)	(378,485)
Inventory .....	6,618,537	(8,006,089)
Trade receivables .....	(121,100,729)	43,206,019
Short-term loans and advances.....	(2,512,706)	(4,733,724)
Other current assets.....	4,210,645	(10,135,444)
Adjustments for increase/(decrease) in operating liabilities:		
Long-term provisions.....	2,745,511	3,275,760
Trade payables.....	(145,580,458)	193,266,929
Other current liabilities .....	(3,983,731)	(2,057,510)
Short-term provisions .....	241,944	131,369
<b>Cash flows from/(used in) operations .....</b>	<b>(301,084,186)</b>	<b>217,445,928</b>
Direct taxes paid.....	(14,639,276)	(21,250,650)
<b>Net cash flows from operating activities (A) .....</b>	<b>(315,723,462)</b>	<b>196,195,278</b>
<b>B. Cash flows from investing activities</b>		
Investment in shares of subsidiary company .....	(241,000,000)	(417,800,030)
Investments in unquoted non-trade current investments (net) .....	-	39,230,030
Purchase of fixed assets .....	(5,290,674)	(8,713,648)
Sale of fixed assets .....	561,971	1,325,874
Profit on sale of unquoted trade current investments .....	-	75,002
Changes in bank balance not considered as cash and cash equivalents.....	(4,526,253)	(16,067,282)
Dividend income on unquoted non-trade current investments.....	-	1,317,672
Interest income on deposits .....	2,526,865	2,059,801
<b>Net cash flows from investing activities (B) .....</b>	<b>(247,728,091)</b>	<b>(398,572,581)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issue of equity shares including share premium .....	240,999,557	417,798,295
Proceeds from short term borrowings from bank .....	110,356,214	-
Interest paid .....	(2,864,343)	(31,219)
<b>Net cash flows from financing activities (C) .....</b>	<b>348,491,428</b>	<b>417,767,076</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C) .....</b>	<b>(214,960,125)</b>	<b>215,389,773</b>
<b>Cash and cash equivalents at the beginning of the year.....</b>	<b>217,570,326</b>	<b>2,180,553</b>
<b>Cash and cash equivalents at the end of the year.....</b>	<b>2,610,201</b>	<b>217,570,326</b>
Add: other bank balances (refer note 16).....	25,406,145	19,419,199
<b>Cash and Cash equivalent as per note 16 .....</b>	<b>28,016,346</b>	<b>236,989,525</b>
<b>See accompanying notes forming part of the financial statements</b>	1 to 37	

In terms of our report attached  
**For Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

**Mukul Verma**  
Chief Financial Officer

Place : Gurgaon  
Date : 24<sup>th</sup> May 2016

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

**S. P. Shukla** Director  
DIN : 00007418

**V. S. Parthasarathy** Director  
DIN : 00125299

**Rajesh Parte** Company Secretary

Place : Mumbai  
Date : 24<sup>th</sup> May 2016

## Notes forming part of the financial statements

### 1.1 Corporate information

Mahindra Defence Systems Limited is a Public Limited Company incorporated on July 30, 2012 under the Companies Act, 1956. The Company is a wholly owned subsidiary of Mahindra & Mahindra Limited. The Company is engaged in design, development, manufacture, supply, dealing, operating, trading, overhaul, repair, maintenance and service of all kinds of defence vehicle and other defence equipment including training to armed forces people through specific equipments. The Company is also engaged in business of consultancy, training, implementation, management and audit in the areas of information security, physical security, homeland security, critical infrastructure security, IT systems & network security, applications security, web & software security, change management & training, business continuity, disaster recovery, governance, loss prevention, fraud risk management, forensics, third party assessment and other allied areas with the objective of derisking the business and mitigation of loss arising from such security Risks.

### 1.2 Significant accounting policies

#### i Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, as applicable and the relevant provisions of the Companies Act, 2013 ("the 2013 Act")/Companies Act, 1956 ("the 1956 Act"), as applicable. 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.

#### ii Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### iii Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

#### iv Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

Vehicles – 5 years

Two wheeler – 5 years

Mobiles – 2 years

Humidity Monitor – 7 years

Any asset of less than Rs. 5000 – In the year of purchase

Depreciation on additions to fixed assets is provided on pro-rata basis from the month the assets are put to use. Depreciation on sale/deduction from fixed assets is provided for up to the date of sale, deduction, and discardment as the case may be.

Intangible assets comprising of technical knowledge and development expenditure, etc. are amortised over a period of three years or less depending on the estimated useful life of the assets remaining as at balance sheet date.

The estimated useful life of the intangible assets and amortization period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern.

#### v Revenue recognition

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the dispatch of goods to customers. Sales include excise duty but exclude sales tax, value added tax and service tax.

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred. Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Interest income is accounted on accrual basis, dividend income is accounted for when right to receive it is established. Other income is accounted on accrual basis.

#### vi Fixed assets (Tangible/Intangible)

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

#### vii Foreign currency transactions and translations

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transactions. Exchange differences on translation of foreign currency assets and liabilities and realised gains and losses on foreign exchange transactions are recognised in the Statement of profit and loss.

Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date. Any Profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expenses in the period in which such cancellation or renewal is made.

#### viii Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Costs of investment include acquisition charges such as brokerage, fees and duties.

#### xi Employee benefits

Employee benefits include provident fund, post-retirement medical benefit, gratuity and compensated absences.

#### Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as it fall due based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plans

For defined benefit plans in the form of gratuity and post-retirement medical benefit, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits includes performance, incentives and compensated absences which are expected to accrue within twelve months after the end of the period in which the employee rendered the related services.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

**x Earnings per share**

Basic earnings per share is computed by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations.

**xi Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and tax provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

**xii Provisions and contingencies**

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

**xiii Service tax Input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing/utilising the credits.

**xiv Lease**

Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss as per the lease terms.

**xv Cash and Cash equivalent**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**xvi Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**xvii Operating Cycle**

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**xviii Impairment of assets**

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

**2 Share capital**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Authorised</b>		
50,000,000 (Previous year 50,000,000) Equity shares of Rs. 10 each with voting rights	500,000,000	500,000,000
<b>Total</b>	<b>500,000,000</b>	<b>500,000,000</b>
<b>Issued, subscribed and paid up</b>		
8,462,005 (Previous year 7,169,294) Equity shares of Rs. 10 each fully paid up with voting rights	84,620,050	71,692,940
<b>Total</b>	<b>84,620,050</b>	<b>71,692,940</b>

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Nos.	(Amount in Rs.)	Nos.	(Amount in Rs.)
Shares outstanding at the beginning of the year	7,169,294	71,692,940	4,253,467	42,534,670
Add: Fresh issue of equity shares during the year	1,292,711	12,927,110	2,915,827	29,158,270
Shares outstanding at the end of the year	<b>8,462,005</b>	<b>84,620,050</b>	7,169,294	71,692,940

**Details of shareholders holding more than 5% shares in the Company**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Nos.	%	Nos.	%
Mahindra & Mahindra Limited*	8,462,005	100.00%	7,169,294	100.00%

\* Holding company by virtue of holding more than 50% equity share capital in the Company.

**3 Reserves and surplus**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Share premium account</b>		
Opening balance	674,811,525	263,971,500
Add/less: Movement during the year *	228,072,447	410,840,025
Closing balance	<b>902,883,972</b>	674,811,525
<b>Surplus in the statement of profit and loss</b>		
Opening balance	27,012,234	26,928,713
Add: Profit/(loss) for the year	(24,054,519)	1,197,151
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Net of deferred tax) (refer note 30)	-	1,113,630
Closing balance	<b>2,957,715</b>	27,012,234
<b>Total A+B</b>	<b>905,841,687</b>	701,823,759

\* Represents premium on issue and allotment of 735,585 (previous year 2,915,827) fresh equity shares at a premium of Rs. 140.90 per equity share (previous year Rs. 140.90) and premium on issue and allotment of 557,126 (previous year Nil) fresh equity shares at a premium of Rs. 223.34 per equity share (previous year Rs. Nil).

**4 Long-term provisions**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Provision for gratuity *	12,723,002	10,857,361
Provision for Compensated absences	5,080,941	4,368,819
Provision for post retirement medical benefit *	1,346,423	1,178,675
<b>Total</b>	<b>19,150,366</b>	<b>16,404,855</b>

\* refer note 26 b

**5 Short-term borrowings**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Secured		
Loan repayable on demand from bank*	110,356,214	-
<b>Total</b>	<b>110,356,214</b>	<b>-</b>

\* Secured by hypothecation of moveable asset, goods and book debts both present and future by way of first pari passu charge.

**6 Trade payables**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Trade payables dues of micro enterprises and small enterprises	-	-
Trade payables other than micro and small enterprises *	105,114,675	250,695,133
<b>Total</b>	<b>105,114,675</b>	<b>250,695,133</b>

\* Based on the information available with the Company, no supplier has been identified, who is registered under the Micro, Small and Medium Enterprise Development Act, 2006.

**7 Other current liabilities**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Capital creditors	1,258,000	-
Statutory remittances (contribution to provident fund, withholding taxes, VAT, service tax, etc.)	7,079,196	14,563,978
Advances from customers	12,582,388	9,081,824
Other payables	1,700	1,213
<b>Total</b>	<b>20,921,284</b>	<b>23,647,015</b>

**8 Short-term provisions**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Provision for gratuity *	374,234	210,930
Provision for compensated absences	316,284	241,339
Provision for post retirement medical benefit *	67,342	63,647
<b>Total</b>	<b>757,860</b>	<b>515,916</b>

\* refer note 27 b



9 Fixed assets

(Amount in Rs.)

Assets	Cost				Accumulated depreciation/amortisation				Net block		
	As at March 31, 2015	Additions during the year	Deductions during the year	As at March 31, 2016	Upto March 31, 2015	For the year	Adjustments	Transition adjustment recorded against Surplus balance in Statement of Profit and Loss *	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
<b>(A) TANGIBLE ASSETS</b>											
Plant and equipment	508,574	–	–	508,574	17,429	50,066	–	–	67,495	441,079	491,145
Office equipments	2,712,153	262,259	282,924	2,691,488	2,326,308	167,314	235,117	–	2,258,505	432,983	385,845
Computers	9,423,917	2,011,781	2,151,110	9,284,588	5,903,305	1,674,054	1,584,374	–	5,992,985	3,291,603	3,520,612
Furniture and fixtures	4,463,520	310,585	–	4,774,105	1,020,078	1,003,457	–	–	2,023,535	2,750,570	3,443,442
Vehicles	12,717,353	3,362,999	1,639,116	14,441,236	3,974,569	2,804,641	999,401	–	5,779,809	8,661,427	8,742,784
<b>Sub total (A)</b>	<b>29,825,517</b>	<b>5,947,624</b>	<b>4,073,150</b>	<b>31,699,991</b>	<b>13,241,689</b>	<b>5,699,532</b>	<b>2,818,892</b>	–	<b>16,122,329</b>	<b>15,577,662</b>	
Previous year	24,848,389	8,249,548	3,272,420	29,825,517	4,452,118	9,301,910	2,123,959	1,611,620	13,241,689		16,583,828
<b>(B) INTANGIBLE ASSETS</b>											
Technical knowledge	7,697,361	–	–	7,697,361	7,697,361	–	–	–	7,697,361	–	–
Development expenditure	9,368,100	–	–	9,368,100	9,368,100	–	–	–	9,368,100	–	–
Software	–	351,050	–	351,050	–	87,762	–	–	87,762	263,288	–
<b>Sub total (B)</b>	<b>17,065,461</b>	<b>351,050</b>	–	<b>17,416,511</b>	<b>17,065,461</b>	<b>87,762</b>	–	–	<b>17,153,223</b>	<b>263,288</b>	
Previous year	17,065,461	–	–	17,065,461	13,216,781	3,848,680	–	–	17,065,461	–	–
<b>TOTAL (A+B)</b>	<b>46,890,978</b>	<b>6,298,674</b>	<b>4,073,150</b>	<b>49,116,502</b>	<b>30,307,150</b>	<b>5,787,294</b>	<b>2,818,892</b>	–	<b>33,275,552</b>	<b>15,840,950</b>	
Previous year	41,913,850	8,249,548	3,272,420	46,890,978	17,668,899	13,150,590	2,123,959	1,611,620	30,307,150		16,583,828

\* refer note 30

10 Non-current investments

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
Long term investments (at cost, unless otherwise stated)		
<b>Investments in equity shares</b>		
<b>Trade and unquoted</b>		
<b>- In associate company</b>		
Equity shares of Rs. 10 each fully paid 68,000,000 (previous year 55,000,000)		
Equity shares of Defence Land Systems India Private Limited	459,000,100	329,000,100
<b>- In Subsidiary company</b>		
Equity shares of Rs. 10 each fully paid 25,900,000 (previous year - 14,800,000)		
Equity shares of Mahindra Telephonics Integration Systems Limited	259,000,000	148,000,000
15,031,330 (previous year - 15,031,330)		
Equity shares of Mahindra Defence Naval Systems Private Limited	150,313,300	150,313,300
	<b>868,313,400</b>	<b>627,313,400</b>

11 Deferred tax assets

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Deferred tax assets on</b>		
Business losses and unabsorbed depreciation carried forward	11,005,751	–
Difference between book balance and tax balance of fixed assets	4,183,871	3,976,032
Provision for compensated absences, gratuity and post retirement medical benefit	2,474,927	1,487,185
Provision for doubtful debts	4,492,706	3,919,348
Others	627,514	5,427,739
<b>Deferred tax asset</b>	<b>22,784,769</b>	<b>14,810,304</b>

12 Long-term loans and advances

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
Capital Advances	250,000	–
Security deposits	17,805,245	4,280,245
Advance income tax (net of tax provision of Rs. 14,602,700 (previous year Rs. 17,645,115))	44,047,245	26,365,554
	<b>62,102,490</b>	<b>30,645,799</b>

13 Other non-current assets

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
Deposits pledged with government authorities and bank	2,308,220	3,768,913
	<b>2,308,220</b>	<b>3,768,913</b>

14 Inventory

(At lower of cost and net realisable value)

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
Raw materials (Including goods in transit of Rs. Nil (previous year Rs. 824,425))	3,036,401	9,654,939
	<b>3,036,401</b>	<b>9,654,939</b>

15 Trade receivables

(Amount in Rs.)

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Trade receivable outstanding for a period exceeding six months from the date they were due for payment</b>		
Unsecured, considered good	18,497,077	10,789,053
Unsecured, considered doubtful	17,131,287	15,397,149

Particulars	(Amount in Rs.)		Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015		For the year ended March 31, 2016	For the year ended March 31, 2015
Less : provision for doubtful receivables	17,131,287	15,397,149	<b>Sale of services</b>		
Sub total A	18,497,077	10,789,053	Consultancy services	207,423,368	147,705,120
<b>Other trade receivables</b>			Annual maintenance contract	29,598,802	-
Unsecured, considered good	145,892,641	32,499,936	<b>Other operating income</b>		
Sub total B	145,892,641	32,499,936	Excess provision/liability written back	1,018,817	-
<b>Total (A+B)</b>	<b>164,389,718</b>	<b>43,288,989</b>	<b>Revenue from operations</b>	<b>384,589,897</b>	<b>564,071,581</b>
<b>16 Cash and cash equivalents</b>			<b>20 Other income</b>		
	(Amount in Rs.)			(Amount in Rs.)	
<b>Particulars</b>	<b>As at March 31, 2016</b>	<b>As at March 31, 2015</b>	<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
Cash and cash equivalents (as per AS 3 Cash Flow Statement)			Interest income on deposits	2,470,724	1,930,775
A Cheques on hand	270,000	-	Profit on sale of fixed assets	147,678	329,337
B Balance with banks			Dividend income on unquoted trade current investments	-	1,317,672
- In current accounts	2,340,201	191,570,326	Liabilities no longer required written back	-	15,192,438
- In demand deposit accounts	-	26,000,000	Foreign exchange gain (net)	5,885	-
Total - Cash and cash equivalent (as per AS 3 Cash Flow Statement)	<b>2,340,201</b>	<b>217,570,326</b>	Interest on Income tax refund	266,772	-
C Other bank balances			Profit on sale of unquoted trade current investments	-	75,002
- In earmarked account and balance held as margin money or commitments	25,406,145	19,419,199	Service charges recovered	13,626,156	10,755,426
Total cash and cash equivalent (A+B+C)	<b>28,016,346</b>	<b>236,989,525</b>	<b>16,517,215</b>	<b>29,600,650</b>	
<b>17 Short-term loans and advances</b>			<b>21 Cost of materials consumed</b>		
	(Amount in Rs.)			(Amount in Rs.)	
<b>Particulars</b>	<b>As at March 31, 2016</b>	<b>As at March 31, 2015</b>	<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
<b>Unsecured, considered good</b>			Materials consumed*	44,303,590	133,842,862
Balance with government authorities	11,900,675	9,044,964		<b>44,303,590</b>	<b>133,842,862</b>
Advance to supplier of services	2,044,512	1,736,446	*Materials consumed includes:-		
Advance to employees	-	331,563	Base vehicles purchased from holding company for fabrication of light armoured vehicles by job worker	25,640,429	37,857,026
Security deposits	6,233,717	2,129,217	Cameras and IT equipments	9,861,996	90,211,535
Prepaid expenses	10,589,800	15,013,808	Others	8,801,165	5,774,301
	<b>30,768,704</b>	<b>28,255,998</b>	<b>Total</b>	<b>44,303,590</b>	<b>133,842,862</b>
<b>18 Other current assets</b>			<b>22 Employee benefits expenses</b>		
	(Amount in Rs.)			(Amount in Rs.)	
<b>Particulars</b>	<b>As at March 31, 2016</b>	<b>As at March 31, 2015</b>	<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
Unbilled revenue	48,583,398	51,042,979	Salaries, wages, bonus, etc	145,814,664	131,293,151
Recoverable expenses	468,642	2,219,705	Contribution to provident fund	6,926,245	6,154,746
Interest accrued on deposits	149,098	205,239	Gratuity expense (refer note 26 b)	2,747,780	3,528,991
	<b>49,201,138</b>	<b>53,467,923</b>	Post retirement medical benefit	171,443	97,830
<b>19 Revenue from operations</b>			Expense on Employee Stock Option (ESOP) Scheme *	694,633	824,859
	(Amount in Rs.)		Employee welfare	4,697,388	4,405,911
<b>Particulars</b>	<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>	<b>161,052,153</b>	<b>146,305,488</b>	
<b>Sale of products</b>					
Light armoured vehicles fabricated by job worker	100,713,317	163,814,853			
Others	2,692,748	992,000			
<b>Turnkey contracts revenue</b>					
City surveillance	43,142,845	251,559,608			

\* represents reimbursement of cost of holding company, towards ESOP's granted by the Holding company to employees of the Company

23 Finance cost

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest on borrowings	2,780,930	508
Interest on delay in payment of statutory dues	83,413	30,711
	<b>2,864,343</b>	<b>31,219</b>

24 Other expenses

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Electricity expenses	1,212,254	1,181,615
Rent including lease rent (refer note 29)	37,923,926	24,976,882
Rates and taxes	2,027,039	1,934,779
Repairs and maintenance-plant and machinery	1,117,194	2,022,141
Repairs and maintenance-others	6,981,952	6,064,188
Insurance	2,525,969	7,129,383
Auditors' remuneration *		
- Statutory audit fee	1,250,000	1,000,000
- Certification fee	329,000	-
- Out of pocket expenses	29,765	4,500
Legal and professional charges	6,044,462	8,512,356
Subcontracting and Service charges	55,719,869	94,801,432
Travelling and conveyance expenses	18,189,438	20,263,412
Printing and stationery	931,417	1,092,911
Communication expenses	2,983,051	3,021,993
Software charges	4,685,406	2,848,313
Advertisement	838,875	-
Selling and marketing expenses	262,564	363,645
Loss on sale of fixed assets	225,422	43,217
Fixed assets discarded	614,543	108,707
Advances written off	115,800	-
Provision for doubtful debts	2,737,513	5,321,434
Foreign exchange loss (net)	-	87,039
Miscellaneous expenses	2,858,763	3,463,282
	<b>149,604,222</b>	<b>184,241,229</b>

\* The above includes amounts paid/payable for professional services rendered by firm in which some of the partners of the statutory auditors' firm are partners Rs. 229,000 (previous year Rs. Nil)

25 The estimated amount of contract remaining to be executed on capital account and not provided for as at March 31, 2016 is Rs. 176,059 (previous year - Rs. Nil).

The Company has other commitments, for purchase/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services, employee's benefits in normal course of business. The Company does not have any long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

26 Disclosure under Accounting Standard (AS) -15 'Employee Benefit' (Revised): Employee benefits provided to employee as under

a Defined contribution plan

(Amount in Rs.)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
I Provident Fund	6,926,245	6,154,746

b Defined benefits plan - Gratuity and post retirement medical benefit (Unfunded)

Particulars	Gratuity		Post retirement Medical benefit	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>I Change in present obligation during the year</b>				
Present value of obligation at the beginning	11,068,291	8,502,026	1,242,322	1,144,492
Interest cost	879,929	664,008	99,459	105,726
Current service cost	3,020,527	2,676,139	62,319	60,473
Benefits paid	(718,835)	(962,726)	-	-
Actuarial (gain)/loss on obligation	(1,152,676)	188,844	9,665	(68,369)
Present value of obligation at the end	<b>13,097,236</b>	<b>11,068,291</b>	<b>1,413,765</b>	<b>1,242,322</b>
<b>II Amount to be recognised in the balance sheet</b>				
Present value of obligation at the year end	13,097,236	11,068,291	1,413,765	1,242,322
Fair value of plan asset at the year end	-	-	-	-
Net asset/(liability) recognised in balance sheet	<b>(13,097,236)</b>	<b>(11,068,291)</b>	<b>(1,413,765)</b>	<b>(1,242,322)</b>
<b>Further classification into short-term and long-term provisions</b>				
Long-term provisions	12,723,002	10,857,361	1,346,423	1,178,675
Short-term provisions	374,234	210,930	67,342	63,647
<b>III Expenses recognised in statement of profit and loss</b>				
Current service cost	3,020,527	2,676,139	62,319	60,473
Interest cost	879,929	664,008	99,459	105,726
Net actuarial (gain)/loss	(1,152,676)	188,844	9,665	(68,369)
Total expenses	<b>2,747,780</b>	<b>3,528,991</b>	<b>171,443</b>	<b>97,830</b>
<b>IV Experience Adjustment on actuarial (gain)/loss on plan obligation</b>	(651,466)	(1,133,932)	(18,826)	(243,201)
<b>V Actuarial assumptions</b>				
Discount rate	7.95%	7.81%	7.95%	7.81%
Employee turnover rate				
18 to 30 years	5.00%	4.00%	5.00%	4.00%
30 to 45 years	4.00%	3.00%	4.00%	3.00%
above 45 years	3.00%	2.00%	3.00%	2.00%
Salary escalation	10.00%	10.00%	-	-
Insurance premium inflation	-	-	3.00%	3.00%
<b>Demographic assumptions</b>				
Retirement age	60 years IALM (2006-08)	60 years IALM (2006-08)	60 years IALM (2006-08)	60 years IALM (2006-08)
Mortality rate	(2006-08)	(2006-08)	(2006-08)	(2006-08)
<b>VI Other disclosures</b>				
Defined benefit obligation	8,502,025	1,144,292	-	-
Net asset/(liability)	(8,502,025)	(1,144,292)	-	-
Net actuarial gain/(loss) recognised	1,755,524	28,854	-	-
Experience Adjustment on actuarial (gain)/loss on plan obligation	(1,755,524)	-	-	-

**VII Medical inflation sensitivity**

	Gratuity For the year ended March 31, 2014	Post retirement medical benefit For the year ended March 31, 2014	Gratuity For the year ended March 31, 2013	Post retirement medical benefit For the year ended March 31, 2013
Impact of -1% medical inflation on projected benefit obligation			(131,734)	(118,721)
Impact of +1% medical inflation on projected benefit obligation			145,273	130,897
Impact of -1% medical inflation on service and interest cost			(7,134)	(6,762)
Impact of +1% medical inflation on service and interest cost			8,541	7,696

**Notes**

- The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of obligation.
- The estimate of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**27 Segment reporting**
**A Business segments**

Based on the guiding principles given in Accounting Standard (AS) - 17 'Segment Reporting' prescribed under Section 133 of the Companies Act, 2013, the Company's business segments include : Defence products and service, Non-defence products and services.

**B Geographical segments**

Since the Companies activities/operations are primarily within the country and considering the nature of products/services it deals in, the risks and returns are same and as such there is only one geographical segment.

**C Segment accounting policies**

In addition to the significant accounting policies applicable to the business segment as set out in note A above, the accounting policies in relation to segment accounting are as under:

**a Segment assets and liabilities**

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories, investments and fixed assets, net of allowances and provisions which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include share capital, reserves and surplus, income-tax (current and deferred tax) and certain other assets and liabilities not allocable to the segments on a reasonable basis. While most of the assets/liabilities can be directly attributed to individual segments, the carrying amount of certain assets/liabilities pertaining to two or more segments are allocated to the segments on a reasonable basis.

**b Segment revenue and expenses**

Joint revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

**c Unallocated expenses**

Unallocated expenses represent general administrative expenses, head-office expenses and other expenses that arise at the Company level and relate to the Company as a whole. As such, these expenses have not been considered in arriving at the segment results.

Particulars	For the year ended March 31, 2016				For the year ended March 31, 2015			
	Defence	Non-Defence	Unallocated	Total	Defence	Non-Defence	Unallocated	Total
<b>Segment revenue</b>								
External sales and service income	125,374,500	259,215,397	-	384,589,897	187,712,084	376,359,497	-	564,071,581
Other income (excluding interest income)	13,628,198	151,521	-	13,779,719	27,408,003	261,872	-	27,669,875
<b>Total revenue</b>	<b>139,002,698</b>	<b>259,366,918</b>	<b>-</b>	<b>398,369,616</b>	<b>215,120,087</b>	<b>376,621,369</b>	<b>-</b>	<b>591,741,456</b>
<b>Segment results</b>	<b>(46,941,042)</b>	<b>13,246,490</b>	<b>(1,250,000)</b>	<b>(34,944,552)</b>	<b>(21,424,847)</b>	<b>13,721,447</b>	<b>(1,000,000)</b>	<b>(8,703,400)</b>
Interest income				2,737,496				1,930,775
Profit for the year before finance costs and tax				(32,207,056)				(6,772,625)
Finance costs				(2,864,343)				(31,219)
Profit for the year before tax				(35,071,399)				(6,803,844)
Provision for current tax				-				6,287,059
Deferred tax charge/(benefits)				(7,974,465)				(9,443,615)
Provision for taxation relating to earlier year				(3,042,415)				(4,844,439)
<b>Profit for the year</b>				<b>(24,054,519)</b>				<b>1,197,151</b>
<b>Other information</b>								
Segment assets	934,494,614	217,270,064	94,997,458	1,246,762,136	705,821,850	317,781,910	41,175,858	1,064,779,618
<b>Total assets</b>	<b>934,494,614</b>	<b>217,270,064</b>	<b>94,997,458</b>	<b>1,246,762,136</b>	<b>705,821,850</b>	<b>317,781,910</b>	<b>41,175,858</b>	<b>1,064,779,618</b>
Segment liabilities	51,278,374	93,415,811	111,606,214	256,300,399	80,357,913	209,905,006	1,000,000	291,262,919
Share capital and reserves				990,461,737				773,516,699
<b>Total liabilities</b>				<b>1,246,762,136</b>				<b>1,064,779,618</b>
Capital expenditure	2,429,333	3,869,342	-	6,298,675	1,702,858	6,546,690	-	8,249,548
Depreciation	2,546,205	3,241,089	-	5,787,294	6,789,012	7,973,197	-	14,762,209
Non cash expenses other than depreciation	-	3,467,856	-	3,467,856	-	5,430,141	-	5,430,141

28 Related party transactions

A)	Name of related party	Nature of Relationship	A)	Name of related party	Nature of Relationship
				Mahindra First Choice Service Limited	Fellow subsidiary
1	Mahindra & Mahindra Limited (M&M)	Holding company		Mahindra Integrated Business Solutions Private Limited	Fellow subsidiary
2	Defence Land Systems India Limited (formerly Defence Land Systems India Private Limited)	Fellow subsidiary and associate company		Mahindra Logistic Limited	Fellow subsidiary
	Mahindra Defence Naval Systems Private Limited	Subsidiary Company		Mahindra Holiday & Resorts India Limited	Fellow subsidiary
	Mahindra Telephonics Integrated Systems Limited	Subsidiary Company		Mahindra EPC Services Private Limited	Fellow subsidiary
	Mahindra Life Space Developers Limited	Fellow subsidiary		Mahindra Retail Private Limited	Fellow subsidiary
	Mahindra Homes Private Limited	Fellow subsidiary		Mahindra Shubhlabh Services Ltd	Fellow subsidiary
	Mahindra & Mahindra Financial Services Limited	Fellow subsidiary	3	Codr Samir Advani #	Whole Time Director
	Mahindra USA Inc	Fellow subsidiary		# from September 25, 2013 till March 31, 2015	
	Mahindra Vehicle Manufacturers Limited	Fellow subsidiary			

B) Details of transactions with above related parties (Inclusive of taxes):

(Amount in Rs.)

Nature of transaction	For the year ended match 31, 2016			Key Managerial Person	For the year ended match 31, 2015			
	Holding company	Subsidiaries	Fellow Subsidiaries and associate		Holding company	Subsidiaries	Fellow Subsidiaries and associate	Key Managerial Person
<b>Purchases</b>								
Purchase of goods	25,640,429	-	-	-	37,382,068	-	-	-
Purchase of service	-	-	151,495	-	-	-	4,616,149	-
Job work charges	-	-	79,375,050	-	-	-	135,514,245	-
Purchase of Fixed asset	3,564,039	-	-	-	1,152,774	247,574	-	-
<b>Revenue</b>								
Sale of service	16,657,426	-	1,145,425	-	20,091,862	-	2,126,694	-
Service charges recovered	-	13,513,085	2,083,920	-	-	12,067,443	103,063	-
<b>Other transactions</b>								
Office Rent	18,528,598	-	-	-	17,795,680	-	-	-
Reimbursement of expenses paid	19,316,998	-	-	-	8,682,075	-	75,971	-
Reimbursement of expenses received	818,408	-	105,508	-	1,791,094	-	52,577	-
Investment in equity shares of subsidiaries	-	111,000,000	-	-	-	111,000,000	-	-
Investment in equity shares of fellow subsidiaries	-	-	130,000,000	-	-	-	329,000,000	-
Issue of equity shares (including premium)	240,999,557	-	-	-	439,998,294	-	-	-
Remuneration to Key Managerial person	-	-	-	-	-	-	-	4,813,971
Security deposit given	-	1,000,000	400,000	-	-	-	-	-
<b>Outstanding balances as at the year end</b>								
Trade receivables (Including advances to vendors)	-	2,034,001	752,398	-	-	3,574,401	607,007	-
Trade payables (including customer advances)	(28,785,431)	-	(3,581,582)	-	(19,031,524)	-	(45,402,752)	-

Significant related party transactions included in the above are as under:-

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Job work charges</b>		
Defence Land Systems India Limited	79,375,050	135,514,245
<b>Service Charges Recovered</b>		
Defence Land Systems India Limited	2,083,920	103,063
Mahindra Telephonics Integrated Systems Limited	13,337,597	11,913,350
Mahindra Defence Naval Systems Private Limited	175,488	154,093
<b>Investment in subsidiaries</b>		
Mahindra Telephonics Integrated Systems Limited	111,000,000	111,000,000
<b>Investment in fellow subsidiary and associate company</b>		
Defence Land Systems India Limited	130,000,000	329,000,000
<b>Security deposit given</b>		
Defence Land Systems India Limited	400,000	-
Mahindra Telephonics Integrated Systems Limited	600,000	-
Mahindra Defence Naval Systems Private Limited	400,000	-
<b>Sale of service</b>		
Mahindra Vehicle Manufacturers Limited	201,520	-
Mahindra Logistic Limited	-	347,137
Mahindra EPC Services Private Limited	-	717,305
Mahindra Shubhlabh Services Ltd	324,900	-
Mahindra & Mahindra Financial Services Limited	257,625	221,349
Mahindra Holiday & Resorts India Limited	279,300	614,048
<b>Purchase of services</b>		
Mahindra Logistic Limited	-	493,997
Mahindra Holiday & Resorts India Limited	-	3,972,488
Mahindra Integrated Business Solutions Private Limited	151,495	149,664
<b>Reimbursement of expenses paid</b>		
Mahindra Logistic Limited	-	75,971
Mahindra Holiday & Resorts India Limited	-	52,577
<b>Closing balance as the year end -Receivables/(Payables)</b>		
Defence Land Systems India Limited	(3,366,777)	(45,308,167)
Mahindra Logistic Limited	569,198	518,162
Mahindra Holiday & Resorts India Limited	-	(84,270)
Mahindra Telephonics Integrated Systems Limited	1,834,001	3,434,022
Mahindra EPC Services Private Limited	-	86,522
Mahindra Defence Naval Systems Private Limited	200,000	140,379
Mahindra Vehicle Manufacturers Limited	-	2,323
Mahindra Integrated Business Solutions Private Limited	-	(10,315)

29 The Company has entered into cancelable/non cancelable operating lease arrangements for certain office premises. The non-cancelable leases are for a period of 1 to 5 years and cancellable lease can be arrangements are normally renewed on expiry. Operating lease charge amounting to Rs. 37,923,926 (previous year Rs. 24,976,882) has been debited to the statement of profit and loss during the year. Future minimum lease payments under non cancellable operating leases as of March 31, 2016 are as follows:

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Details of leasing arrangements</b>		
Future minimum lease payments		
not later than one year	22,751,507	7,661,481
later than one year and not later than five years	67,588,283	4,383,859

30 During the previous year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Company revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II except mentioned in note 1.2 (iv). Further, assets individually costing Rs. 5,000 or less that were depreciated fully in the year of purchase are continue to be depreciated fully in the year of purchase. The details of previously applied depreciation method, rates/ useful life are as follows:

Asset	Previous depreciation rate/useful life	Revised useful life based on SLM
Plant and equipment	4.76%/~21 years	15/7 years
Office equipments	4.76%/~21 years	5 years
Mobiles	50%/~2 years	2 years
Computers	16.21%/~6 years	3 years
Furniture and Fixtures	6.34%/~15 years	10 years
Vehicles	15%/~6 years	5 years

Pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Company has fully depreciated the carrying value of assets, net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of Rs. 1,113,630 (net of deferred tax of Rs. 497,990) against the previous year opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

**31 Earnings per share**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Profit/(loss) for the year as per the statement of profit and loss - Rs.	(A) (24,054,519)	1,197,151
Weighted average number of equity shares outstanding during the year - Nos.	(B) 7,557,903	5,238,943
Earnings per share (face value Rs. 10 per share) (in Rs.): -		
- Basic/Diluted	(A/B) (3.18)	0.23

**32 Value of import on CIF basis**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Spares and consumables	942,060	794,134

**33 Earnings in foreign currency on accrual basis**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Sale of services	26,011,457	25,734,504

**34 Expenditure in foreign currency on accrual basis**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Purchase of services	–	3,450,048
Travelling expenses	1,201,483	773,190
Software cost	140,274	1,821,598

**35 The unhedged foreign currency exposures are as under:**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Amount in foreign currency	(Amount in Rs)	Amount in foreign currency	(Amount in Rs)
<b>Receivables</b>				
USD	373,089	24,661,183	27,001	1,682,551
CAD	1,566	78,836	–	–
<b>Payables</b>				
USD	8,722	576,524	–	–

36 The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

37 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

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

<b>Mukul Verma</b>	Chief Financial Officer
<b>S. P. Shukla</b> DIN : 00007418	Director
<b>V. S. Parthasarathy</b> DIN : 00125299	Director
<b>Rajesh Parte</b>	Company Secretary
Place : Mumbai	
Date : 24 <sup>th</sup> May 2016	

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Seventh Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	For the year ended 31 <sup>st</sup> March, 2016	(Rs. in lakhs) For the year ended 31 <sup>st</sup> March, 2015
Gross Income.....	2339.63	1891.30
Less: Excise duty.....	24.89	126.43
<b>Net Income</b> .....	<b>2314.74</b>	<b>1764.87</b>
Profit before Taxation, Depreciation and Amortisation.....	<b>(553.16)</b>	<b>(460.99)</b>
Less: Depreciation/Amortisation.....	<b>377.64</b>	458.84
Profit/(Loss) before taxation.....	<b>(930.80)</b>	<b>(919.83)</b>
Less: provision for taxation.....	-	-
<b>Profit/(Loss) for the year</b> .....	<b>(930.80)</b>	<b>(919.83)</b>
<b>Loss brought forward</b> .....	<b>(8270.55)</b>	<b>(7321.72)</b>
Transition Depreciation Adjustment to reserves.....	-	(29.00)
<b>Balance carried forward to Balance Sheet</b> .....	<b>(9201.35)</b>	<b>(8270.55)</b>
<b>Net Worth</b> .....	<b>8900.89</b>	<b>8531.68</b>

No material changes and commitments have occurred after the end of the financial year to which the financial statements relate and the date of this report which would affect the financial position of the Company.

### Operations

During the year under review, your Company sold 58 Vehicles, which include 44 Nos. Up-Armoured Scorpions, 9 Nos. Police Special Purpose Vehicle, 1 No. Armoured Bus, 2 Nos. Rakshak Plus & 2 Nos. Interceptors.

Your Company has received Request For Proposals from Ministry of Defence and submitted bids for Light Specialist Vehicle (LSV) for 171 Nos., Armoured Light Specialist Vehicle (ALSV) for 1300 Nos. and Light Armoured Multi Role Vehicle for 702 Nos.

Your Company has also received orders from Thales, Australia as part of offset obligation of Thales in India. Your Company has been chosen for delivery of Wheel Assembly for their Hawkei Vehicles. This is part of the Offsets obligations of Thales in India.

### Dividend

In view of the losses, your Directors do not recommend any dividend for the year under review.

### Erosion of Net Worth

The accumulated losses of the Company as at 31<sup>st</sup> March, 2016 have resulted in erosion of more than 50% of its peak Net Worth during the immediately preceding four financial years. Hence, the Company continues to be a potentially sick Company within the meaning of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). The Company has accordingly complied with the provisions of the SICA and has filed a Report with the Board for Industrial and Financial Reconstruction, New Delhi pursuant to the provisions of Section 23(1)(a)(i) of SICA, 1985 in the previous year. The Company will comply with further

compliance as may be required under SICA. Your Company has approached the parent Company for infusion of required funds to revive the business of the Company.

### Share Capital

During the year under review, the authorised share capital of your Company was increased to Rs. 205 crore. The issued and paid up share capital of the Company as on 31<sup>st</sup> March, 2016 stood at Rs. 179 crore comprising of 17,90,00,000 Equity Shares of the face value Rs. 10/- each pursuant to allotment of 1,30,00,000 Equity Shares of Rs. 10 each at par to Mahindra Defence Systems Limited.

### Board of Directors

The composition of your Board of Directors is as follows:-

Sr. No.	Name of Director	DIN	Category	Independent/ Non Independent
1.	Mr. S. P. Shukla, Chairman	00007418	Non-Executive	Non Independent
2.	Mr. V. S. Parthasarathy*	00125299	Non-Executive	Non Independent
3.	Lt. Gen. Jaswinder Pal Singh (Retd.)	07138659	Non-Executive	Independent
4.	Ms. Neelam Deo	02817083	Non-Executive	Independent
5.	Mr. Mukul Verma	02428217	Non-Executive	Non Independent
6.	Mr. Anoop Mathur	00014372	Non-Executive	Non Independent
7.	Mr. Sukhvindar Deep Singh Hayer, Executive Director**	07272511	Executive	Non Independent

\* Resigned w.e.f. 28<sup>th</sup> October, 2015

\*\* Appointed w.e.f. 1<sup>st</sup> September, 2015



During the year, Mr. V. S. Parthasarathy (00125299) resigned as a Director of the Company w.e.f. 28<sup>th</sup> October, 2015. The Board places on record the valuable services rendered by Mr. Parthasarathy during his tenure and expresses its deep sense of appreciation and gratitude for the same.

Lt. Gen. Jaswinder Pal Singh (Retd.) (DIN: 07138659) was re-appointed as an Independent Director and Ms. Neelam Deo (DIN: 02817083) was re-appointed as a Women Independent Director for a period of 2 (two) years w.e.f. 31<sup>st</sup> March, 2016 to 31<sup>st</sup> March, 2018 (both days inclusive) as per the provisions of Section 149 of the Companies Act, 2013.

The Company has received declarations from Lt. Gen. Jaswinder Pal Singh (Retd.) and Ms. Neelam Deo, the Independent Directors, to the effect that they meet the criteria of independence as provided in sub section 6 of Section 149 of the Companies Act, 2013.

Mr. Sukhvindar Singh Hayer was appointed as a “Manager” within the meaning of Companies Act, 2013 for period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> August, 2015. Mr. Sukhvindar Singh Hayer (DIN:07272511) was appointed as an “Additional Director” on the Board of Directors of the Company at the Board Meeting held on 28<sup>th</sup> August, 2015. At the Extra Ordinary General Meeting of the shareholders of the Company held on 21<sup>st</sup> October, 2015, Mr. Hayer was appointed as a Whole Time Director designated as an “Executive Director” from 1<sup>st</sup> September, 2015 to 31<sup>st</sup> August, 2018. Being an Additional Director, Mr. Hayer holds office only upto the date of the forthcoming Annual General Meeting and is eligible for appointment as a Director. A notice under Section 160(1) of the Act has been received from a Member signifying its intention to propose Mr. Hayer’s appointment as a Director of the Company. Mr. Hayer fulfills all the requirements of Sections 196 & 203 of the Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Mr. Hayer is the Whole Time Key Managerial Personnel of the Company as per the provisions of section 203 of the Act.

All the Directors of your Company have given requisite declarations pursuant to Section 164 of the Companies Act, 2013 that they are not disqualified to be appointed as Directors of your Company.

Mr. Anoop Mathur (DIN: 00014372) and Mr. Mukul Verma (DIN: 02428217), Directors, retire by rotation and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

### Number of Meetings

Your Board of Directors met four times during the year under review viz. 18<sup>th</sup> May, 2015, 28<sup>th</sup> August, 2015, 1<sup>st</sup> December, 2015 and 2<sup>nd</sup> March, 2016.

The attendance at the meetings of the Board was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Mr. S. P. Shukla, Chairman	4
2.	Mr. V. S. Parthasarathy*	1
3.	Lt. Gen. Jaswinder Pal Singh (Retd.)	4

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
4.	Mr. Mukul Verma	3
5.	Mr. Neelam Deo	3
6.	Mr. Anoop Mathur	1
7.	Mr. Sukhvindar Deep Singh Hayer, Executive Director**	2

\*Resigned w.e.f. 28<sup>th</sup> October, 2015

\*\*Appointed w.e.f. 1<sup>st</sup> September, 2015

### Committees of the Board

#### (A) Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of following members:

- Lt. Gen. Jaswinder Pal Singh (Retd.), Chairman
- Mr. S. P. Shukla, Member
- Ms. Neelam Deo, Member

The Committee met four times during the year under review i.e. on 18<sup>th</sup> May, 2015, 28<sup>th</sup> August, 2015, 1<sup>st</sup> December, 2015 and 2<sup>nd</sup> March, 2016 and complied with the terms of reference assigned to the Committee.

The attendance at the meetings of the Nomination and Remuneration Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Lt. Gen. Jaswinder Pal Singh (Retd.), Chairman	4
2.	Ms. Neelam Deo, Member	3
3.	Mr. S. P. Shukla, Member	4

#### (B) Audit Committee

The Audit Committee consists of following members:

- Ms. Neelam Deo, Chairman
- Mr. Mukul Verma, Member
- Lt. Gen. Jaswinder Pal Singh (Retd.), Member

The Committee met thrice during the year on 18<sup>th</sup> May, 2015, 1<sup>st</sup> December, 2015 and 2<sup>nd</sup> March, 2016 and complied with the terms of reference assigned to the Committee.

The attendance at the meetings of the Audit Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of three Meetings
1.	Ms. Neelam Deo, Chairman	2
2.	Lt. Gen. Jaswinder Pal Singh (Retd.)	3
3.	Mr. Mukul Verma	2

### Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board’s functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and

performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Director and Non-Executive Directors. The Directors expressed their satisfaction with the evaluation process.

### Meeting of Independent Directors

One meeting of the Independent Directors of the Company was held on 1<sup>st</sup> December, 2015 before the Board Meeting without the presence of the Executive Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The above Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Key Managerial Personnel

There was no change in the Key managerial Personnel of your Company in the year under review. Mr. Jagjeet Singh and Mr. Rajesh Parte continued as the Chief Financial Officer and Company Secretary of your Company, respectively. Mr. Sukhvindar Singh Hayer was appointed as a Whole Time Director, designated as an Executive Director from 1<sup>st</sup> September, 2015.

### Policy for remuneration of directors, key managerial personnel and other employees and criteria for appointment/removal of directors and senior management personnel

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved:

- Policy on the appointment/removal of directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of directors.
- Policy on and on the remuneration of directors, key managerial personnel and other employees.

These policies are provided as **Annexure I** and form part of this report.

### Risk Management Policy

Your Company has formulated Risk Management Policy including therein the elements of risks which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

### Corporate Social Responsibility (CSR)

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company and accordingly, your Company does not have a CSR policy.

However, during the year under review, your Company has undertaken following activities under its CSR programme:

- a. To abreast the road traffic awareness among local public, few signage Display Boards were placed on different roads.
- b. A Clean India Campaign was organized wherein employees carried out cleaning of area in the vicinity of the Plant at Prithla, Haryana.
- c. Participation in the celebration of Republic Day programme of the district.

### Policy on prevention of Sexual Harassment

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

### Auditors

#### (A) Statutory Auditors' Report

Messrs. Deloitte Haskins & Sells, Chartered Accountants, (Firm registration Number 01512N) retire as Auditors of your Company at the forthcoming Annual General Meeting and have given their written consent for re-appointment and have also confirmed that

the said appointment would be in conformity with Section 139 and 141 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014. The members are requested to appoint Auditors from the conclusion of forthcoming Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

The Auditors Report does not contain any qualifications, reservations or adverse remarks.

#### **(B) Secretarial Auditor's Report**

Your Company has appointed Mr. Sachin Bhagwat as a Secretarial Auditor of the Company in accordance with the provisions of Section 204 of the Companies Act, 2013.

In terms of provisions of sub Section (1) of Section 204 of the Companies Act, 2013, the Company has annexed with this Board Report, a Secretarial Audit Report given by the Secretarial Auditor, and the said Secretarial Report, in prescribed form MR 3 at **Annexure II** forms part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

#### **Reporting of frauds by Auditors**

During the year under review, the Statutory Auditors and Secretarial Auditor, 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.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure III** to this Report.

#### **Particulars of Employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of Public Deposits, loans, guarantees or investments under Section 186 of the Companies Act, 2013**

Your Company has not accepted deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with requirement of chapter V of the Companies Act, 2013.

The Company has not granted any loans, provided any securities and not made any investments pursuant to Section 186 of the Companies Act, 2013 during the year under review.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

All Related Party Transactions entered during the year were in the ordinary course of business and on arm's length basis. The particulars of contracts or arrangements with related parties are given in form AOC-2 as **Annexure IV** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Sub-Section 3(a) of Section 134 and Sub-Section (3) of Section 92 of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 in Form No. MGT 9 is attached herewith as **Annexure V** and forms part of this Report.

#### **Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/ purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013)

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Place: Mumbai,  
Date: 18<sup>th</sup> May 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### I. POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

#### Purpose

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Defence Land Systems India Limited.

#### Policy Statement

We have a well-defined Compensation policy for Directors, Key Managerial Personnel and all employees, including the Chairman, Presidents and other Members of the Group Executive Board who are employees of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

#### NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS:

The Governance, Nomination and Remuneration Committee (GNRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non Executive Directors, including Independent Directors, whether as commission or otherwise. The GNRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges and such other factors as the GNRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

#### Executive Directors:

The remuneration to Chairman & Managing Director and Executive Director(s) shall be recommended by GNRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the GNRC based on their performance.

#### Key Managerial Personnel (KMPs)

The terms of remuneration of Chief Financial Officer (CFO) shall be determined by the Audit Committee from time to time. The terms of remuneration of the Company Secretary shall be finalised/revised either by any Director or Mr. Rajeev Dubey or Mr. V. S. Parthasarathy or Mr. S. Durgashankar or such other person as may be authorised by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of Section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### Employees

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

## II. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below:

“**Board**” means Board of Directors of the Company.

“**Company**” means DEFENCE LAND SYSTEMS INDIA LIMITED.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD);
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Governance Nomination and Remuneration Committee**” (GNRC) means Governance Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

### I. APPOINTMENT OF DIRECTORS

- The GNRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the GNRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.

- Based on recommendation of the GNRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman & Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, the GNRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### SENIOR MANAGEMENT PERSONNEL

The GNRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman & Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

## II. SUCCESSION PLANNING:

### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

### Board:

The successors for the Independent Directors shall be identified by the GNRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the GNRC from among the Senior Management or through external source as the Board may deem fit.

The GNRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

### Senior Management Personnel:

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a laddered approach.

### Policy Statement

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

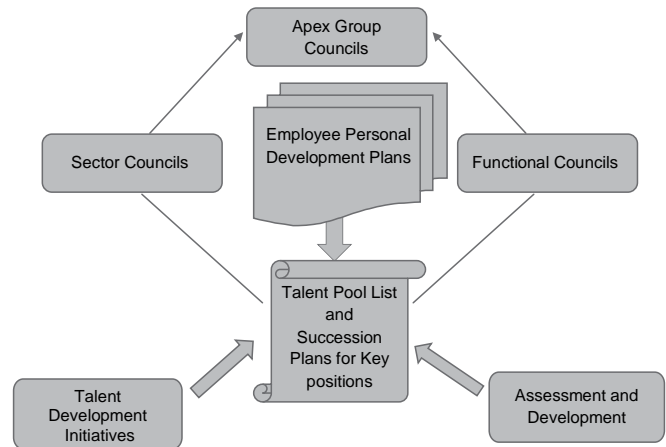
The framework lays down an architecture and processes to address these questions using the 3E approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and

collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of Senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Place: Mumbai,  
Date: 18<sup>th</sup> May 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### SECRETARIAL AUDIT REPORT

#### FORM MR 3

For the financial year ended 31<sup>st</sup> March, 2016

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

To,  
The Members,  
Defence Land Systems India Limited  
Mahindra Towers, P. K. Kurne Chowk  
Worli  
Mumbai 400 018

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Defence Land Systems India Limited. (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; **(Not applicable to the Company)**
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; **(Not applicable to the Company during the Audit period)**
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations framed thereunder to the extent of foreign direct investment, overseas direct investment and external commercial borrowings; **(Not applicable to the Company during the Audit period)**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **(Not applicable to the Company)**

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **(Not applicable to the Company)**
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during the Audit period)**
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014; **(Not applicable to the Company)**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the audit period)**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **(Not applicable to the Company)**
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company)** and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company)**
- (vi) According to the information provided by the Company, no other law was specifically applicable to the Company.

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with Stock Exchanges, if applicable. **(Not applicable to the Company).**

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

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

I further report that during the audit period no specific events/ actions took place having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. referred to above.

Signature:Sd/-

**Sachin Bhagwat**  
ACS: 10189  
CP: 6029

Place: Pune  
Date: 13<sup>th</sup> May, 2016



## ANNEXURE III TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2015 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- i. The steps taken or impact on conservation of energy:
  - a. Increased number of replacement of existing boundary 150 watts Sodium lights with 85 watts CFL lights helped us to save energy consumption.
  - b. Initiative taken for R&D office Lights (Partial) converted in to LED`s to save energy consumption.
  - c. Review of Aspect & Impact of all departments done to Identify and Ensure adequate Environmental Controls on all Environmental Emissions.
  - d. Controlled usage of ACs, replacement of Focus Lights with CFLs and shutting down Servers on weekends resulted in Energy Saving.
  - e. Energy use is related to emission of Green House Gases. Energy Saving of 5%.
- ii. The steps taken by the company for utilizing alternate sources of energy: Proposal under discussion for Solar panel adoption.
- iii. The capital investment on energy conservation equipments: Nil

#### B. TECHNOLOGY ABSORPTION

##### i) The efforts made towards technology absorption

- a) Enhanced competency towards Vehicle Dynamics (mobility, performance analysis and prediction), Electrical & Electronics Architecture, Survivability & Lethality aspects of Armoured, Up-armoured, Mine Protected & Special Purpose Vehicle models meeting customer requirements.
- b) Weight optimization of Armored Fighting Vehicles through exploration and development of light weight armor materials which meet desired protection level & mobility requirements, facilitates manufacturability of hull and cabin based on weld & bolt on concepts.
- c) To meet RFP requirements from customer for on time delivery of orders, to explore/adaptation of already proved & enhanced performance Power Pack and drive-line system for better mobility performance of platforms like Light Strike Vehicle (LSV), Light Bullet Proof Vehicle (LBPV), Mine Protected Vehicle (MPV), Armoured Light Strike vehicle (ALSV) and Multi role Light Armoured Vehicle (LAM)
- d) As part of new product development process, to carry out continual improvements & value additions on existing platforms like
  - Improve ergonomics through better utilization of cabin space through optimization of location of armored glass windows.
  - Intensive study & training on improving ride comfort quality, ergonomics, aspects related to safety, maintainability and serviceability, ballistic & blast protection parameters of existing armoured & up-armoured platforms based on Scorpio & its variants etc.
- e) Acquired new knowledge In-house verification and validation (Testing & trials) of armoured, up-armoured & General Service Vehicles prior to submission for homologation/customer trials.
- f) Design & development of vehicles by conducting study in different terrains of different states in India (Off Road, Secondary roads, marshy roads, hilly terrains, Sandy areas etc.) in order to meet customer operational requirements of vehicles.
- g) Ensure reliability, robustness and ruggedness of vehicle design systems & subsystems by conducting CAE and in-house accelerated durability testing of vehicle systems and sub-systems.

##### ii) The benefits derived like product improvement, cost reduction, product development or import substitution:

- a) Having explored and tested light weight BP material, DLSI developed and commercialized up-armoured Scorpio for protection against 9mm Pistol threat. Selection of light weight BP material helped retaining original external & interior aesthetics of new generation Scorpio on W105 Platform as required by customer.

- b) Built Mine protected vehicle prototype based on new technology prepared consisting of selected robust, reliable and proven Power pack, drive line, suspension aggregate etc. The prototype is under testing for homologation.
- c) With enhanced competency on CAE application, adapted new generation Scorpio (W105) with DLSI rugged, robust and reliable driveline, reinforced chassis, suspension etc. and developed a prototype of up-armored Scorpio (W105 platform) and conducted in-house verification and validation of up-armored Scorpio successfully and commercialized the product.
- d) Built Light Bullet Proof vehicle prototype with added new features using new developed composite BP material for protection of Fuel tank, fuel and brake fluid supply lines. Additional Significant new features included BP glasses with in-built Gun port assembly. All these new features will be used on upcoming commercialized vehicles based on customer requirement.
- e) Utilized enhanced competency on vehicle dynamics while preparing technology for Armored Light Strike Vehicle (ALSV). Optimized design solution arrived at related to vehicle mobility, survivability etc. Built prototype with technology prepared for ALSV. The prototype is under testing.
- f) With knowledge gained on survivability, provided new design of enhanced protection of up-armored Bus and also improved mobility significantly of BP Bus by designing & development of new suspension. Improved technology implemented in the rolled out up-armored bus during the year.
- g) Explored different BP Carpet materials for Floor of Up-armored Scorpio, Rakshak Plus (Light Bullet Proof vehicle) for protection against impact of side blast & under belly for safety of crew members.
- h) Developed range of Run Flat Systems of different capability (10 Kms, 50 Kms and 100 Kms) and verified and validated successfully.
- i) Localized Castor Wheel assembly, Seat Assembly, Protective Gear Assembly etc. as part of import substitution.
- j) Made product improvements by adapting higher capacity Gen-set in Police Special Purpose Vehicle and implemented.

**iii) Technology imported during last 3 years**

Sr. No.	Technology imported	Year of import	Status
1.	Armoured Glass Windshield-BP Scorpio	2014-15	Absorbed
2.	Castor Wheel Assy	2014-15	Absorbed
3.	Protective Gear Assembly	2014-15	Absorbed

**iv) The expenditure incurred on Research and Development**

During the year under review, the Company has incurred expenditure of Rs. 2360.50 Lacs towards its research and development activities.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

(Rupees in Lakhs)

	For the FY ended 31 <sup>st</sup> March, 2016	For the FY ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	34.21	NIL
Total Foreign Exchange Used	691.51	45.25

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Place: Mumbai,  
Date: 18<sup>th</sup> May, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### FORM NO. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis- Nil

2. Details of Material contracts or arrangements or transactions at Arm's length basis:

Sr. No.	Name (s) of the related party	Nature of relationship	Nature of Contracts/ arrangements/ transaction	Salient terms of the contracts or arrangements or transaction including the value, if any	Amount	Date of approval by the Board
					(Rs. in lacs)	
1	Mahindra & Mahindra Limited	Holding Company	Purchase of Raw Material	Purchase of Base vehicle & Components	434.29	-
2	Mahindra & Mahindra Limited	Holding Company	Expenses - Business support Fees	Sourcing Services	28.62	-
3	Mahindra & Mahindra Limited	Holding Company	Income - Business support Fees	Business support fee on govt sales	48.40	-
4	Mahindra & Mahindra Limited	Holding Company	Expenses - Rent	Rent paid for premises taken on lease	12.31	-
5	Mahindra & Mahindra Limited	Holding Company	Expenses - Training	Training	1.05	-
6	Mahindra & Mahindra Limited	Holding Company	Reimbursement of expenses	Shared Services of IT, Internal Audit, Secretarial work	92.46	-
7	Mahindra Integrated Business Solutions Pvt. Ltd.	Fellow Subsidiary	Professional Fees	Salary processing	1.54	-
8	Mahindra Defence Systems Limited	Fellow Subsidiary	Sales of Finished Goods	Job Work	793.75	-
9	Mahindra Defence Systems Limited	Fellow Subsidiary	Reimbursement of expenses	Shared service of CFO	20.84	-
10	Lords Freight (India) Private Limited	Fellow Subsidiary	Freight and CHA Services	Services - Customs Clearance and Freight	24.31	-
11	Mahindra Logistics Limited	Fellow Subsidiary	Freight & Stores Services	Services - Freight charges and Services for Stores Outsource	14.43	-
12	Mahindra Trucks and Buses Limited	Fellow Subsidiary	Purchase of components	Components purchase for MPVi Project	0.86	-
13	Mahindra Telephonics Integrated Systems Limited	Fellow Subsidiary	Rent Received	Rent received from premises leased out	128.40	-
14	Mahindra Telephonics Integrated Systems Limited	Fellow Subsidiary	Reimbursement of expenses	Electricity	21.69	-
15	Mahindra Heavy Engines Private Limited	Fellow Subsidiary	Purchase of Fixed Asset	Purchase of Fixed Asset	14.88	-

For and on behalf of the Board

Place: Mumbai,  
Date: 18<sup>th</sup> May, 2016

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

## ANNEXURE V TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U29268MH2009PLC190702
2.	<b>Registration Date</b>	4 <sup>th</sup> March, 2009
3.	<b>Name of the Company</b>	Defence Land Systems India Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non Government Company
5.	<b>Address of Registered Office and Contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-400 018. Tel. No.: 022-24905828
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Products/Services	NIC Code of the Product	% to total turnover of the Company
1.	Fabrication/Armouring of vehicles	3040	96%

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai - 400001	L65990MH1945PLC004558	Holding Company	62.01%	2(46)

### IV. SHARE HOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

#### i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	–	–	–	–	–	–	–	–	–
Individual/HUF	–	–	–	–	–	–	–	–	–
Central Govt.	–	–	–	–	–	–	–	–	–
a. State Govt.	–	–	–	–	–	–	–	–	–
b. Bodies Corp.	11,10,00,000	5,50,00,000	16.60,00,000	100	–	–	–	100	–
c. Bank/FI	–	–	–	–	–	–	–	–	–
d. Any Other	–	–	–	–	–	–	–	–	–

DEFENCE LAND SYSTEMS INDIA LIMITED  
(FORMERLY KNOWN AS DEFENCE LAND SYSTEMS INDIA PRIVATE LIMITED)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>Sub-Total - A(1)</b>	<b>11,10,00,000</b>	<b>5,50,00,000</b>	<b>16.60,00,000</b>	<b>100</b>	<b>11,10,00,000</b>	<b>6,80,00,000</b>	<b>17,90,00,000</b>	<b>100</b>	<b>-</b>
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - A(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	<b>11,10,00,000</b>	<b>5,50,00,000</b>	<b>16.60,00,000</b>	<b>100</b>	<b>11,10,00,000</b>	<b>6,80,00,000</b>	<b>17,90,00,000</b>	<b>100</b>	<b>-</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Banks/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - B(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>11,10,00,000</b>	<b>5,50,00,000</b>	<b>16.60,00,000</b>	<b>100</b>	<b>11,10,00,000</b>	<b>6,80,00,000</b>	<b>17,90,00,000</b>	<b>100</b>	<b>-</b>

**Note:** The changes in the number of shares held by the promoter companies are as above

**ii. Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra and Mahindra Limited	11,10,00,000	66.86%	0	11,10,00,000	62.01%	0	
2.	Mahindra Defence systems Limited	5,49,99,994	33.13%	0	6,79,99,994	37.99%	0	
3.	Mahindra Defence Systems Limited Jointly with V. S. Parthasarathy*	1	0	0	1	0	0	
4.	Mahindra Defence Systems Limited Jointly with Zhooben Bhiwandiwala*	1	0	0	1	0	0	
5.	Mahindra Defence Systems Limited Jointly with S. P. Shukla*	1	0	0	1	0	0	
6.	Mahindra Defence Systems Limited Jointly with K. Chandrasekar*	1	0	0	1	0	0	
7.	Mahindra Defence Systems Limited Jointly with Rajeev Dubey*	1	0	0	1	0	0	
8.	Mahindra Defence Systems Limited Jointly with Narayan Shankar*	1		0	1	0	0	
	<b>Total</b>	<b>16,60,00,000</b>	<b>100</b>	<b>0</b>	<b>17,90,00,000</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* Jointly held with Mahindra Defence Systems Limited for the purpose of Compliance with statutory provisions of Companies Act with regard to minimum no. of members.

**iii. Changes in Promoters' shareholding (Please specify, if there is no change)**

Particulars	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
<b>At the beginning of the Year (Mahindra and Mahindra Limited)</b>	11,10,00,000	66.86	11,10,00,000	62.01
<b>At the beginning of the Year (Mahindra Defence Systems)</b>	5,50,00,000	33.13	5,50,00,000	–
Increase on 31 <sup>st</sup> March, 2016- Allotment to Mahindra Defence Systems Limited	1,30,00,000	–	6,80,00,000	37.99
<b>At the end of the Year</b>	–	–	17,90,00,000	100

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mahindra Defence Systems Limited Jointly with V. S. Parthasarathy	1	–	1	–
2.	Mahindra Defence Systems Limited Jointly with S. P. Shukla	1	–	1	–

**V. INDEBTEDNESS**

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

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>				
+ Addition				
– Reduction	–	–	–	–
Net change	–	–	–	–
<b>Indebtedness at the end of the financial year-31.03.2016</b>				
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager Mr. Sukhvinder Singh Hayer, Executive Director		Total Amount (Rs In Lacs)
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act*	42.36	–	42.36
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.55	–	0.55
	c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
	– As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify			
	– Contribution to Provident Fund	1.28	–	1.28
	– Performance Bonus	–	–	–
	<b>Total (A)</b>	<b>44.19</b>	<b>–</b>	<b>44.19</b>
	Ceiling as per the Act	As per Schedule V of the Companies Act, 2013		

\* inclusive of Performance Bonus

B. Remuneration of other directors:

I. Independent Directors:-

Particulars of Remuneration	Name of Directors		Total Amount (Rs. in Lacs)
	Lt. Gen. Jaswinder Pal Singh	Ms. Neelam Deo	
Fee for attending board committee meetings	0.80	0.60	1.40
Commission	-	-	-
Others	0.70	0.50	1.20
<b>Total (1)</b>	<b>1.50</b>	<b>1.10</b>	<b>2.60</b>

II. Other Non-Executive Directors:-

Other Non-Executive Directors							Total Amount (Rs. in Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>							
<b>Total B = (1+2)</b>							
Ceiling as per the Act	N A						

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

Sr. No.	Particulars of Remuneration	Name of the KMP			Total Amount (Rs. in Lacs)
		Mr. Jagjeet Singh, CFO	Mr. Govind Agarwal, CS (From 1 <sup>st</sup> April, 2015 to 20 <sup>th</sup> July, 2015)	Ms. Mili Shah, CS (From 1 <sup>st</sup> December, 2015 to 31 <sup>st</sup> March, 2015)	
1.	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	12,29,497	-	<b>12,29,497</b>
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of Profit	-	-	-	-
	- Others, specify				
5.	Others, please specify	-	-	-	-
	- Contribution to Provident Fund	-	26,588	-	<b>26,588</b>
	- Performance Bonus	-	-	-	-
	- Shared Service charges	18,28,560	-	61,045	<b>18,89,605</b>
	<b>Total (C)</b>	<b>18,28,560</b>	<b>12,56,085</b>	<b>61,045</b>	<b>31,45,690</b>



**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None**

	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	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable
<b>B. DIRECTORS</b>						
Penalty	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable
<b>C. OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Place: Mumbai,  
Date: 18<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DEFENCE LAND SYSTEMS INDIA LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **DEFENCE LAND SYSTEMS INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, 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 Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure "A"**. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 27 (i) of the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses- Refer Note 43 to the financial statements.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company- Refer Note 44 to the financial statements.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in **Annexure "B"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm's Registration No. 015125N)

**Jaideep Bhargava**  
Partner  
(Membership No. 90295)

**GURGAON, May 18, 2016**

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### **Report on the Internal Financial Controls Over Financial Reporting 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 **DEFENCE LAND SYSTEMS INDIA LIMITED** (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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”. 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.

### **Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 March 31, 2016, based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm’s Registration No. 015125N)

**Jaideep Bhargava**  
Partner

(Membership No. 90295)

**GURGAON, May 18, 2016**

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under "Report on Other Legal and Regulatory Requirements" section of our report of even date)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deed, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals other than for inventories lying with third parties at the end of the year for which confirmations have been obtained in most of the cases.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Act.
- (iv) The Company has not granted any loans, made investments or provided guarantees and securities under Section 185 and 186 of the Companies Act, 2013 and hence reporting under clause (iv) of the CARO 2016 Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year within the meaning of Section 73 to 76 or any other relevant provisions of the Act.
- (vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Act.
- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) Apart from Service Tax dues of Rs. 70.28 lacs which for reasons explained in detail in note 36 of the financial statement are outstanding for a period exceeding six months as at the year end, the Company has generally been regular in depositing all undisputed statutory dues, including Provident Fund, Employees State Insurance, Income-Tax, Sales

Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

- (b) There are no disputed dues in respect of Income-tax, Sales Tax, Service Tax, Customs Duty and Value Added Tax which have not been deposited. Details of dues of Excise Duty which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where dispute is pending	Amount (in Rs.)*	Amount Paid under protest (in Rs.)	Period to which the amount relates
Central Excise Act	Excise Duty	CESTAT	104,549,611	22,533,137	2010-2014

\* Amount as per demand orders including interest and penalty wherever indicated in the order.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to bank. The Company has neither taken any loans or borrowings from financial institutions and government nor has it issued any debentures during the year.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm's Registration No. 015125N)

**Jaideep Bhargava**

Partner  
(Membership No. 90295)

**GURGAON, May 18, 2016**

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

Particulars	Notes	(In Rs.)	
		As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share capital	3	1,790,000,000	1,660,000,000
b) Reserves and surplus	4	(899,911,455)	(806,831,651)
		<b>890,088,545</b>	<b>853,168,349</b>
<b>Non current liabilities</b>			
a) Other long-term liabilities	5	2,676,334	2,676,334
b) Long-term provisions	6	14,113,427	12,047,995
		<b>16,789,761</b>	<b>14,724,329</b>
<b>Current liabilities</b>			
a) Trade payables	7		
(i) total outstanding dues of micro and small enterprises		4,607,612	663,429
(ii) total outstanding dues of creditor other than micro and small enterprises		71,980,708	33,445,188
		<b>76,588,320</b>	<b>34,108,617</b>
b) Other current liabilities	8	70,139,778	28,262,878
c) Short-term provisions	9	2,679,530	1,973,032
		<b>149,407,628</b>	<b>64,344,527</b>
<b>Total</b>		<b>1,056,285,934</b>	<b>932,237,205</b>
<b>II. ASSETS</b>			
<b>Non current assets</b>			
a) Fixed assets	10		
(i) Tangible assets		357,695,975	374,655,566
(ii) Intangible assets		12,278,023	18,672,804
(iii) Capital work in progress		6,728,189	–
(iv) Intangible assets under development		295,918,783	90,617,108
		<b>672,620,970</b>	<b>483,945,478</b>
b) Long-term loans and advances	11	26,460,624	24,708,321
c) Other non current assets	12	30,000,000	30,000,000
		<b>729,081,594</b>	<b>538,653,799</b>
<b>Current assets</b>			
a) Current Investments	13	–	22,120,069
b) Inventories	14	85,809,616	70,227,909
c) Trade receivables	15	26,185,471	60,304,742
d) Cash and cash equivalents	16	177,868,418	224,240,261
e) Short-term loans and advances	17	26,606,396	14,213,876
f) Other current assets	18	10,734,439	2,476,549
		<b>327,204,340</b>	<b>393,583,406</b>
<b>Total</b>		<b>1,056,285,934</b>	<b>932,237,205</b>

See accompanying notes forming part of the financial statements 1 to 45

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

Place : Gurgoan  
Date : 18<sup>th</sup> May, 2016

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

**S P Shukla** (Director) DIN : 00007418

**Mukul Verma** (Director) DIN : 02428217

**Jagjeet Singh** (Chief Financial Officer)

**Sukhvindar Hayer** (Director) DIN : 07272511

**Mili Hitesh Shah** (Company Secretary)

Place : Mumbai  
Date : 18<sup>th</sup> May, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Notes	For the year ended March 31, 2016	(in Rs.) For the year ended March 31, 2015
I Revenue from operations (gross)	19	206,444,121	162,989,520
Less: Excise duty		2,488,808	12,642,988
Revenue from operations (net)		203,955,313	150,346,532
II Other income	20	27,519,036	26,140,504
III <b>Total revenue (I+II)</b>		<b>231,474,349</b>	176,487,036
<b>IV Expenses</b>			
Cost of materials consumed	21	97,260,650	57,276,737
Purchases of Stock-in-trade	22	21,971,754	4,582,244
Changes in inventories of finished goods	23	(3,167,799)	-
Employee benefits expenses	24	87,867,856	71,815,040
Finance costs	25	2,243,071	15,662,168
Depreciation and amortisation expenses	10	37,763,882	45,883,817
Other expenses	26	80,614,739	73,249,855
<b>Total expenses</b>		<b>324,554,153</b>	268,469,861
V <b>Profit/(loss) before tax (III-IV)</b>		<b>(93,079,804)</b>	(91,982,825)
VI <b>Tax expense</b>		-	-
VII <b>Profit/(loss) for the year (V-VI)</b>		<b>(93,079,804)</b>	(91,982,825)
VIII Earnings per share – basic/diluted (Face value Rs. 10 per share) (in Rs.)	33	<b>(0.56)</b>	(0.78)

See accompanying notes forming part of the financial statements 1 to 45

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

Place : Gurgoan  
Date : 18<sup>th</sup> May, 2016

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

<b>S P Shukla</b> (Director)	DIN : 00007418
<b>Mukul Verma</b> (Director)	DIN : 02428217
<b>Jagjeet Singh</b> (Chief Financial Officer)	
<b>Sukhvindar Hayer</b> (Director)	DIN : 07272511
<b>Mili Hitesh Shah</b> (Company Secretary)	

Place : Mumbai  
Date : 18<sup>th</sup> May, 2016



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash flows from operating activities</b>		
Profit/(loss) before tax	(93,079,804)	(91,982,825)
Adjustments for:		
Depreciation and amortisation expenses	37,763,882	45,883,817
Profit on sale of fixed assets	(400,490)	(369,256)
Loss on sale of fixed assets	16,912	61,422
Loss on fixed assets scrapped	106,412	23,400
Loss on write down of inventories	186,145	12,173,896
Interest on income tax refund	(182,862)	-
Dividend received	(3,424,678)	(2,120,069)
Interest on fixed deposits	(10,833,147)	(3,986,488)
Finance costs	108,215	14,374,486
<b>Operating profit/(loss) before working capital changes</b>	<b>(69,739,415)</b>	<b>(25,941,617)</b>
Changes in working capital:		
Adjustments for increase/(decrease) in operating assets:		
Long-term loans and advances	(4,006,866)	-
Inventories	(15,767,852)	3,410,060
Trade receivables (including unbilled revenue)	29,278,796	(42,439,171)
Short-term loans and advances	(12,392,520)	2,462,176
Other current assets	(662,380)	-
Adjustments for increase/(decrease) in operating liabilities:		
Other long term Liabilities	-	1,608,574
Long-term provisions	2,065,432	125,011
Trade payables	42,479,703	(10,064,615)
Other current liabilities	3,540,825	1,411,236
Short-term provisions	706,498	809,228
<b>Cash used in operations</b>	<b>(24,497,779)</b>	<b>(68,619,118)</b>
Direct taxes (paid)/refund	(1,021,030)	(2,257,806)
<b>Net cash flows from operating activities (A)</b>	<b>(25,518,809)</b>	<b>(70,876,924)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets including capital advances	(186,720,203)	(72,675,226)
Sale of fixed assets	2,169,663	1,572,481
Sale/(Purchase) of current investments	22,120,069	(22,120,069)
Fixed deposits with bank as margin money	(29,451,212)	(31,256,640)
Interest on income tax refund	182,862	-
Interest on fixed deposits	8,078,112	1,509,939
Dividend received	3,424,678	2,120,069
<b>Net cash flows from investing activities (B)</b>	<b>(180,196,031)</b>	<b>(120,849,446)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issue of equity share capital	130,000,000	810,000,000
Proceeds from/(Repayment) of long-term borrowings	-	(238,200,000)
Proceeds from/(Repayment) of short-term borrowings (net)	-	(141,837,032)
Finance costs	(108,215)	(15,279,468)
<b>Net cash flow from financing activities (C)</b>	<b>129,891,785</b>	<b>414,683,500</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(75,823,055)</b>	<b>222,957,130</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>222,983,621</b>	<b>26,491</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>147,160,566</b>	<b>222,983,621</b>
<b>Cash and cash equivalents</b>	<b>147,160,566</b>	<b>222,983,621</b>
<b>Other bank balances</b>	<b>30,707,852</b>	<b>1,256,640</b>
<b>Cash and cash equivalents (Note 16)</b>	<b>177,868,418</b>	<b>224,240,261</b>

See accompanying notes forming part of the financial statements 1 to 45

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Jaideep Bhargava**  
Partner

Place : Gurgoan  
Date : 18<sup>th</sup> May, 2016

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

**S P Shukla** (Director) DIN : 00007418

**Mukul Verma** (Director) DIN : 02428217

**Jagjeet Singh** (Chief Financial Officer)

**Sukhvindar Hayer** (Director) DIN : 07272511

**Mili Hitesh Shah** (Company Secretary)

Place : Mumbai  
Date : 18<sup>th</sup> May, 2016

## Notes forming part of the financial statements

### 1. Corporate Information

Defence Land Systems India Limited (the Company) is engaged in the manufacturing of bulletproof and other special application vehicles meant for defence purposes which are primarily used by Defence forces, State Police forces, VIP and VVIP security. The registered office of the Company is in Mumbai and manufacturing facility in Palwal.

### 2. Significant accounting policies

#### 2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"). 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.

#### 2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### 2.3 Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

#### 2.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### 2.5 Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, etc.:

- Certain items of plant and machinery – 1 to 8 years
- Vehicles – 5 years.
- Assets costing less than 5,000 each are fully depreciated in the year of capitalization.

Intangible assets are amortised over their estimated useful life as follows:

- Computer Software: 3 years
- Designs and prototypes: 5 years

Depreciation on addition to fixed assets is provided on pro-rata basis from the month the assets are put to use. Depreciation on sale/deduction from fixed assets is provided for up to the date of sale, deduction, discardment as the case may be.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern.

#### 2.6 Revenue recognition

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the dispatch of goods to customers. Sales include excise duty but exclude sales tax, value added tax and service tax. Income on service contracts is recognized as per the terms of contracts on an accrual basis.

#### 2.7 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

#### 2.8 Fixed Assets (Tangible/Intangible)

Fixed assets are carried at cost less accumulated depreciation/amortization and impairment losses, if any. The cost of fixed assets includes incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

#### Capital work-in-progress

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses.

#### Intangible assets under development

Expenditure on Research and development (Refer Note 34) eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

#### 2.9 Foreign currency transactions and translations

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

Monetary items denominated in foreign currencies at the year-end are translated at the exchange rates prevailing on the Balance Sheet date. Non-monetary items denominated in foreign currencies are carried at cost. Any income or expense on account of exchange differences either on settlement or on translation of transactions are charged to the Statement of Profit and Loss.

#### 2.10 Investments

Current investments are carried individually, at the lower of cost and fair value. Costs of investments include acquisition charges such as brokerage, fees and duties.

#### 2.11 Employee benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity, compensated absences and post-employment medical benefits.

## Notes forming part of the financial statements

### Defined contribution plans

The Company's contribution to provident fund, employee state insurance scheme, etc are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made and when services are rendered by the employees.

### Defined benefit plans

For defined benefit plans in the form of gratuity and Post-retirement medical benefits, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation.

### Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service.

### Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

### 2.12 Leases

Lease rentals in respect of assets that are in the nature of operating leases are expensed with reference to lease terms.

### 2.13 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

### 2.14 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws

and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

### 2.15 Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

### 2.16 Impairment of assets

The carrying values of assets/cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

### 2.17 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

### 2.18 Provision for warranty

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures.

### 2.19 Operating Cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## 3. Share capital

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Authorised</b>		
205,000,000 (Previous year: 170,000,000) Equity shares of Rs. 10 each	<b>2,050,000,000</b>	1,700,000,000
<b>Issued, subscribed and fully paid up</b>		
179,000,000 (Previous year: 166,000,000) Equity shares of Rs. 10 each fully paid up	<b>1,790,000,000</b>	1,660,000,000
	<b>1,790,000,000</b>	1,660,000,000

## Notes forming part of the financial statements

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount, in proportion to their shareholding.

### a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year.

Particulars	As at March 31, 2016		As at March 31, 2015	
	Equity shares		Equity shares	
	Nos.	in Rs.	Nos.	in Rs.
Shares outstanding at the beginning of the year	166,000,000	1,660,000,000	85,000,000	850,000,000
Shares issued during the year	13,000,000	130,000,000	81,000,000	810,000,000
Shares outstanding at the end of the year	179,000,000	1,790,000,000	166,000,000	1,660,000,000

### b. Details of shareholders holding more than 5% shares in the Company

Name of shareholder	As at 31 March 2016		As at 31 March 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mahindra & Mahindra Limited*	111,000,000	62.01%	111,000,000	66.87%
Mahindra Defence Systems Limited#	68,000,000	37.99%	55,000,000	33.13%

\* Holding company by virtue of holding more than one-half of equity share capital in the Company.

# Subsidiary company of the holding company, Mahindra & Mahindra Limited.

### 4. Reserves and surplus

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Securities premium account</b>		
Opening balance	20,223,840	20,223,840
Add/less : Movement during the year	-	-
<b>Closing balance Sub-total - A</b>	<b>20,223,840</b>	<b>20,223,840</b>
<b>Surplus/(deficit) in statement of profit and loss</b>		
Opening balance	(827,055,491)	(732,173,027)
Add: Profit/(loss) for the year	(93,079,804)	(91,982,825)
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Refer note 10)	-	(2,899,639)
<b>Closing balance Sub-total - B</b>	<b>(920,135,295)</b>	<b>(827,055,491)</b>
<b>Total A + B</b>	<b>(899,911,455)</b>	<b>(806,831,651)</b>

### 5. Other Long-term liabilities

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Security deposit received	2,676,334	2,676,334
<b>Total</b>	<b>2,676,334</b>	<b>2,676,334</b>

### 6. Long-term provisions

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Provision for employee benefits</b>		
Gratuity*	6,767,703	5,497,810
Compensated absences	5,153,802	4,368,078
Provision for post retirement medical benefits*	1,306,672	964,607
<b>Others</b>		
Provision for warranty#	885,250	1,217,500
<b>Total</b>	<b>14,113,427</b>	<b>12,047,995</b>

\* Refer note 30 b

# Refer note 28

### 7. Trade payables

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
(i) total outstanding dues of micro and small enterprises*	4,607,612	663,429
(ii) total outstanding dues of creditor other than micro and small enterprises	71,980,708	33,445,188
<b>Total</b>	<b>76,588,320</b>	<b>34,108,617</b>

\* Refer note 29

### 8. Other current liabilities

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Security Deposit	200,000	1,067,760
Capital creditors	39,845,391	1,509,316
Statutory remittances (contributions to PF and ESIC, withholding taxes, VAT, service tax, etc.)*	20,450,026	16,408,151
Interest payable on statutory remittances	7,727,665	5,619,134
Advances from customers	1,916,696	3,658,517
<b>Total</b>	<b>70,139,778</b>	<b>28,262,878</b>

\* Refer note 36

### 9. Short-term provisions

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Provision for employee benefits</b>		
Gratuity*	571,337	153,025
Compensated absences	414,499	195,670
Provision for post employment medical benefits*	597,944	622,837
<b>Others</b>		
Provision for warranty#	1,095,750	1,001,500
<b>Total</b>	<b>2,679,530</b>	<b>1,973,032</b>

\* Refer note 30b

# Refer note 28

## Notes forming part of the financial statements

### 10. Fixed assets

Description of assets	Gross block			Depreciation/amortisation				Net block			
	As at March 31, 2015	Additions	Deductions	As at March 31, 2016	As at March 31, 2015	For the year	Eliminated on disposal of assets	Transition adjustment recorded against surplus balance in statement of Profit and Loss	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
<b>(A) Tangible assets</b>											
Land - Freehold	83,641,849	-	-	83,641,849	-	-	-	-	-	83,641,849	83,641,849
Buildings	229,883,629	-	-	229,883,629	37,474,432	7,250,089	-	-	44,724,521	185,159,108	192,409,197
Plant and equipment	115,543,518	6,825,741	861,389	121,507,870	53,352,915	11,090,268	818,320	-	63,624,863	57,883,007	62,190,603
Office Equipments	5,349,628	46,922	162,970	5,233,580	4,382,344	407,675	154,824	-	4,635,195	598,385	967,284
Furniture and fixtures	18,737,978	305,270	125,501	18,917,747	6,573,308	2,138,136	63,730	-	8,647,714	10,270,033	12,164,670
Vehicles	50,085,678	8,088,010	6,223,540	51,950,148	26,803,715	9,446,869	4,444,029	-	31,806,555	20,143,593	23,281,963
<b>Sub total (A)</b>	<b>503,242,280</b>	<b>15,265,943</b>	<b>7,373,400</b>	<b>511,134,823</b>	<b>128,586,714</b>	<b>30,333,037</b>	<b>5,480,903</b>	-	<b>153,438,848</b>	<b>357,695,975</b>	
Previous year	500,115,472	9,299,155	6,172,347	503,242,280	94,401,146	36,181,902	4,895,973	2,899,639	128,586,714		374,655,566
<b>(B) Intangible assets</b>											
Technical softwares	16,438,710	1,036,064	-	17,474,774	16,281,530	393,817	-	-	16,675,347	799,427	157,180
Designs and prototypes	35,185,137	-	-	35,185,137	16,669,513	7,037,028	-	-	23,706,541	11,478,596	18,515,624
<b>Sub total (B)</b>	<b>51,623,847</b>	<b>1,036,064</b>	-	<b>52,659,911</b>	<b>32,951,043</b>	<b>7,430,845</b>	-	-	<b>40,381,888</b>	<b>12,278,023</b>	
Previous year	54,159,189	166,425	2,701,767	51,623,847	25,950,895	9,701,915	2,701,767	-	32,951,043		18,672,804
<b>TOTAL (A+B)</b>	<b>554,866,127</b>	<b>16,302,007</b>	<b>7,373,400</b>	<b>563,794,734</b>	<b>161,537,757</b>	<b>37,763,882</b>	<b>5,480,903</b>	-	<b>193,820,736</b>	<b>369,973,998</b>	
Previous year	554,274,661	9,465,580	8,874,114	554,866,127	120,352,041	45,883,817	7,597,740	2,899,639	161,537,757		393,328,370
<b>(C) Capital work in progress</b>										<b>6,728,189</b>	-
<b>(D) Intangible assets under development</b>										<b>295,918,783</b>	90,617,108
<b>Total (A+B+C+D)</b>										<b>672,620,970</b>	<b>483,945,478</b>

### 11. Long-term loans and advances

Particulars	(in Rs.)		Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015		As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>					
Capital advances	5,476,407	8,752,000	ICI Prudential Mutual Fund - ICI Prudential Money Market Fund - Regular Plan - Daily dividend)	-	5,823,669
Security deposits	870,766	865,766	DWS Mutual Fund - DWS Insta Cash Plus Fund - Daily Dividend	-	452,169
Balance with government authorities	3,851,866	-	<b>Total</b>	-	22,120,069
Advance income tax	16,111,585	15,090,555	Repurchase price Rs. Nil (previous year Rs. 22,120,069)		
Prepaid expenses	150,000	-	<b>Mutual Fund</b>		
<b>Total</b>	<b>26,460,624</b>	<b>24,708,321</b>	Kotak Mahindra Mutual Fund - Kotak Floater Short Term - Daily Dividend (Regular Plan)	(15,662)	(1,000)
			ICI Prudential Mutual Fund - ICI Prudential Money Market Fund - Regular Plan - Daily dividend)	(58,161)	(100)
			DWS Mutual Fund - DWS Insta Cash Plus Fund - Daily Dividend	(4,508)	(100)
			(figure in bracket indicate previous year corresponding figure.)		

### 12. Other non-current assets

Particulars	(in Rs.)		Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015		As at March 31, 2016	As at March 31, 2015
<b>Balance with Bank</b>					
In deposit account*	30,000,000	30,000,000	14. Inventories		
<b>Total</b>	<b>30,000,000</b>	<b>30,000,000</b>	(At lower of cost and net realisable value)		

\* held as margin money deposits against bank guarantee

### 13. Current Investments (At lower of cost or fair value, unless other specified)

Particulars	(in Rs.)		Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015		As at March 31, 2016	As at March 31, 2015
<b>Unquoted non trade investments:</b>					
Debt Mutual funds			Raw materials and components	76,605,212	63,770,086
Kotak Mahindra Mutual Fund - Kotak Floater Short Term - Daily Dividend (Regular Plan)	-	15,844,231	(includes in transit of Rs. 383,365; previous year: Rs. 87,488)		
			Finished goods	3,167,799	-
			Stores and spares	1,016,420	913,868
			Loose tools	5,020,185	5,543,955
			<b>Total</b>	<b>85,809,616</b>	<b>70,227,909</b>

## Notes forming part of the financial statements

### 15. Trade receivables

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	1,251,134	1,265,442
Other trade receivables	24,934,337	59,039,300
<b>Total</b>	<b>26,185,471</b>	<b>60,304,742</b>

### 16. Cash and cash equivalents

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
(A) Cash on hand	22,426	26,597
(B) Balances with Banks:		
(i) In current accounts	17,138,140	12,957,024
(ii) In deposit accounts	130,000,000	210,000,000
<b>Sub-total - B</b>	<b>147,138,140</b>	<b>222,957,024</b>
<b>Cash and cash equivalent (As per AS-3 Cash flow statement)</b>	<b>147,160,566</b>	<b>222,983,621</b>
(C) Other Bank Balance:		
In deposit accounts*	30,707,852	1,256,640
<b>Sub-total - C</b>	<b>30,707,852</b>	<b>1,256,640</b>
*held as margin money deposits against bank guarantee		
<b>Total (A) + (B) + (C)</b>	<b>177,868,418</b>	<b>224,240,261</b>

### 17. Short-term loans and advances

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Unsecured, considered good</b>		
Advances for supply of goods and services	3,078,990	5,797,203
Loans and advances to employees	86,818	114,731
Security deposits	312,563	1,179,000
Prepaid expenses	2,236,126	1,489,660
Balance with government authorities	20,891,899	5,633,282
<b>Total</b>	<b>26,606,396</b>	<b>14,213,876</b>

### 18. Other current asset

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Interest accrued on deposits	5,231,584	2,476,549
Insurance receivable	662,380	-
Unbilled revenue	4,840,475	-
<b>Total</b>	<b>10,734,439</b>	<b>2,476,549</b>

### 19. Revenue from operations

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Sale of manufactured products (gross)	154,160,450	141,712,653
Sales of traded goods	42,374,410	8,471,375
Less: Excise duty	2,488,808	12,642,988
Sale of products (Net) <b>Sub-total - A</b>	<b>194,046,052</b>	<b>137,541,040</b>
<b>Other operating revenue</b>		
Sale of services#	7,667,761	7,248,148
Scrap sales (net of excise duty of Rs. 34,411; previous year: Rs. 51,741)	2,241,500	5,557,344
<b>Sub-total - B</b>	<b>9,909,261</b>	<b>12,805,492</b>
<b>Revenue from operations Total A + B</b>	<b>203,955,313</b>	<b>150,346,532</b>

# includes unbilled revenue Rs. 4,227,490 (previous year Rs. Nil)

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Details of sale of manufactured products</b>		
VIP Discreet Vehicle	117,353,980	25,272,192
Light Armoured Vehicle	15,662,072	100,882,195
Police Special Purpose Vehicle	13,902,210	15,558,266
Others	7,242,188	-
	<b>154,160,450</b>	<b>141,712,653</b>
<b>Details of sale of traded goods</b>		
Spare parts and other allied products	42,374,410	8,471,375
<b>Total</b>	<b>42,374,410</b>	<b>8,471,375</b>

### 20. Other income

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Rental income	11,273,843	11,787,429
Dividend received	3,424,678	2,120,069
Interest on fixed deposits	10,833,147	3,986,488
Interest on income tax refund	182,862	-
Excess provision/unclaimed balances written back	1,326,489	7,675,888
Profit on sale of fixed assets	400,490	369,256
Other miscellaneous income	60,155	201,374
Foreign exchange gain (net)	17,372	-
<b>Total</b>	<b>27,519,036</b>	<b>26,140,504</b>

### 21. Cost of materials consumed

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Raw material and components consumed (including processing charges of Rs. 1,398,464) (previous year: Rs. 1,622,742)	97,260,650	57,276,737
	<b>97,260,650</b>	<b>57,276,737</b>
<b>Materials consumed comprise:</b>		
BP Glass	16,564,794	9,636,206
BP Steel (including processing charges)	15,808,721	10,807,176
Ballistic Fabric	1,608,894	265,801
Run Flat Wheel Assembly	8,005,004	10,821,159
Base Vehicle	20,994,712	2,090,750
Paints and Paint items	436,100	1,797,700
Miscellaneous Components and other charges	33,842,425	21,857,945
<b>Total</b>	<b>97,260,650</b>	<b>57,276,737</b>

## Notes forming part of the financial statements

### 22. Purchases of stock-in-trade

Particulars	(in Rs.)		Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015		For the year ended March 31, 2016	For the year ended March 31, 2015
Spare parts	21,971,754	4,582,244	Loss on fixed assets scrapped	106,412	23,400
<b>Total</b>	<b>21,971,754</b>	<b>4,582,244</b>	Loss on sale of fixed assets	16,912	61,422

### 23. Changes in inventories of Finished goods

Particulars	(in Rs.)		Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015		For the year ended March 31, 2016	For the year ended March 31, 2015
Finished goods inventory at the end of the year	3,167,799	–	Communication expenses	1,254,660	1,098,221
Finished goods inventory at the beginning of the year	–	–	Travelling and conveyance expenses	10,054,524	7,139,894
<b>Net change</b>	<b>(3,167,799)</b>	<b>–</b>	Security charges	2,189,515	1,897,903

### 24. Employee benefits expense

Particulars	(in Rs.)		Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015		For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries, wages, bonus, etc.	76,764,404	64,623,536	– Statutory audit	1,300,000	1,000,000
Contribution to provident fund	4,726,015	4,073,308	– Tax audit	175,000	150,000
Gratuity expense	2,464,084	343,903	– Other services	708,424	–
Staff welfare	3,913,353	2,774,293	– Out of pocket expenses	46,052	5,000
<b>Total</b>	<b>87,867,856</b>	<b>71,815,040</b>	Advertisement	799,287	419,921

### 25. Finance costs

Particulars	(in Rs.)		Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015		As at March 31, 2016	As at March 31, 2015
Interest expense on borrowings	108,215	14,200,837	<b>(i) Contingent Liabilities*</b>		
Interest expense on statutory remittances	2,126,813	1,287,682	Excise duty	54,440,809	54,440,809
Interest on MSME trade payables	8,043	173,649	Service tax	–	5,645,103
<b>Total</b>	<b>2,243,071</b>	<b>15,662,168</b>	<b>(ii) Commitments</b>		

### 26. Other expenses

Particulars	(in Rs.)		Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015		For the year ended March 31, 2016	For the year ended March 31, 2015
Stores consumed	1,029,096	837,150	Opening provision	2,219,000	1,139,000
Tools consumed	211,920	88,672	Add: Provision made during the year	265,108	2,647,849
Power and fuel	5,435,680	5,206,789	Less: Provision utilised	503,108	1,567,849
Rent including lease rentals	1,173,687	84,000	<b>Closing provision</b>	<b>1,981,000</b>	<b>2,219,000</b>
Rates and taxes	3,405,841	2,301,945			
Insurance	2,135,151	2,547,888			
<b>Repairs and maintenance</b>					
– Buildings	3,064,611	4,968,773			
– Machinery	5,545,424	5,362,670			
– Others	176,248	229,281			

## Notes forming part of the financial statements

### 29. Disclosure as per Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

(in Rs.)

Micro, Small and Medium enterprises have been identified by the Company on the basis of the information available. Total outstanding dues of Micro and Small enterprises, which are outstanding for more than the stipulated period are given below:

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Amount payable to supplier under MSMED (suppliers) as at the end of year	4,605,650	492,335
– Principal	4,599,569	489,780
– Interest due there on	6,081	2,555
Payment made to supplier beyond the appointed day during the year		
– Principal	361,443	7,997,861
– Interest due there on	–	–
Amount of interest due and payable for delay in payment (which has been paid but beyond the appointed day during the year) but without adding the interest under MSMED	1,962	171,094
Amount of interest accrued and remaining unpaid as at the end of year	8,043	173,649
Amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	292	909

### 30. Disclosure under Accounting Standard (AS) - 15 'Employee Benefits' (Revised): Employee benefits provided to employees as under:

#### a. Defined contribution plan

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
I. Provident fund	4,726,015	4,073,308
II. Employee state insurance corporation	424,260	404,481
III. Labour welfare fund	36,593	32,011

#### b. Defined benefit plan

Particulars	(in Rs.)			
	Gratuity		Post retirement medical benefits	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>I. Change in present obligation during the year</b>				
Present value of obligation at the beginning	5,650,835	5,679,695	1,587,444	1,291,231
Current service cost	1,326,516	1,130,643	120,215	136,561
Interest cost	447,546	443,584	128,674	122,356
Benefits paid	(775,879)	(372,763)	–	–
Actuarial (gain)/ loss on obligation	690,022	(1,230,324)	68,283	37,296
<b>Present value of obligation at the end</b>	<b>7,339,040</b>	<b>5,650,835</b>	<b>1,904,616</b>	<b>1,587,444</b>

Particulars	Gratuity		Post retirement medical benefits			
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2015	For the year ended March 31, 2015
<b>II. Net asset/ (liability) recognized in the balance sheet</b>						
Present value of obligation at the end	7,339,040	5,650,835	1,904,616	1,587,444		
Fair value of plan assets at the end	–	–	–	–		
Net asset/(liability) as at the end	(7,339,040)	(5,650,835)	(1,904,616)	(1,587,444)		
<b>Classification into current and non-current liability</b>						
Short-term liability	(571,337)	(153,025)	(597,944)	(622,837)		
Long-term liability	(6,767,703)	(5,497,810)	(1,306,672)	(964,607)		
<b>III. Expense recognized in the statement of profit and loss</b>						
Current service cost	1,326,516	1,130,643	120,215	136,561		
Interest cost	447,546	443,584	128,674	122,356		
Actuarial (gain)/ loss on obligation	690,022	(1,230,324)	68,283	37,296		
<b>Total expense</b>	<b>2,464,084</b>	<b>343,903</b>	<b>317,172</b>	<b>296,213</b>		
<b>IV. Actuarial assumptions</b>						
Discount rate	7.92%	7.81%	7.92%	7.81%		
Employee turnover rate						
Age(Yrs) Rate						
Upto 30	5%	Upto 30 4%	Upto 30 5%	Upto 30 4%		
31–45	4%	31–45 3%	31–45 4%	31–45 3%		
> 45	3%	> 45 2%	> 45 3%	> 45 2%		
Salary escalation rate	7.50%	7.50%	–	–		
Medical premium inflation rate	–	–	3%	3%		
In service mortality	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)		
<b>V. Effect of one percentage point change in the assumed medical inflation rate</b>						
Effect on the aggregate service and interest cost of post employment medical benefits			12,413	(10,011)	11,094	(8,885)
Effect on the accumulated post employment medical benefits obligation			201,692	(178,565)	173,766	(151,979)
The estimate of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market						



## Notes forming part of the financial statements

### VI. Other disclosures - Gratuity

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
Defined benefit obligation	7,339,040	5,650,835	5,679,695	3,187,669	3,382,370
Net asset/(liability)	(7,339,040)	(5,650,835)	(5,679,695)	(3,187,669)	(3,382,370)
Experience Adjustment on actuarial (gain)/loss on plan obligation	772,250	(316,913)	144,079	(1,028,759)	254,942

31. As the Company's business activities falls within in a single primary business segment viz. 'Fabrication of armoured/unarmoured vehicles' and is a single geographical segment, the disclosure requirements of AS-17, 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006 are not applicable.

### 32. Related party transactions

#### A) List of related parties:

1 Holding company	Mahindra & Mahindra Limited
2 Investor in respect of which the Company is an Associate	Mahindra Defence Systems Limited (subsidiary of Mahindra & Mahindra Limited)
3 Fellow subsidiaries	(i) Mahindra Logistics Limited (ii) Mahindra Defence Naval Systems Private Limited (iii) Mahindra Integrated Business Solutions Private Limited (iv) Mahindra Holidays & Resorts India Limited (v) Mahindra Telephonics Integrated Systems Limited (vi) Mahindra Trucks & Buses Limited (vii) Mahindra Heavy Engines Private Limited (viii) Lords Freight India Private Limited
4 Key management personnel	(i) Mr S P Shukla, Director (ii) Mr Sukhvinder Hayer, Director

#### B) The related party transactions are as under:

(in Rs.)

Nature of transactions	For the year ended March 31, 2016			For the year ended March 31, 2015		
	Holding company	Fellow subsidiaries	Investor in respect of which the Company is an Associate	Holding company	Fellow subsidiaries	Investor in respect of which the Company is an Associate
Issue of equity share capital	-	-	130,000,000	481,000,000	-	329,000,000
Purchases (Gross of taxes)						
a) Goods	42,004,040	86,414	-	6,666,334	67,799	-
b) Fixed assets	1,424,620	1,487,672	-	1,146,404	1,113,661	-
c) Services	2,967,787	4,028,324	2,083,920	-	2,172,932	103,063
Rent paid	1,231,283	-	-	-	-	-
Reimbursement of expenses	9,245,801	-	-	3,020,930	-	-
Sales (Gross of taxes)						
a) Goods	-	-	79,375,042	835,302	21,494	135,514,244
b) Services	4,840,476	-	-	6,494,575	-	-
Lease Rent	-	12,840,355	-	-	13,244,355	-
Expenses recovered	-	2,169,418	-	946,000	1,542,494	-
Security deposit received (net)	-	-	200,000	-	-	-
Closing balance as the year end						
Receivables (including unbilled revenue)	4,994,980	188,033	4,519,818	5,219,032	4,284,961	45,308,167
(Payables)	(18,032,787)	(2,282,823)	(953,040)	-	(806,700)	-
Security deposits	-	(2,676,334)	(200,000)	-	(3,744,094)	-

Significant related party transactions included in the above are as under:

(in Rs.)

Particulars	Company/Key Managerial Personnel Name	For the year ended March 31, 2016	For the year ended March 31, 2015
Issue of equity share capital	Mahindra Defence Systems Limited	130,000,000	481,000,000
Remuneration to key management personnel	Mr. Sukhvinder Hayer, Manager	4,783,245	3,882,822
Purchase of fixed assets	Mahindra Heavy Engines Private Limited	1,487,672	740,592
	Mahindra Truck & Buses Ltd.	-	373,069
Purchase of Goods	Mahindra Truck & Buses Ltd.	86,414	-
Purchase of services	Mahindra Logistics Limited	1,443,082	384,883
	Lords freight India Private Limited	2,431,395	-
	Mahindra Defence Systems Limited	2,083,920	103,063
	Mahindra Holiday & Resorts India Limited	-	1,636,139
Sale of goods	Mahindra Defence Systems Limited	79,375,042	135,514,244
Rent received	Mahindra Telephonics Integrated Systems Limited	12,840,355	13,244,355
Expense recovered	Mahindra Telephonics Integrated Systems Limited	2,169,418	1,542,494
Closing balance as at the year end - Receivables/(Payables)	Mahindra Heavy Engines Private Limited	-	(740,592)
	Mahindra Logistics Limited	(866,233)	(47,830)
	Mahindra Defence Systems Limited	(953,040)	-
	Lords freight India Private Limited	(1,343,360)	-
	Mahindra Telephonics Integrated Systems Limited	188,033	4,263,467
	Mahindra Defence Systems Limited	4,519,818	45,308,167
Security deposit received	Mahindra Telephonics Integrated Systems Limited	2,676,334	3,744,094

### 33. Earnings per share

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Profit/ (loss) after taxation as per the statement of profit and loss - Rs.	(A) (93,079,804)	(91,982,825)
Weighted average number of equity shares outstanding during the year - Nos.	(B) 166,035,519	117,564,384
Earnings per share: (face value - Rs. 10 per share) Basic/diluted - Rs.	(A/B) (0.56)	(0.78)

### 34. Research and development expenditure

- Debited to the statement of profit and loss - Rs 29,748,090 (previous year Rs. 21,589,758) (excluding depreciation and amortisation of Rs. 15,334,651) (previous year: Rs. 16,808,743).
- Capitalization of assets and development work in progress - Rs. 206,301,675 (previous year: Rs. 38,224,647).

### 35. Deferred taxes asset (net)

- Deferred tax assets and liability are being offset as they relate to taxes on income levied by the same governing taxation laws.
- The Company has carried out its tax computation in accordance with the Accounting Standard - 22 'Accounting for Taxes on Income'. In view of absence of virtual certainty of realisation of unabsorbed tax losses, deferred tax assets

## Notes forming part of the financial statements

have been recognised only to the extent of deferred tax liabilities. Major components of deferred tax assets/liabilities are as follows:

Particulars	(in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Deferred tax liability on</b>		
(i) Depreciation on fixed assets	15,881,887	4,439,720
<b>Deferred tax assets on</b>		
(i) Unabsorbed depreciation and brought forward business losses	15,881,887	4,439,720

36. The Company, inter alia, is into the business of bullet proofing and fabrication of vehicles. It carries out such work on vehicles that are either registered in the name of its customers or which are yet to be registered in the name of customers and hence are unregistered.

Up to 31st December 2011, the Company treated the work carried out on registered vehicles as job work and paid Works Contract tax on them while in respect of unregistered vehicles, since work was performed by the Company prior to their sales, it was considered as manufacture and excise duty was paid on them. However, in the year 2012, the Company was legally advised that the determination of the taxes payable should not to be based on whether the work is carried out on registered or unregistered vehicles, but on the basis of the actual nature of work performed on the vehicles. On this basis, the Company was advised, that certain activities of the company are classifiable as 'Services' which will attract Service tax and certain others as 'Manufacture' on which Excise duty is payable. Although, the Company had good reasons to believe that its practices as above were right, as a matter of abundant caution, it had changed over to a revised method of paying Excise duty and Service tax with effect from 1st January 2012. Further, based on its revised practice, it had provided for the possible exposure of service tax amounting to Rs. 70.28 lacs for the period upto 31st December 2011 as per the revised method to be deposited on receipt of clarification sought from the concerned authorities.

In the year 2013, the concerned tax authorities had taken up the matter and after reviewing the activities carried out by the Company, had concluded that all the activities are in the nature of Manufacture and raised an excise duty demand cum show cause notice on the Company. Based thereon, the Company is paying except in case of one product where it has, based on legal advice, submitted to the concerned authorities that the activity performed by it is not in the nature of manufacturing activity and involves rendering of services on which service tax is payable. The management is confident of matter being resolved in its favor and has decided not to pay service tax amounting to Rs. 70.28 lacs pertaining to the period till 31st December 2011 provided for in the year 2012 till further response is received from the concerned tax authorities. The amount is fully provided in the books of accounts including interest for delayed payments.

37. The details of disputed excise duty as on March 31, 2016 which have not been deposited are as follows:

Name of the statute	Nature of duties	Forum where pending	Amount demanded in Rs.*	Amount paid under protest in Rs.	Period to which amount relate
Central Excise Act	Excise duty	CESTAT	104,549,611	22,533,137	2010-2014

\*Amount as per demand orders including interest and penalty wherever indicated in the order.

38. The unhedged of foreign currency exposures are as under:

Particulars	As at March 31, 2016		As at March 31, 2015	
	Amount in foreign currency	Amount in Rs.	Amount in foreign currency	Amount in Rs.
<b>Payables -</b>				
USD	145,784	9,734,019	-	-
EURO	38,808	2,940,832	31,000	2,228,900
GBP	409	39,296	3,086	303,560
<b>Receivable -</b>				
USD	70,474	4,645,646	-	-

### 39. Value of imports on CIF basis

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Raw materials and components	24,971,005	9,455,400
Capital assets	42,099,163	5,035,448
<b>Total</b>	<b>67,070,168</b>	<b>14,490,848</b>

### 40. Value of imported and indigenous raw materials, components, stores and tools consumed

Particulars	For the year ended March 31, 2016		For the year ended March 31, 2015	
	Value	%	Value	%
<b>(a) Raw materials and components</b>				
Imported	19,633,330	20.19%	20,834,910	36.38%
Indigenous	77,627,320	79.81%	36,441,827	63.62%
<b>Total</b>	<b>97,260,650</b>	<b>100.00%</b>	<b>57,276,737</b>	<b>100.00%</b>
<b>(b) Stores and tools</b>				
Indigenous	1,241,016	100.00%	925,822	100.00%
<b>Total</b>	<b>1,241,016</b>	<b>100.00%</b>	<b>925,822</b>	<b>100.00%</b>

### 41. Expenditure in foreign currency (on accrual basis)

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Foreign Travelling	1,936,130	1,149,579
Engineering consultancy services*	67,215,039	3,375,000
<b>Total</b>	<b>69,151,169</b>	<b>4,524,579</b>

\* included under intangible assets under development

### 42. Earnings in foreign currency

Particulars	(in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Export of goods (FOB Value)	3,421,298	-

43. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

44. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

45. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classifications/disclosure.

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

**S. P. Shukla**  
(Director)  
DIN : 00007418

**Mukul Verma**  
(Director)  
DIN : 02428217

**Jagjeet Singh**  
(Chief Financial Officer)

**Sukhvindar Hayer**  
(Director)  
DIN : 07272511

**Mili Hitesh Shah**  
(Company Secretary)

Place : Mumbai  
Date : 18<sup>th</sup> May, 2016

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their fourth report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

**FINANCIAL RESULTS****(Rs. in Lakhs)**

<b>Particulars</b>	<b>For the year ended 31<sup>st</sup> March, 2016</b>	<b>For the year ended 31<sup>st</sup> March, 2015</b>
Gross Income .....	<b>908.26</b>	1064.31
Less: Excise Duty .....	<b>70.10</b>	83.52
Net Income .....	<b>838.16</b>	980.79
Profit Before taxation, Depreciation and Amortisation .....	<b>(194.53)</b>	101.60
Less: Depreciation/Amortisation .....	<b>51.82</b>	38.87
Profit/(Loss) before taxation .....	<b>(246.35)</b>	62.73
Provision for taxation for the year .....	<b>(80.21)</b>	9.36
Profit/(Loss) for the year after taxation .....	<b>(166.14)</b>	53.37
Balance of Profit/(Loss) from earlier years .....	<b>151.13</b>	101.20
Less: Depreciation on transition to Schedule II of the Companies Act, 2013.....	-	3.44
Balance carried forward .....	<b>(15.01)</b>	151.13
Net Worth.....	<b>1488.11</b>	1654.26

No material changes and commitments have occurred after the closure of the financial year to which financial statements relate and the date of this report which would affect the financial position of the Company.

**Operations**

The Financial Year 2015-16 was very difficult for your Company due to delay in inspection, tenders not opened and productions on hold by customer etc. Nonetheless, with the expectation of overcoming of above difficulties in FY 2016-17 and exploring new business opportunities, your Company expects a growing business ahead.

Your Company has completed some new projects this year which includes TLT cap, PF module, Platform, Cross piece and Impact protector. RGB12, RGB60, Canopy, PBGM, Steering knuckle and QTDM continues to be a product of the company this year also.

Because of the above difficulties your Company has net income of Rs. 838.16 Lakhs and Loss after Tax of Rs. 166.14 Lakhs.

Your Company has geared up for entering into the following new areas/projects:

- 1) New Torpedo Defence Systems (NTDS);
- 2) Integrated ASW Defence Suite (IADS);
- 3) Integrated Platform Management System (IPMS).

**Dividend**

In view of loss and further capital investment plans, your Directors do not recommend any dividend for the year under review.

**Share Capital**

During the year under review, the Authorised Share Capital of your Company stood at Rs. 25,00,00,000. The issued and paid up share capital of the Company was Rs. 15,03,13,300 comprising of 1,50,31,330 Equity Shares of the face value Rs. 10 each.

**Board of Directors**

The composition of the Board of Directors is as follows:

Sr. No.	Name of Director	DIN	Category (Executive/ Non-Executive)	Independent/Non Independent
1.	Mr. S P Shukla, Chairman	00007418	Non-Executive	Non Independent
2.	Rear Admiral Sanjiv Kapoor (Retd.)	07138582	Non-Executive	Independent
3.	Dr. Devi Singh	00015681	Non-Executive	Independent
4.	Mr. Zhooben Bhiwandiwala	00110373	Non-Executive	Non Independent
5.	Mr. Narayan Shankar	00109111	Non-Executive	Non Independent
6.	Mr. K. Chandrasekar@	01084215	Non-Executive	Non Independent
7.	Mr. Mukul Verma	02428217	Non-Executive	Non Independent
8.	Mr. Devendra Bhatnagar, Executive Director#	07272516	Executive	Non Independent

@ Resigned w.e.f. 22<sup>nd</sup> April, 2016

# Appointed as an Additional Director w.e.f. 28<sup>th</sup> August, 2015

At the Extra Ordinary General Meeting of the shareholders of the Company held on 30<sup>th</sup> March, 2016, the shareholders have re-appointed Rear Admiral Sanjiv Kapoor (Retd.) (DIN: 07138582) and Dr. Devi Singh (DIN: 00015681) as the Independent Directors of the Company for a period from 31<sup>st</sup> March 2016 to 31<sup>st</sup> March, 2018 (both days inclusive).

Your Company has received the declarations from Rear Admiral Sanjiv Kapoor (Retd.) and Dr. Devi Singh, the Independent Directors, to the effect that they meet the criteria of independence as provided in sub section 6 of Section 149 of Companies Act, 2013.

Mr. Devendra Bhatnagar was appointed as a “Manager” within the meaning of Companies Act, 2013 for period from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> August, 2015. Mr. Devendra Bhatnagar (DIN: 07272516) was appointed as an “Additional Director” on the Board of Directors of the Company at the Board Meeting held on 28<sup>th</sup> August, 2015. At the Extra Ordinary General Meeting of the shareholders of the Company held on 21<sup>st</sup> October, 2015, Mr. Bhatnagar was appointed as a Whole Time Director designated as an “Executive Director” from 1<sup>st</sup> September, 2015 to 31<sup>st</sup> August, 2018. Being an Additional Director, Mr. Bhatnagar holds office only upto the date of the forthcoming Annual General Meeting and is eligible for appointment as a Director. A notice under Section 160(1) of the Act has been received from a Member signifying its intention to propose Mr. Bhatnagar’s appointment as a Director of the Company. Mr. Bhatnagar fulfills all the requirements of sections 196 & 203 of the Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Mr. Bhatnagar is the Whole Time Key Managerial Personnel of the Company as per the provisions of Section 203 of the Act.

Mr. K. Chandrasekar (DIN:01084215) resigned as a Director of the Company w.e.f. 22<sup>nd</sup> April, 2016. The Board places on record the valuable services rendered by Mr. K. Chandrasekar during his tenure as a Director of the Company.

“Zhooben Bhiwandiwala (DIN: 00110373) and Mr. Mukul Verma (DIN: 02428217), Directors, retire by rotation and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.”

**Number of Meetings**

Your Board of Directors met four times during the year under review on 18<sup>th</sup> May, 2015, 28<sup>th</sup> August, 2015, 4<sup>th</sup> December, 2015 and 3<sup>rd</sup> March, 2016.

**The attendance at the meetings of the Board was as under:**

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Mr. S. P. Shukla, Chairman	4
2.	Dr. Devi Singh	4
3.	Rear Admiral Sanjiv Kapoor (Retd.)	2
4.	Mr. Narayan Shankar	2
5.	Mr. Zhooben Bhiwandiwala	1
6.	Mr. Mukul Verma	3
7.	Mr. Devendra Bhatnagar, Executive Director#	2
8.	Mr. K. Chandrasekar@	3

@ Resigned w.e.f. 22<sup>nd</sup> April, 2016.

# Appointed as an Additional Director w.e.f. 28<sup>th</sup> August, 2015

**Committees of the Board**
**(A) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of following members:

1. Rear Adimral Sanjiv Kapoor (Retd.), Chairman
2. Dr. Devi Singh
3. Mr. S. P. Shukla.

The Committee met four times during the year under review i.e. on 18<sup>th</sup> May, 2015, 28<sup>th</sup> August, 2015, 4<sup>th</sup> December, 2015 and 3<sup>rd</sup> March, 2016. The Committee carried out evaluation of every Director's performance.

The attendance at the meetings of the Nomination and Remuneration Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Rear Admiral Sanjiv Kapoor (Retd.), Chairman	2
2.	Dr. Devi Singh, Member	4
3.	Mr. S. P. Shukla, Member	4

#### (B) Audit Committee

The Audit Committee consists of following members:

1. Dr. Devi Singh, Chairman
2. Rear Adimral Sanjiv Kapoor (Retd.)
3. Mr. Mukul Verma.

The Committee met thrice during the year i.e. on 18<sup>th</sup> May, 2015, 4<sup>th</sup> December, 2015 and 3<sup>rd</sup> March, 2016.

The attendance at the meetings of the Audit Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Dr. Devi Singh, Chairman	3
2.	Rear Admiral Sanjiv Kapoor (Retd.), Member	2
3.	Mr. Mukul Verma, Member	2

#### Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Director and Non-Executive Directors. The Directors expressed their satisfaction with the evaluation process.

#### Meeting of Independent Directors

One meeting of the Independent Directors of the Company was held on 4<sup>th</sup> December, 2015 before the Board Meeting without the presence of the Executive Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The above Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### Key Managerial Personnel

Mr. Saurabh Gupta continued as the Chief Financial Officer of the Company. Ms. Divya Nair resigned as a Company Secretary on 19<sup>th</sup> May, 2015. Ms. Vidhi Devani was appointed as a Company Secretary w.e.f. 28<sup>th</sup> August, 2015. At the Extra Ordinary General Meeting of the shareholders of the Company held on 21<sup>st</sup> October, 2015, Mr. Devendra Bhatnagar was appointed as a Whole Time Director designated as an "Executive Director" from 1<sup>st</sup> September, 2015.

#### Policy for remuneration of directors, key managerial personnel and other employees and criteria for appointment/removal of directors and senior management personnel

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved –

- Policy on the appointment/removal of directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of directors.
- Policy on the remuneration of directors, key managerial personnel and other employees.

These policies are provided as **Annexure I** and form part of this report.

#### **Risk Management Policy**

Your Company has formulated Risk Management Policy including therein the elements of risks which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

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

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company and accordingly, your Company does not have a CSR policy.

#### **Policy on prevention of Sexual Harassment**

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

#### **Statutory Auditors**

Messrs. Deloitte Haskins & Sells, Chartered Accountants, (ICAI registration Number 117365W), the Auditors of the Company, were reappointed as Auditors of the Company to hold office from the conclusion of 3<sup>rd</sup> Annual General Meeting ("AGM"), until the conclusion of the 8<sup>th</sup> consecutive AGM of the Company to be held in the year 2020. In terms of Section 139 (1) of Companies Act, 2013, such appointment is required to be ratified by members at every AGM.

As required under the provisions of Section 139 of the Companies Act, 2013, your Company has obtained a written consent from the above Auditors to the effect that their appointment, if made, would be in conformity with the conditions and criteria specified therein.

The members are requested to ratify the appointment of Auditors at the forthcoming AGM and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

The provisions relating to submission of Secretarial Audit Report are not applicable to your Company.

#### **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 Board under Section 143 (12) of the Companies Act 2013, details of which needs to be mentioned in this report.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 are given as **Annexure II** to this Report.

#### **Disclosure of Particulars of Employees as required under Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of Public Deposits, loans, guarantees or investments under Section 186 of the Companies Act, 2013**

Your Company has not accepted deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with requirement of chapter V of the Companies Act, 2013.

The Company has not granted any loans, provided any securities and not made any investments pursuant to Section 186 of the Companies Act, 2013 during the year under review.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

There are no material contracts or arrangements entered with related parties pursuant to Section 188(1) of the Companies Act, 2013.

#### **Extract of Annual Return**

Pursuant to Sub - Section 3(a) of section 134 and Sub - Section (3) of Section 92 of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 in Form No. MGT 9 is attached herewith as **Annexure III** and forms part of this Report.

#### **Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry, your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.

2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3) (c) of the Companies Act, 2013).

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Mumbai, 17<sup>th</sup> May, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### I. POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

#### Purpose

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Defence Naval Systems Private Limited.

#### Policy Statement

We have a well-defined Compensation policy for Directors, Key Managerial Personnel and all employees, including the Chairman, Presidents and other Members of the Group Executive Board who are employees of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

#### NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS:

The Governance, Nomination and Remuneration Committee (GNRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non Executive Directors, including Independent Directors, whether as commission or otherwise. The GNRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges and such other factors as the GNRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

#### Executive Directors:

The remuneration to Chairman & Managing Director and Executive Director(s) shall be recommended by GNRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the GNRC based on their performance.

#### Key Managerial Personnel (KMPs)

The terms of remuneration of Chief Financial Officer (CFO) shall be determined by the Audit Committee from time to time. The terms of remuneration of the Company Secretary shall be finalised/revised either by any Director or Mr. Rajeev Dubey or Mr. V. S. Parthasarathy or Mr. S. Durgashankar or such other person as may be authorised by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of Section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### Employees

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.



## II. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means MAHINDRA DEFENCE NAVAL SYSTEMS PRIVATE LIMITED

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Governance Nomination and Remuneration Committee**” (GNRC) means Governance Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

### I. APPOINTMENT OF DIRECTORS

- The GNRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the GNRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.

3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors

- Based on recommendation of the GNRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman & Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the company, the GNRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### SENIOR MANAGEMENT PERSONNEL

The GNRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman & Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

### II. SUCCESSION PLANNING:

#### Purpose:

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

#### Board:

The successors for the Independent Directors shall be identified by the GNRC atleast one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the GNRC from among the Senior Management or through external source as the Board may deem fit.

The GNRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel:**

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

**Policy Statement**

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

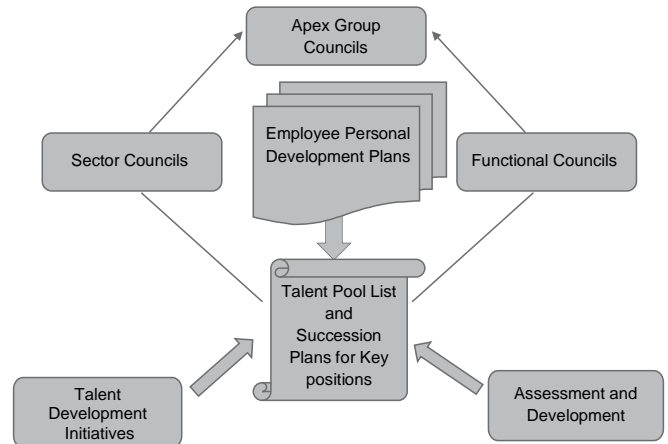
- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

The framework lays down an architecture and processes to address these questions using the **3E** approach :

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of Senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

For and on behalf of the Board

**S. P. Shukla** Director (DIN: 00007418)      **Mukul Verma** Director (DIN: 02428217)

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT**

**PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY**

- (a) the steps taken or impact on conservation of energy: **NIL**
- (b) the steps taken by the company for utilizing alternate sources of energy: **NIL**
- (c) the capital investment on energy conservation equipments: **NIL**

**B. TECHNOLOGY ABSORPTION**

- i) the efforts made towards technology absorption: **NIL**
- ii) the benefits derived like product improvement, cost reduction, product development or import substitution: **NIL**
- iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – **Not Applicable**
  - (a) the details of technology imported:
  - (b) the year of import
  - (c) whether the technology been fully absorbed:
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:
- iv) the expenditure incurred on Research and Development : Rs. 0.50 Crores (Approx.)

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

**Total Foreign Exchange Earned and Used:**

**(Rupees in Lakhs)**

	<b>For the Financial Year ended 31<sup>st</sup> March, 2016</b>	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	Nil	Nil
Total Foreign Exchange Used	4.10	11.54

For and on behalf of the Board

**S P Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Mumbai, 17<sup>th</sup> May, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT****Form No. MGT-9****Extract of Annual Return  
as on the financial year ended on 31st March, 2016**[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES  
(MANAGEMENT AND ADMINISTRATION) RULES, 2014]**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U75144MH2012PTC231267
2.	<b>Registration Date</b>	18 <sup>th</sup> May 2012
3.	<b>Name of the Company</b>	Mahindra Defence Naval Systems Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018 Tel.: 022-24905828
6.	<b>Whether listed company Yes/No</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

All the business activities contributing 10% or more of the total turnover of the Company:

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	PBGM Mine Casing	25200	17.31%
2	RGB12/60	25200	15.54%
3	HAPP – Spares for RGB60	25200	13.60%
4	Canopy	32909	11.73%
5	Arch chamber housing	32909	11.53%

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra Defence Systems Limited	U75220MH2012PLC233889	Holding Company	100%	2 (87) (ii)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)****i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	15031329	1	1,50,31,330	100	1,50,31,329	1	1,50,31,330	100	-
e) Banks/FI	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1)</b>	<b>15031329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>1,50,31,329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>NIL</b>
<b>(2) Foreign</b>	-	-	-	-	-	-	-	-	-
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other -Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):</b>	-	-	-	-	-	-	-	-	-
<b>Total share Holder of Promoter (1+2)</b>	<b>15031329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>1,50,31,329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>NIL</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>15031329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>1,50,31,329</b>	<b>1</b>	<b>1,50,31,330</b>	<b>100</b>	<b>NIL</b>

**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Defence systems Limited	1,50,31,329	100%	–	1,50,31,329	100%	–	NIL
2	Mahindra Defence Systems Limited Jointly with Mr. Narayan Shankar	1	–	–	1	–	–	NIL
	<b>Total</b>	<b>1,50,31,330</b>	<b>100</b>	<b>–</b>	<b>1,50,31,330</b>	<b>100</b>	<b>–</b>	<b>–</b>

**(iii) There is no change in the shareholding of the Promoter Group.**

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	–	–	–	–	–
2	–	–	–	–	–
3	–	–	–	–	–

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

Sr. No.	For Each of the Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	–	–	–	–	–
2	–	–	–	–	–
3	–	–	–	–	–

**V. INDEBTEDNESS:**

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

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i + ii + iii)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>				
• Addition	–	–	–	–
• Reduction	–	–	–	–
<b>Net Change</b>	–	–	–	–
<b>Indebtedness at the end of the financial year 31.03.2016</b>				
i) Principal Amount	–	–	–	–
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i + ii + iii)</b>	–	–	–	–

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lakhs)
		Mr. Devendra Bhatnagar (Executive Director)		
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	18.14	–	18.14
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	10.77	–	10.77
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission			
	– as % of profit	–	–	–
	– others, specify	–	–	–
5.	Others, please specify Provident Fund & other Funds	–	–	–
	Performance Bonus	7.65	–	7.65
	<b>Total (A)</b>	<b>36.56</b>	–	<b>36.56</b>
	Ceiling as per the Act	5% of the net profits of the Company		

**B. Remuneration to other directors:**

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount (Rs. in Lakhs)
		Rear Admiral Sanjeev Kapoor (Retd.)	Dr. Devi Singh	
I.	Independent Directors			
	• Fee for attending board/committee meetings	0.40	1.10	1.50
	• Commission	–	–	–
	• Others	–	–	–
	<b>Total (1)</b>	–	–	–
II.	Other Non-Executive Directors	–	–	–
	• Fee for attending board/committee meetings	–	–	–
	• Commission	–	–	–
	• Others	–	–	–
	<b>Total (2)</b>	–	–	–
	<b>Total (B)=(1 + 2)</b>	–	–	–
	Overall Ceiling as per the Act	1% of the Net profits of the Company		

**C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD**

Sr. No.	Particulars of Remuneration	Name of the KMP			
		Saurabh Gupta, CFO	Divya Nair, CS from 1 <sup>st</sup> April, 2015 to 19 <sup>th</sup> May, 2015	Vidhi Devani, CS from 28 <sup>th</sup> August, 2015 to 31 <sup>st</sup> March, 2016	Total (Rs. in Lakhs)
1.	Gross salary	-	-	-	-
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify..	-	-	-	-
5.	Others, please specify Contribution to Provident Fund	-	-	-	-
6.	<b>Others</b>	<b>1.54</b>	<b>0.49</b>	<b>3.46</b>	<b>5.49</b>
	Performance Bonus	-	-	-	-
	<b>Total(C)</b>	<b>1.54</b>	<b>0.49</b>	<b>3.46</b>	<b>5.49</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NONE**

For and on behalf of the Board

**S. P. Shukla**  
Director  
(DIN: 00007418)

**Mukul Verma**  
Director  
(DIN: 02428217)

Mumbai, 17<sup>th</sup> May, 2016



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF

### MAHINDRA DEFENCE NAVAL SYSTEMS PRIVATE LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA DEFENCE NAVAL SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143 (11) of the Act.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:

- i. The Company disclosed the impact of pending litigations on its financial position in its financial statements- Refer note 25 to the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

- 2) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS**

*Chartered Accountants  
(Firm's Registration No. 117365W)*

**Sunil S Kothari**

*Partner*

*(Membership No. 208238)*

*Place: Pune*

*Date: 17<sup>th</sup> of May 2016*

## ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in Paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 **MAHINDRA DEFENCE NAVAL SYSTEMS PRIVATE LIMITED** (“the Company”) as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management’s Responsibility for Internal Financial Controls

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. 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.

### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**

*Chartered Accountants  
(Firm’s Registration No. 117365W)*

**Sunil S Kothari**

*Partner*

*(Membership No. 208238)*

*Place: Pune*

*Date: 17<sup>th</sup> of May 2016*

## ANNEXURE “B” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause 3(i)(c) of the Order is not applicable.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits hence reporting under clause 3(v) of the Order is not applicable.
- (vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it to the appropriate authorities. As explained to us, the provisions of Employees State Insurance Act, 1948 are not applicable to the Company for the year ended 31<sup>st</sup> March 2016.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Unpaid (Rs.)
The Central Excise Act, 1944	Excise Duty	Office of the Commissioner of Central Excise	March 2011 to May 2012	683,137

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not issued any debentures. The Company has not taken any loan from financial institutions or Government.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) The Company is a private company and hence the provisions of Section 197 of the Companies Act, 2013 do not apply to the Company.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- (xiii) The Company is a private company and hence the provisions of Section 177 of the Companies Act, 2013 are not applicable to the Company. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 188 of the Companies Act, 2013 for transactions with the related parties and details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS**

*Chartered Accountants*  
*(Firm Registration No. 117365W)*

**Sunil S. Kothari**

*Partner*

*(Membership No. 208238)*

*Place: Pune*

*Date: 17<sup>th</sup> of May 2016*

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	(Amount in Rs.)	
		As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital.....	3	150,313,300	150,313,300
(b) Reserves and Surplus.....	4	(1,501,355)	15,112,922
		<u>148,811,945</u>	<u>165,426,222</u>
<b>(2) Non-Current Liabilities</b>			
(a) Long-term provisions .....	6	8,139,491	6,533,708
		<u>8,139,491</u>	<u>6,533,708</u>
<b>(3) Current Liabilities</b>			
(a) Short term borrowings.....	7	7,170,589	–
(b) Trade payables:-	8		
(A) total outstanding dues of micro enterprises and small enterprises; and.....		–	–
(B) total outstanding dues of creditors other than micro enterprises and small enterprises.....		45,988,003	25,246,171
(c) Other current liabilities.....	9	2,124,339	2,921,032
(d) Short-term provisions.....	10	1,337,265	2,028,142
		<u>56,620,196</u>	<u>30,195,345</u>
<b>Total .....</b>		<u><u>213,571,632</u></u>	<u><u>202,155,275</u></u>
<b>II ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets .....	11	41,302,029	36,202,929
(ii) Intangible assets.....		943,920	–
		<u>42,245,949</u>	<u>36,202,929</u>
(b) Long term loans and advances.....	12	9,045,410	8,975,590
(c) Deferred tax assets (net) .....	5	8,105,869	85,246
		<u>59,397,228</u>	<u>45,263,765</u>
<b>(2) Current assets</b>			
(a) Current investments.....	13	–	12,346,875
(b) Inventories .....	14	84,997,146	39,396,863
(c) Trade receivables .....	15	65,045,896	77,650,800
(d) Cash and Cash Equivalents .....	16	60,787	18,034,233
(e) Short-term loans and advances .....	17	4,070,575	9,462,739
		<u>154,174,404</u>	<u>156,891,510</u>
<b>Total .....</b>		<u><u>213,571,632</u></u>	<u><u>202,155,275</u></u>

See Accompanying Notes to the Financial Statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Sunil S. Kothari**  
Partner

Date: Pune  
Place: 17<sup>th</sup> of May 2016

For and on behalf of the Board of Directors

**S. P. Shukla** Director  
**Devendra Bhatnagar** Executive Director  
**Saurabh Gupta** Chief Financial Officer  
**Vidhi Devani** Company Secretary

Date: Mumbai  
Place: 17<sup>th</sup> of May 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	(Amount in Rs.)	
		For the year ended 31 <sup>st</sup> March, 2016 Rupees	For the year ended 31 <sup>st</sup> March, 2015 Rupees
<b>I. Revenue from operations – Gross</b>	<b>18</b>	<b>89,591,563</b>	101,546,085
Less: Excise duty.....		<b>7,009,789</b>	8,351,989
Revenue from operations – Net.....		<b>82,581,774</b>	93,194,096
<b>II. Other Income</b> .....	<b>19</b>	<b>1,234,231</b>	4,885,093
<b>III. Total Revenue</b> .....		<b>83,816,005</b>	98,079,189
<b>IV. Expenses:</b>			
Cost of materials consumed.....	<b>20</b>	<b>28,272,597</b>	34,617,767
Changes in inventories of work-in-progress.....	<b>21</b>	<b>(18,855,969)</b>	(15,693,570)
Employee benefit expense.....	<b>22</b>	<b>29,213,690</b>	25,174,029
Finance costs.....	<b>23</b>	<b>41,020</b>	–
Depreciation and amortization expense.....	<b>11</b>	<b>5,181,952</b>	3,887,389
Other expenses.....	<b>24</b>	<b>64,597,615</b>	43,820,692
<b>Total Expenses</b> .....		<b>108,450,905</b>	91,806,307
<b>V. Profit/(Loss) before exceptional item and tax</b> .....		<b>(24,634,900)</b>	6,272,882
<b>VI. Tax expense:</b>			
(1) Current tax.....		–	1,276,134
(2) Mat Credit.....		–	(409,047)
(4) Deferred Tax.....		<b>(8,020,623)</b>	68,697
		<b>(8,020,623)</b>	935,784
<b>VII. Profit/(Loss) for the year</b> .....		<b>(16,614,277)</b>	5,337,098
<b>VIII. Earning/(Loss) per equity share (Face Value per share Rs.10):</b>			
(1) Basic.....		<b>(1.11)</b>	0.36
(2) Diluted.....		<b>(1.11)</b>	0.36

See Accompanying Notes to the Financial Statements

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Sunil S. Kothari**  
Partner

Date: Pune  
Place: 17<sup>th</sup> of May 2016

For and on behalf of the Board of Directors

**S. P. Shukla** Director  
**Devendra Bhatnagar** Executive Director  
**Saurabh Gupta** Chief Financial Officer  
**Vidhi Devani** Company Secretary

Date: Mumbai  
Place: 17<sup>th</sup> of May 2016

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

Particulars	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before tax: .....		(24,634,900)		6,272,882
<b>Adjustments for:</b>				
Depreciation/Amortisation .....	5,181,952		3,887,389	
Loss/(Profit) on disposal of fixed assets.....	88,229		(21,990)	
Provisions no longer required written back .....	(614,303)		(1,623,960)	
Interest Income .....	(175,808)		–	
Dividend Income from current investments.....	(410,489)		(3,239,143)	
Finance Cost.....	41,020		–	
		<b>4,110,599</b>		<b>(997,704)</b>
Operating profit before Working Capital changes .....		<b>(20,524,301)</b>		<b>5,275,178</b>
Adjustments for changes in Working capital and other provisions:				
Trade Receivables .....	12,604,903		(25,003,702)	
Loans and advances .....	5,392,163		(7,736,330)	
Inventories.....	(45,600,283)		(19,650,094)	
Trade Payables .....	20,741,832		7,009,616	
Provisions & Other liabilities .....	1,960,102		(6,677,476)	
		<b>(4,901,281)</b>		<b>(52,057,986)</b>
Cash generated from operations.....		<b>(25,425,581)</b>		<b>(46,782,808)</b>
Direct Tax paid.....		<b>(1,376,745)</b>		<b>(1,140,103)</b>
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES.....</b>		<b>(26,802,326)</b>		<b>(47,922,911)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Fixed Assets:				
Purchase .....	(11,238,862)		(3,790,703)	
Sale .....	5,000		27,999	
Investments:				
Purchase .....	–		(8,239,144)	
Sale .....	12,346,875		71,201,143	
Interest received .....	175,808		–	
Dividend received.....	410,489		3,239,143	
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES.....</b>		<b>1,699,310</b>		<b>62,438,438</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds/(repayment) of short term borrowings.....	7,170,589		–	
Finance Cost.....	(41,020)		–	
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>7,129,569</b>		<b>–</b>



Particulars	(Amount in Rs.)			
	Year ended 31 <sup>st</sup> March, 2016		Year ended 31 <sup>st</sup> March, 2015	
	Rupees	Rupees	Rupees	Rupees
<b>D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(17,973,446)</b>		14,515,528
Cash and Cash Equivalents (Opening balance).....		<b>18,034,233</b>		3,518,705
Cash and Cash Equivalents (Closing balance) .....		<b>60,787</b>		18,034,233

**Notes:**

1. Figures in brackets represent outflows of cash and cash equivalents.
2. Cash and cash equivalents comprise of:

	As at 31 <sup>st</sup> Mar, 2016	As at 31 <sup>st</sup> Mar, 2015
	Rs.	Rs.
Cash on hand	<b>50,572</b>	1,407
Balance with Banks	<b>10,215</b>	18,032,826
	<b>60,787</b>	18,034,233

In terms of our report attached  
For **Deloitte Haskins & Sells**  
*Chartered Accountants*

**Sunil S. Kothari**  
*Partner*

Date: Pune  
Place: 17<sup>th</sup> of May 2016

For and on behalf of the Board of Directors

**S. P. Shukla** Director  
**Devendra Bhatnagar** Executive Director  
**Saurabh Gupta** Chief Financial Officer  
**Vidhi Devani** Company Secretary

Date: Mumbai  
Place: 17<sup>th</sup> of May 2016

## Notes forming part of the financial statements

### 1. Corporate Information:

Mahindra Defence Naval Systems Private Limited ("the Company") was incorporated on 18<sup>th</sup> May, 2012. The Company is in the business of manufacturing products of Underwater Armament applications for Indian Navy in addition to supporting indigenisation efforts of Ordnance Factories and providing R&D support to Defence Research and Development Organisation in the fields of Composites, Mechanical and Electronics.

The Company is 100% subsidiary of the Mahindra Defence Systems Limited.

### 2. Statement of Significant accounting policies:

#### (a) Basis of Accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, as applicable. 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.

#### (b) Operating Cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

#### (c) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### (d) Inventories:

Inventories are valued at the lower of cost and the net realisable value. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. In determining the cost of raw materials, components, stores and spares and loose tools the moving weighted average cost method is used. Cost of work in progress and manufactured finished goods include the combined cost of material, labour and production overheads.

#### (e) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### (f) Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### (g) Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Assets costing less than Rs. 5,000 each are fully depreciated in the year of capitalization.

#### (h) Revenue Recognition

**Sale of goods:** Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include excise duty but exclude sales tax and value added tax.

**Sale of Services:** Income from services rendered is accounted for when services are rendered as per contract terms.

#### (i) Other Income

Dividend income is accounted for when the right to receive it is established. Interest Income is accounted on accrual basis.

#### (j) Fixed Assets (Tangible)

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

#### (k) Foreign Currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at year end exchange rates and the profit/loss so determined and also the realised exchange gains/losses are recognised in the Statement of Profit and Loss.

#### (l) Investments

Current investments are carried individually, at the lower of cost and fair value.

#### (m) Employee Benefits:

Employee benefits include gratuity, provident fund, post employment medical benefits and compensated absences under the approved scheme of the company.

**Defined Contribution Plan:** The Company's contribution to provident fund is considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

**Defined Benefit Plan:** For defined benefit plans in the form of gratuity fund and post-employment medical benefits, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur.

**Short-term employee benefits:** The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

**Long term employee benefits:** Compensated absences which are not expected to occur within twelve months after the end

of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled. Long Service Awards are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date.

**(n) Earnings per share**

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**(o) Taxes on Income:**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

**(p) Provisions and contingencies**

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

**(q) Provision for warranty**

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures.

As per the terms of the contracts, the Company provides post-contract services/warranty support to some of its customers. The Company accounts for the post-contract support/provision for warranty on the basis of the information available with the Management duly taking into account the current and past technical estimates.

**NOTE 3 - SHARE CAPITAL**

(Amount in Rs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
<b>Authorised:</b>		
25,000,000 (Previous Year: 25,000,000)		
Equity shares of Rs.10 each	<b>250,000,000</b>	250,000,000
	<b>250,000,000</b>	250,000,000
<b>Issued, subscribed and Paid up:</b>		
15,031,330 (Previous Year: 15,031,330)		
Equity shares of Rs.10 each fully paid up	<b>150,313,300</b>	150,313,300
<b>Total</b>	<b>150,313,300</b>	150,313,300

**i) Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:**

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	No. of shares	Rs.	No. of shares	Rs.
No. of shares outstanding at the beginning of the year				
- Equity shares	<b>15,031,330</b>	<b>150,313,300</b>	15,031,330	150,313,300
No. of shares outstanding at the end of the year				
- Equity shares	<b>15,031,330</b>	<b>150,313,300</b>	15,031,330	150,313,300

**Note:**

Out of above, 13,481,330 (Previous year 13,481,330) shares have been allotted as fully paid pursuant to a business transfer agreement for consideration other than cash.

**ii) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:**

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	% of holding	No. of Shares	% of holding	No. of Shares
<b>Equity Shares:</b>				
Mahindra & Mahindra (Ultimate Holding Company)				
- held by Mahindra Defence Systems Limited either on its own or jointly with others (subsidiary of Mahindra & Mahindra)	<b>100%</b>	<b>15,031,330</b>	100%	15,031,330

**iii) Number of shares held by holding company, the ultimate holding company, their subsidiaries and associates.**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Mahindra Defence Systems Limited either on its own or jointly with others (the holding company)	<b>15,031,330</b>	15,031,330

iv) The company has only one class of shares having par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share and in the event of liquidation, has rights proportionate to their shareholdings over the residual assets after paying out all the liabilities.

**NOTE 4 - RESERVES AND SURPLUS**

(Amount in Rs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
<b>Surplus i.e. Balance in Statement of Profit and Loss</b>		
As per last Balance Sheet	15,112,922	10,120,078
Add: Profit/(Loss) for the year	(16,614,277)	5,337,098
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life [Net of deferred tax - Rs. Nil (Previous year Rs. 153,943)] (Refer Note 29)	-	344,254
<b>Total</b>	<b>(1,501,355)</b>	<b>15,112,922</b>

**NOTE 5 - (i) Break up of deferred tax liability as at year end:**

Nature of timing difference	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Provision for Depreciation	2,732,234	2,186,202
<b>Total</b>	<b>2,732,234</b>	<b>2,186,202</b>

**(ii) Break up of deferred tax asset as at year end:**

Nature of timing difference	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Provision for Employee Benefits, Section 40(a) etc.	2,990,117	2,271,448
Brought Forward Losses	7,847,986	-
<b>Total</b>	<b>10,838,103</b>	<b>2,271,448</b>
<b>(iii) Deferred tax asset/(liability) net:</b>	<b>8,105,869</b>	<b>85,246</b>

**Note:**

The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the Management's estimates of future profits considering the definite customer orders, hence establishing virtual certainty.

**NOTE 6 - LONG-TERM PROVISION**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
<b>a. Provision for Employee Benefits</b>		
(i) Provision for compensated absences	2,812,716	2,090,587
(ii) Provision for gratuity (net) (Refer Note 32)	4,223,720	3,566,488
(iii) Provision for post-employment medical benefits (net) (Refer Note 32)	1,103,055	876,633
<b>Total</b>	<b>8,139,491</b>	<b>6,533,708</b>

**NOTE 7 - SHORT-TERM BORROWINGS**

(Amount in Rs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Loans repayable on demand		
- From Banks (Unsecured)		
(1) Cash Credit	7,170,589	-
<b>Total</b>	<b>7,170,589</b>	<b>-</b>

**NOTE 8 - TRADE PAYABLES**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Trade payables (Refer note 27) :-		
(A) total outstanding dues of micro enterprises and small enterprises; and	-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	45,988,003	25,246,171
<b>Total</b>	<b>45,988,003</b>	<b>25,246,171</b>

**NOTE 9 - OTHER CURRENT LIABILITIES**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
<b>Other payables</b>		
(i) Statutory remittances (Contributions to PF, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	1,575,185	797,792
(ii) Payables on purchase of fixed assets	395,598	412,298
(iii) Advances from customers	153,556	1,710,942
<b>Total</b>	<b>2,124,339</b>	<b>2,921,032</b>

**NOTE 10 - SHORT-TERM PROVISION**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
<b>(a) Provision for Employee Benefits:</b>		
(i) Provision for compensated absences	237,503	76,737
(ii) Provision for gratuity (net) (Refer Note 32)	287,362	96,412
(iii) Provision for post-employment medical benefits (net) (Refer Note 32)	35,846	29,805
<b>(b) Provision-Others:</b>		
(i) Provision for tax (net of advance tax Rs. Nil (Previous year - Rs. 65,248))	-	1,210,886
(ii) Provision for warranty (Refer Note 36)	776,554	614,303
<b>Total</b>	<b>1,337,265</b>	<b>2,028,142</b>

NOTE 11 - FIXED ASSET

(Amount in Rs.)

Particulars	Gross Block				Depreciation					Net Block	
	As at 1 <sup>st</sup> April, 2015 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 1 <sup>st</sup> April, 2015 Rs.	For the year Rs.	On Disposals Rs.	Transition adjustment's recorded against Surplus balance in Statement of Profit and Loss Rs.	Upto 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>TANGIBLE ASSETS</b>											
Plant and equipment	33,544,082 (32,145,082)	5,243,800 (1,399,000)	- (-)	<b>38,787,882</b> <b>(33,544,082)</b>	6,058,089 (3,847,195)	2,561,636 (2,210,894)	- (-)	- (-)	<b>8,619,725</b> <b>(6,058,089)</b>	<b>30,168,157</b> <b>(27,485,993)</b>	27,485,993 (28,297,887)
Computers	1,714,909 (511,623)	334,570 (1,203,286)	- (-)	<b>2,049,479</b> <b>(1,714,909)</b>	520,397 (189,076)	463,918 (150,383)	- (-)	- (180,938)	<b>984,315</b> <b>(520,397)</b>	<b>1,065,164</b> <b>(1,194,512)</b>	1,194,512 (322,547)
Office Equipments	1,314,148 (944,452)	18,000 (369,696)	- (-)	<b>1,332,148</b> <b>(1,314,148)</b>	290,442 (97,098)	260,451 (193,344)	- (-)	- (-)	<b>550,893</b> <b>(290,442)</b>	<b>781,255</b> <b>(1,023,706)</b>	1,023,706 (847,354)
Furniture and fixtures	6,115,754 (5,731,018)	792,558 (384,736)	- (-)	<b>6,908,312</b> <b>(6,115,754)</b>	1,299,378 (384,223)	666,898 (607,905)	- (-)	- (307,250)	<b>1,966,276</b> <b>(1,299,378)</b>	<b>4,942,036</b> <b>(4,816,376)</b>	4,816,376 (5,346,795)
Vehicles	3,193,775 (3,313,985)	3,749,373 -	348,966 (120,210)	<b>6,594,182</b> <b>(3,193,775)</b>	1,511,433 (890,762)	993,069 (724,863)	255,737 (114,201)	- (10,009)	<b>2,248,765</b> <b>(1,511,433)</b>	<b>4,345,417</b> <b>(1,682,342)</b>	1,682,342 (2,423,223)
<b>Total</b>	<b>45,882,668</b> <b>(42,646,160)</b>	<b>10,138,301</b> <b>(3,356,718)</b>	<b>348,966</b> <b>(120,210)</b>	<b>55,672,003</b> <b>(45,882,667)</b>	<b>9,679,739</b> <b>(5,408,354)</b>	<b>4,945,972</b> <b>(3,887,389)</b>	<b>255,737</b> <b>(114,201)</b>	<b>-</b> <b>(498,197)</b>	<b>14,369,974</b> <b>(9,679,739)</b>	<b>41,302,029</b> <b>(36,202,929)</b>	<b>36,202,929</b> <b>-</b>
<b>INTANGIBLE ASSETS</b>											
Others											
Software	- (-)	1,179,900 (-)	- (-)	<b>1,179,900</b> <b>(-)</b>	- (-)	235,980 (-)	- (-)	- (-)	<b>235,980</b> <b>(-)</b>	<b>943,920</b> <b>(-)</b>	- (-)
<b>Total</b>	<b>-</b> <b>(-)</b>	<b>1,179,900</b> <b>(-)</b>	<b>-</b> <b>(-)</b>	<b>1,179,900</b> <b>(-)</b>	<b>-</b> <b>(-)</b>	<b>235,980</b> <b>(-)</b>	<b>-</b> <b>(-)</b>	<b>-</b> <b>(-)</b>	<b>235,980</b> <b>(-)</b>	<b>943,920</b> <b>(-)</b>	<b>-</b> <b>(-)</b>
<b>Grand Total</b>	<b>45,882,668</b> <b>(42,646,160)</b>	<b>11,318,201</b> <b>(3,356,718)</b>	<b>348,966</b> <b>(120,210)</b>	<b>56,851,903</b> <b>(45,882,667)</b>	<b>9,679,739</b> <b>(5,408,354)</b>	<b>5,181,952</b> <b>(3,887,389)</b>	<b>255,737</b> <b>(114,201)</b>	<b>-</b> <b>(498,197)</b>	<b>14,605,954</b> <b>(9,679,739)</b>	<b>42,245,949</b> <b>(36,202,929)</b>	<b>36,202,929</b> <b>-</b>

Note: Figures in bracket relate to previous year.  
Also refer Note 30.

NOTE 12 - LONG TERM LOANS AND ADVANCES

(Amount in Rs.)

Particulars	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
	Unsecured, considered good	
(a) Capital Advances	<b>2,197,920</b>	2,293,960
(b) Security deposits	<b>5,422,663</b>	5,422,663
(c) Mat Credit	<b>409,047</b>	409,047
(d) Advance income tax (net of provisions of Rs. 4,860,138 (Previous year - Rs. 4,860,138) - Unsecured, considered good	<b>1,015,779</b>	849,920
<b>Total</b>	<b>9,045,410</b>	<b>8,975,590</b>

NOTE 13 - CURRENT INVESTMENTS

(Amount in Rs.)

Particulars	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
	CURRENT INVESTMENTS (Unquoted) (Non-Trade) (at cost or fair value whichever is lower)	
<b>Investments in Mutual funds</b>		
Nil (Previous Year-28,745) units of ICICI Prudential Money Market Fund - Regular Plan - Daily Growth	-	5,554,982
Nil (Previous Year - 4,491) units of Super Insti Growth - Taurus Liquid Fund	-	6,791,893
Net Asset Value Rs. Nil (Previous Year Rs. 12,346,875)	-	
<b>Total</b>	<b>-</b>	<b>12,346,875</b>

NOTE 14 - INVENTORIES

(at cost or net realisable value whichever is lower)

Particulars	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
	(a) Raw materials (Refer Note (i) below)	<b>39,494,841</b>
(b) Work-in-Progress (Refer Note (ii) below)	<b>37,938,684</b>	19,082,715
(c) Stores and spares	<b>5,043,383</b>	3,902,198
(d) Loose tools	<b>2,520,238</b>	296,632
<b>Total</b>	<b>84,997,146</b>	<b>39,396,863</b>

(i) Details of raw material stock under broad heads.

Particulars	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Chemicals	<b>8,892,547</b>	5,687,481
Aluminium	<b>2,454,416</b>	2,357,215
Steel components	<b>22,725,939</b>	2,974,847
Electronics components	<b>94,290</b>	2,073,424
Others	<b>5,327,649</b>	3,022,351
<b>Total</b>	<b>39,494,841</b>	<b>16,115,318</b>

## (ii) Details of Work in Progress Stock under broad heads.

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Arch Chamber Housing (ACH)	4,645,048	2,779,052
Rocket Guidance Bomb 12	4,742,483	89,707
RECOIL	3,228,980	-
Rocket Guidance Bomb 60	10,450,003	6,829,632
Processor Base Ground Mine	5,025,477	3,630,364
PF War Head	3,772,109	217,651
Others/Projects	6,074,584	5,536,309
<b>Total</b>	<b>37,938,684</b>	<b>19,082,715</b>

## NOTE 15 - TRADE RECEIVABLES

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>Unsecured</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	12,467,234	21,141,329
Considered Doubtful	-	-
	<b>12,467,234</b>	<b>21,141,329</b>
Less: Provision for doubtful trade receivables	-	-
	<b>12,467,234</b>	<b>21,141,329</b>
Other Trade receivables		
Considered good	52,578,662	56,509,471
Considered Doubtful	-	-
	<b>52,578,662</b>	<b>56,509,471</b>
Less: Provision for doubtful trade receivables	-	-
	<b>52,578,662</b>	<b>56,509,471</b>
<b>Total</b>	<b>65,045,896</b>	<b>77,650,800</b>

## NOTE 16 - CASH AND CASH EQUIVALENTS

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Cash and Cash Equivalents		
(a) Cash on hand	50,572	1,407
(b) Balances with banks		
(i) In current accounts	10,215	18,032,826
<b>Total</b>	<b>60,787</b>	<b>18,034,233</b>

## NOTE 17 - SHORT-TERM LOANS AND ADVANCES

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
Unsecured, considered good		
(a) Prepaid expenses	259,777	189,049
(b) Balances with government authorities		
(i) CENVAT credit receivable	870,292	51,977
(ii) VAT credit receivable	-	-
(iii) Service Tax credit receivable	1,152,589	346,793
(c) Advance to Supplier	1,787,917	8,874,920
<b>Total</b>	<b>4,070,575</b>	<b>9,462,739</b>

## NOTE 18 - REVENUE FROM OPERATIONS-NET

(Amount in Rs.)

Particulars	(Amount in Rs.)	
	For the year ended 31 <sup>st</sup> March, 2016 Rs.	For the year ended 31 <sup>st</sup> March, 2015 Rs.
Sale of products (Refer Note (i) below)	89,362,820	100,531,729
Sale of Service (Refer Note (iii) below)	-	874,417
Other operating revenues (Refer Note (ii) below)	228,743	139,939
	<b>89,591,563</b>	<b>101,546,085</b>
Less: Excise Duty	7,009,789	8,351,989
<b>Total</b>	<b>82,581,774</b>	<b>93,194,096</b>

Note:

Particulars	(Amount in Rs.)	
	For the year ended 31 <sup>st</sup> March, 2016 Rs.	For the year ended 31 <sup>st</sup> March, 2015 Rs.
(i) Sale of products comprises of:		
<u>Manufactured goods</u>		
Bomb Body casing	5,150,216	-
Single Tube launcher including spares	-	25,000,000
RGB 12/60	12,800,506	-
Mobile Decoy	-	2,832,049
Hose	-	1,099,800
Mask	-	1,449,418
Power Unit	-	3,062,026
Magazine Box	-	10,341,300
PF War Head casing	-	13,568,955
Canopy	9,663,140	5,403,009
HAPP - Spares for RGB60	11,203,922	3,070,298
Arch Chamber Housing	9,498,896	18,113,837
PBGM Mine casing	14,252,101	-
Recoil Systems	5,024,342	-
Impact Protector	4,930,825	-
PLT Caps	2,261,869	-
Crosspece-INS TUINIR	2,358,152	-
Others	5,209,062	8,239,048
<b>Total - Sale of manufactured goods</b>	<b>82,353,031</b>	<b>92,179,740</b>

(ii) Other operating revenues comprises of:

Scrap Sales	228,743	139,939
<b>Total - Other operating revenue</b>	<b>228,743</b>	<b>139,939</b>

(iii) Sale of services comprises of:

Annual Maintenance Contract	-	874,417
<b>Total - Sale of services</b>	<b>-</b>	<b>874,417</b>

<b>Total Revenue</b>	<b>82,581,774</b>	<b>93,194,096</b>
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## NOTE 19 - OTHER INCOME

Particulars	(Amount in Rs.)	
	For the year ended 31 <sup>st</sup> March, 2016 Rs.	For the year ended 31 <sup>st</sup> March, 2015 Rs.
(a) Dividend income:		
from current investments	410,489	3,239,143
(b) Profit on sale of Assets	-	21,990
(c) Provisions no longer required written back	614,303	1,623,960
(d) Net gain on foreign currency transactions and translation.	33,631	-
(e) Interest Income from fixed deposits	175,808	-
<b>Total</b>	<b>1,234,231</b>	<b>4,885,093</b>

**NOTE 20 - COST OF MATERIAL CONSUMED**

(Amount in Rs.)

Particulars	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
Opening stock	16,115,318	13,250,814
Add: Purchases and Freight	51,652,120	37,482,271
Less: Closing stock	39,494,841	16,115,318
<b>Cost of materials consumed</b>	<b>28,272,597</b>	<b>34,617,767</b>

Materials consumed comprise:	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
Chemicals	13,250,595	8,124,641
Aluminium	1,276,153	3,068,956
Steel components	12,985,854	19,045,704
Electronics components	63,237	799,295
Others	696,758	3,579,171
<b>Cost of materials consumed</b>	<b>28,272,597</b>	<b>34,617,767</b>

**NOTE 21 - CHANGES IN INVENTORIES OF WORK-IN-PROGRESS**

Particulars	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
<b>Opening stock</b>		
Work-in-progress	19,082,715	3,389,145
<b>Closing stock</b>		
Work-in-progress	37,938,684	19,082,715
<b>Total</b>	<b>(18,855,969)</b>	<b>(15,693,570)</b>

**NOTE 22 - EMPLOYEE BENEFIT EXPENSE**

Particulars	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
Salaries and wages	25,146,006	21,089,246
Contribution to provident and other funds	1,310,750	1,103,053
Gratuity Expense (Refer Note 32)	848,182	1,166,307
Post retirement medical benefit	232,463	222,531
Expense on Employee Stock option (ESOP) Scheme *	12,535	33,876
Staff welfare expenses	1,663,754	1,559,016
<b>Total</b>	<b>29,213,690</b>	<b>25,174,029</b>

\* represents reimbursement of cost to holding company, towards ESOP's granted by the Holding Company to the employees of the Company

**NOTE 23 - FINANCE COSTS**

(Amount in Rs.)

Particulars	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
Interest expense:		
– Others	41,020	–
<b>Total</b>	<b>41,020</b>	<b>–</b>

**NOTE 24 - OTHER EXPENSES**

Particulars	For the	For the
	year ended 31 <sup>st</sup> March, 2016 Rs.	year ended 31 <sup>st</sup> March, 2015 Rs.
Consumption of stores and spare parts	20,838,339	12,909,358
Contract Labour charges	9,089,747	8,675,407
Power and fuel	2,237,765	2,016,360
Rent	8,230,950	7,788,966
Repairs and maintenance		
Machinery	856,378	240,743
Building	244,590	–
Others	1,665,223	1,297,807
	2,766,191	1,538,550
Insurance	522,519	467,988
Rates & Taxes (excluding taxes on income)	207,221	106,496
Payment to Auditors		
Audit fees	650,000	450,000
Out of pocket expenses reimbursed	41,679	44,664
	691,679	494,664
Development & Testing Charges	2,500,086	465,706
Freight Outward	1,865,483	950,066
Shared Service Charges	2,163,984	194,413
Travelling & Conveyance	4,031,125	3,089,383
Loss on disposal of fixed assets	88,229	–
Provision for warranty	776,554	614,303
Security Service Charges	1,069,343	837,124
Professional Fess	3,168,574	2,300,437
Director Fee	150,000	–
Foreign Exchange Loss	–	35,018
Bank Charges	302,380	263,590
Postage & Telecommunication expenses	466,668	323,565
Business promotion expenses	192,035	211,719
Advertisement	1,694,425	149,200
Software Charges	1,086,800	9,125
Miscellaneous expenses	457,518	379,254
<b>Total</b>	<b>64,597,615</b>	<b>43,820,692</b>

**NOTE 25 - CONTINGENT LIABILITY NOT PROVIDED FOR IN RESPECT OF:**

Particulars	As at	As at
	31 <sup>st</sup> March, 2016 Rs.	31 <sup>st</sup> March, 2015 Rs.
Disputed Excise Duty	683,137	683,137

**NOTE 26 - COMMITMENTS**

(Amount in Rs.)

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
(i) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for		
Tangible assets	908,519	5,215,779

**NOTE 27 -**

Based on the information available with the company, none of the company's creditors are registered as micro and small enterprises. This has been relied upon by the auditors.

**NOTE 28 - CIF VALUE OF IMPORTS**

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	Rs.	Rs.
Raw materials	-	1,586,237
<b>Total</b>	<b>-</b>	<b>1,586,237</b>

**Note 29 - VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED:**

Particulars	For the year ended		For the year ended	
	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	-	0%	1,156,653	3%
Indigenously obtained	28,272,597	100%	33,461,114	97%
<b>Total</b>	<b>28,272,597</b>		<b>34,617,767</b>	

**Note 30 - CHANGE IN THE METHOD OF DEPRECIATION**

During the previous year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Company changed its method of depreciation for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM). Consequent to this change, all assets are now being depreciated under SLM. The Company also revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. Further, assets individually costing Rs. 5,000/- or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Company for the respective category of assets. The details of previously applied depreciation method, rates/useful life are as follows:

Asset	Previous depreciation method	Previous useful life	Revised useful life based on SLM
Computers and Data Processing Equipment	SLM	6.2 years	3 years
General Plant and Machinery	SLM	21 years	15 years
Furniture and Fixtures	SLM	15.9 years	10 years
Office Equipment	SLM	5 years	5 years
Vehicles	SLM	6.8 years	5 years

Pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Company has fully depreciated the carrying value of assets (determined after considering the change in the method of depreciation from WDV to SLM), net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of Rs. 4,98,197/- (net of deferred tax of Rs. 153,943/-) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

The depreciation expense in the Statement of Profit and Loss for the previous year is higher by Rs. 877,084/- consequent to the above change in the useful life of the assets.

**NOTE 31 - THE NET EXCHANGE DIFFERENCES ARISING DURING THE YEAR ENDED 31 MARCH, 2016:**

- (i) recognised appropriately in the Statement of profit and loss - net gain - Rs. 33,631 (Previous Year loss of Rs. 35,018)

**NOTE 32 - DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS ARE AS UNDER:**
**(A) Defined Contribution Plan**

Amount recognized as an expense in the Statement of Profit and Loss in respect of Defined Contribution Plans is Rs. 1,310,750. (Previous year Rs. 1,103,053)

**(B) Defined Benefit Plan**

- i) Actuarial gains and losses in respect of defined benefit plans are recognised in the Statement of Profit & Loss.
- ii) The Defined Benefit Plans comprise of Gratuity and Post Retirement Medical Benefits.

Gratuity is a benefit to an employee based on 15 days of last drawn salary for each completed year of service.

Post retirement benefit provides hospitalization benefit for the employee and spouse post retirement till the employee reaches the age of 75.

Particulars	(Amount in Rs.)			
	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
	As at 31/3/2016	As at 31/3/2015	As at 31/3/2016	As at 31/3/2015
<b>(C) Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows:</b>				
1) Present Value of Defined Benefit Obligation at the beginning of the year	3,662,900	2,496,593	906,438	683,908
2) Acquisition adjustment		-		-
3) Current Service cost	611,575	494,108	251,273	191,603
4) Interest Cost	291,201	194,984	80,750	70,132
5) Actuarial (gains)/losses	(54,594)	477,215	(99,560)	(39,204)
6) Benefits paid			-	-
7) Present value of Defined Benefit Obligation at the end of the year	4,511,082	3,662,900	1,138,900	906,438

**(D) Analysis of Defined Benefit Obligation:**

Particulars	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
	As at 31/3/2016	As at 31/3/2015	As at 31/3/2016	As at 31/3/2015
1) Defined Benefit Obligation as at the end of the year	4,511,082	3,662,900	1,138,900	906,438
2) Fair Value of Plan assets at the end of the year	-	-	-	-
3) Net (Asset)/Liability recognized in the Balance Sheet as at the year end	4,511,082	3,662,900	1,138,900	906,438



	(Amount in Rs.)			
	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
<b>(E) Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet:</b>				
1) Present value of Defined Benefit Obligation as at the year end	4,511,082	3,662,900	1,138,900	906,438
2) Fair value of plan assets	-	-	-	-
3) Funded status [Surplus/(Deficit)]	(4,511,082)	(3,662,900)	(1,138,900)	(906,438)
<b>4) Net asset/(Liability) recognized in Balance Sheet</b>	<b>(4,511,082)</b>	<b>(3,662,900)</b>	<b>(1,138,900)</b>	<b>(906,438)</b>

	(Amount in Rs.)			
	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
<b>(F) Components of employer expenses recognized in the statement of profit and loss:</b>				
1) Current Service cost	611,575	494,108	251,273	191,603
2) Interest cost	291,201	194,984	80,750	70,132
3) Actuarial Losses/ (Gains)	(54,594)	477,215	(99,560)	(39,204)
<b>4) Total expense recognised in the Statement of Profit &amp; Loss under Note 21 - Employee Benefit Expenses</b>	<b>848,182</b>	<b>1,166,307</b>	<b>232,463</b>	<b>222,531</b>

	(Amount in Rs.)			
	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
<b>(G) Principal Actuarial Assumptions:</b>				
1) Discount Rate (%)	7.95%	7.81%	7.95%	7.81%
2) Salary Escalation (%)	10.00%	10.00%	-	-
3) Medical Cost Inflation (%)	-	-	3.00%	3.00%

	(Amount in Rs.)			
	Gratuity (Unfunded)		Post-employment medical benefits (Unfunded)	
<b>(H) Experience History:</b>				
	From the date of incorporation to 31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2016
1) Defined Benefit Obligation at the end of the period/ year	816,597	2,496,593	3,662,900	4,511,082
2) Plan Assets at the end of the period/ year	-	-	-	-
3) Funded Status	(816,597)	(2,496,593)	(3,662,900)	(4,511,082)
4) Experience adjustments on plan liabilities	-	(1,301,199)	(26,100)	7,738
5) Experience adjustments on plan assets	-	-	-	-

	(Amount in Rs.)			
	Post-employment medical benefits (Unfunded)			
<b>(I) Experience History:</b>				
	From the date of incorporation to 31 <sup>st</sup> March, 2013	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2016
1) Defined Benefit Obligation at the end of the period/ year	-	683,908	906,438	1,138,900
2) Plan Assets at the end of the period/ year	-	-	-	-
3) Funded Status	-	(683,908)	(906,438)	(1,138,900)
4) Experience adjustments on plan liabilities	-	-	-	-
5) Experience adjustments on plan assets	-	-	-	-
a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated terms of the obligations.				
b) Salary Escalation Rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.				
c) Also refer note 2(m) for brief description of employee benefit schemes.				
		<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>	
d) Cost of Compensated Absences expensed in the Statement of profit & Loss		<b>882,895</b>	<b>739,534</b>	

**NOTE 33 - SEGMENT INFORMATION**

The company materially operates in one business segment viz manufacture of defence products. During the year, the Company has operated in only one geographical segment. Accordingly, the disclosure requirements of Accounting Standard (AS-17) - Segment Reporting, are not applicable.

**NOTE 34 - RELATED PARTY DISCLOSURES:**

**A) Name of the related party and nature of relationship where control exists:**

Particulars	Name of Related Party	Nature of Relationship
A. Related Party where control exists	Mahindra Defence Systems Ltd	Holding Company
	Mahindra & Mahindra Ltd	Ultimate Holding Company
B. Other related parties with transactions during the year	Defence Land Systems India pvt Limited	Fellow subsidiary
	Mahindra Intergrated Business Ltd	Fellow subsidiary
	Tech Mahindra Limited	Fellow subsidiary
	Mr. Devendra Bhatnagar, Chief Executive Officer	Key Management Personnel (KMP)
	Mr. Saurabh Gupta, Chief Financial Officer	Key Management Personnel (KMP)
	Ms. Divya Nair, Company Secretary (w.e.f 17/2/2016)	Key Management Personnel

**B) Related Party Transactions:**

(Amount in Rs.)

Name of Related Party	Description of Relationship	Nature of Transactions	Amount of Transactions (Rs.)	Amount Outstanding at the end of year	
				Credit (Rs.)	Debit (Rs.)
Mahindra Defence Systems Limited	Holding Company	Reimbursement of Remuneration to KMP Sales of Goods	175,488 (154,093) -	200,000 (140,379)	
			(247,574)		
Mahindra & Mahindra Ltd.	Ultimate Holding Company	Miscellaneous expenses Reimbursement of Expenses Insurance Purchase of Capex	24,777 (33,876) 4,632,708 (1,622,263) -	6,501,562 (2,212,878)	
			(24,044) 2,202,453 (-)		
Defence Land Systems India Pvt. Limited	Fellow subsidiary	Repairs & Maintenance	-	-	
			(21,494)	(21,494)	
Mahindra Integrated Business	Fellow subsidiary	Professional Fees	133,880	18,915	
			(131,797)	(9,212)	
Tech Mahindra Limited	Fellow subsidiary	Processing Charges	-	-	
			(352,248)	(-)	(-)
Mr. Devendra Bhatnagar	Key Management Personnel	Remuneration	2,815,732	253,737	
			(3,116,398)	(215,798)	

Note : Figures in brackets relate to previous year.

**NOTE 35 - THE TOTAL OF FUTURE MINIMUM LEASE PAYMENT UNDER NON CANCELLABLE OPERATING LEASE:**

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
	Rs.	Rs.
(1) Not later than 1 year	4,170,567	8,100,525
(2) Later than 1 year and not later than 5 year	-	4,170,567
(3) Later than 5 year	-	-
	<u>4,170,567</u>	<u>12,271,092</u>

Lease rental debited to the statement of profit and loss during the year ended 31st March 2016 Rs. 8,230,950 (Previous year Rs. 7,788,966).

The lease agreement is for the period of 3 years and is in respect of plant premises.

**NOTE 36 - EARNING PER SHARE**

(a) The amount used as the numerator in calculating basic and diluted earnings per share is the profit for the year disclosed in the Statement of Profit and Loss

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Profit/(Loss) for the year from continuing operations	(16,614,277)
Profit/(Loss) for the year from continuing operations attributable to the equity shareholders	(16,614,277)	5,337,098
Weighted average number of equity shares	15,031,330	15,031,330
Par value per share (Rs.)	10.00	10.00
Earnings/(Loss) per share from continuing operations - Basic/Diluted	(1.11)	0.36

(b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 15,031,330 (Previous year : 15,031,330)

**NOTE 37 - Detail of provisions and movements in each class of provisions as required by Accounting Standard on Provision, Contingent liabilities and Contingent assets (Accounting Standard-29)**
**Warranty Provision:**

Warranty cost are accrued at the time products are sold, based on management estimates. The provision is discharged over the warranty period of 12 months from the date of sale.

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Carrying amount at the beginning of the year	614,303
Additional Provision made during the year	776,554	614,303
Unused amount reversed during the year	614,303	1,623,960
Carrying amount at the end of the year	<u>776,554</u>	<u>614,303</u>

**NOTE 38** - There are no hedged or unhedged exposures in foreign currencies as at the current and previous year end.

**NOTE 39** - The accounts of the company have been prepared on going concern basis. Having regards to the fact that the Company has incurred losses during the year, the ability of the company to continue as a going concern is dependent on the turnaround strategy adopted by the company and considering its expansion plans, the management projects that the company will generate profits in future considering the definite orders in hands. Based on the above, the management believes that the company will continue as a going concern and thereby realize its assets and discharge its liabilities in the normal course of its business. Accordingly these financial statements have been prepared considering the company as a going concern.

**NOTE 40** - The Previous years' figures have been regrouped/reclassified wherever necessary to correspond with the current years' classification.

For and on behalf of the Board of Directors

<b>S. P. Shukla</b>	Director
<b>Devendra Bhatnagar</b>	Executive Director
<b>Saurabh Gupta</b>	Chief Financial Officer
<b>Vidhi Devani</b>	Company Secretary

 Date: 17<sup>th</sup> of May 2016  
 Place: Mumbai

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their Third Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016

**Financial Highlights and State of Company's Affairs**

	<b>(Rs. in Lakhs)</b>	
	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Total Income	<b>539.11</b>	164.34
Profit/(Loss) before Interest, Depreciation and Taxation	<b>(402.03)</b>	(575.68)
Depreciation	<b>72.62</b>	32.91
Profit/(Loss) before Tax	<b>(474.65)</b>	(608.59)
Net Profit/(Loss)	<b>(474.65)</b>	(608.59)
Balance of Profit/(Loss) brought forward from last year	<b>(1294.74)</b>	(686.15)
Balance of Profit/(Loss) carried forward	<b>(1769.39)</b>	(1294.74)
Net Worth	<b>3526.96</b>	705.26

No material changes and commitments have occurred after the end of the financial year to which the financial statements relate and the date of this report which would affect the financial position of the Company.

**Operations**

During last year the Company had completed state of art infrastructure in 23000 sq. ft. area to manufacture Radar and other defence systems at the leased facility, co-located to DLSI at Prithla. Your company had successfully completed 16000 no of Telephonics Dynamic Headsets (TDH) sets meeting all quality specifications.

Your Company has established production line for all sub-system of RDR 1400 series of Radar of Telephonics. The company has acquired AS 9100 Rev. C Aerospace certification and Industrial License, necessary for air-borne products production. Your Company has started production of complete RDR radar and delivered each sub system of RDR Radar in 2015-16. Your Company has produced 27,000 no of TDH during 2015-16.

Your company has received orders of 5 Million USD from Telephonics for supply of turnkey TDH and sub-systems of RDR 1400. Localization of TDH parts is completed to support the turnkey order.

Your company has established Engineering Lab and has installed HFSS Electromagnetic Software for High Frequency Electromagnetics simulation and MATLAB software for development and Radar signal processing algorithms. Lab also has bench test set-up, equipped with Spectrum analyzer, Oscilloscope & power supplies for developing and testing the hardware. The facility is being used for development of MTI reflector, automotive radar signal processing and IN2025 C display.

Your Company had submitted proposal for supply of Precision Approach Radar (PAR) to Indian Navy and Indian Air force (IAF) in association with Harris, USA. Its NC-NC trial is scheduled from early Jun 2016. Your company has started the integration of the one number of PAR for the NCNC trail.

Your Company has submitted a proposal for supply of Airport Surveillance Radar (ASR) with Mono-pulse Secondary

Surveillance Radar (MSSR) for Indian Navy and Coast Guard in association with Eldis, Czech Republic. The proposal is currently under evaluation by Technical Evaluation Committee (TEC). TEC report is likely to be completed by end Oct 16. The Company has also participated in offset program to supply Electronic panels and Cable Harness to Boeing, USA. The Company had submitted proposal for repair of RDR 1600 LRUs of Mi 17 (V5) helicopter of IAF, the commercial negotiation for which has been concluded and the contract for the same is expected by end Jul 16. The Company has responded to Indian Air Force's Request for Information (RFI) for Aerostat System in association with ELTA, Israel and TCOM, USA. The Request for Proposal for the same is likely by mid 2017.

Your Company has set up engineering department and recruited Senior Engineers to develop design engineering in the company. Also, Head-BD & Head-Programs have been appointed in the leadership team. Your Company has recruited a group of fresh Graduate Engineer Trainees (GETs) and technicians for upcoming projects. Your Company has organized various capability building trainings programs. Few more employees will be recruited in subsequent year.

**Dividend**

In view of loss, your Directors do not recommend any dividend for the year under review.

**Share Capital****Authorised Share Capital**

During the year under review, the authorised share capital of your Company was increased from Rs. 35 Crore to Rs. 55 Crore divided into 5,50,00,000 equity shares of Rs. 10 each.

**Further Issue of Share Capital**

Your Company during the year, made further issue of 1,50,00,000 equity shares of Rs. 10/- each on Rights basis. Further, your Company issued 1,57,84,313 fully paid up

equity shares for cash at a premium of Rs. 1.40 per share on preferential basis as per Section 62(1)(c) of the Companies Act, 2013 to Telephonics Corporation, USA. Consequently, the issued, subscribed and paid up capital of your Company stands increased to Rs. 50.78 Crore as on 31<sup>st</sup> March, 2016.

Your Company had obtained the consent of the shareholders at the Extra Ordinary General Meeting held on 1<sup>st</sup> September, 2015 for adoption of new set of Articles of Association.

## Directors

### Composition:

The composition of the Board of Directors of your Company is as follows: -

Sr. No.	Directors	DIN	Category (Executive/ Non-executive)	Independent/ Non Independent
1	Mr. S. P. Shukla, Chairman	00007418	Non-executive	Non Independent
2	Mr. Joseph Battaglia, Vice Chairman*	05309645	Non-executive	Non Independent
3	Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.)	00056250	Non-executive	Independent
4	Rear Admiral Sanjiv Kapoor (Retd.)	07138582	Non-executive	Independent
5	Dr. Devi Singh	00015681	Non-executive	Independent
6	Mr. Zoooben Bhiwandiwala	00110373	Non-executive	Non Independent
7	Mr. V S Parthasarathy**	00125299	Non-executive	Non Independent
8	Mr. Hector Colon	06719821	Non-executive	Non Independent
9	Mr. Mukul Verma***	02428217	Non-executive	Non Independent
10	Mr. Kevin McSweeney#	06719828	Non-executive	Non Independent

\* Resigned w.e.f. 25<sup>th</sup> May, 2016

\*\* Resigned w.e.f. 28<sup>th</sup> October, 2015

\*\*\* Appointed as an Additional Director w.e.f. 20<sup>th</sup> November, 2015

# Appointed as an Additional Director & Vice Chairman w.e.f. 26<sup>th</sup> May, 2016

During the year under review, Mr. V S Parthasarathy (DIN: 00125299), Director, tendered his resignation from the Board of the Company w.e.f. 28<sup>th</sup> October, 2015. Your Directors place on record their appreciation for the valuable guidance provided by Mr. V S Parthasarathy during his tenure as a Director of the Company.

Mr. Mukul Verma (DIN: 02428217) was appointed as an Additional Director w.e.f. from 20<sup>th</sup> November, 2015.

The Company has received the notice from a Member under Section 160 of the Companies Act, 2013, signifying his intention to propose Mr. Mukul Verma as a candidate for the office of Director at the forthcoming Annual General Meeting of the Company.

Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.) (DIN: 00056250), Rear Admiral Sanjiv Kapoor (Retd.) (DIN: 07138582) and Dr. Devi Singh (DIN: 00015681) were re-appointed as Independent Directors of the Company for a period of 2 (Two) years w.e.f. 30<sup>th</sup> March, 2016 to 31<sup>st</sup> March, 2018 (both days inclusive) as per the provisions of Section 149 of the Companies Act, 2013.

The Company has received declarations from Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.) (DIN: 00056250), Rear Admiral Sanjiv Kapoor (Retd.) (DIN: 07138582) and Dr. Devi Singh (DIN: 00015681), the Independent Directors, to the effect that they meet the criteria of independence as provided in sub Section 6 of Section 149 of the Companies Act, 2013.

Mr. Joseph John Battaglia, the Vice Chairman of the Company & the Nominee Director appointed by Telephonics Corporation, USA, the Joint Venture Partner, tendered his resignation w.e.f. 25<sup>th</sup> May, 2016. The Board places on record its deep appreciation for the significant contribution & valuable advice made by Mr. Joseph Battaglia from time to time during his tenure as a Director of the Company.

Mr. Kevin John McSweeney (DIN: 06719828) was appointed as an Additional Director and the Vice Chairman of the Board (the Nominee of the Telephonics Corporation, USA), w.e.f. 26<sup>th</sup> May, 2016.

The Company has received the notice from a Member under Section 160 of the Companies Act, 2013, signifying his intention to propose Mr. Kevin John McSweeney as a candidate for the office of Director at the forthcoming Annual General Meeting of the Company.

Mr. S. P. Shukla (DIN: 00007418) and Mr. Zoooben Bhiwandiwala (DIN: 00110373) being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

All the Directors including Independent Directors of your Company have given requisite declarations pursuant to Section 164 of the Companies Act, 2013 that they are not disqualified to be appointed as Directors of your Company.

## Number of Meetings

### Board Meetings

Your Board of Directors met four times during the year under review i.e. on 19<sup>th</sup> May, 2015, 1<sup>st</sup> September, 2015, 4<sup>th</sup> December, 2015 and 3<sup>rd</sup> March, 2016. The gap between two consecutive Board Meetings did not exceed 120 days.

The attendance at the meetings of the Board was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Mr. S. P. Shukla	4
2.	Mr. Joseph Battaglia*	4
3.	Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.)	3
4.	Rear Admiral Sanjiv Kapoor (Retd.)	2
5.	Dr. Devi Singh	4
6.	Mr. V S Parthasarathy**	2

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
7.	Mr. Zoooben Bhiwandiwala	1
8.	Mr. Mukul Verma***	1
9.	Mr. Hector Colon	4
10.	Mr. Kevin McSweeney#	–

\* Resigned w.e.f. 25<sup>th</sup> May, 2016

\*\* Resigned w.e.f. 28<sup>th</sup> October, 2015

\*\*\* Appointed as an Additional Director w.e.f. 20<sup>th</sup> November, 2015

# Appointed as an Additional Director & Vice Chairman w.e.f. 26<sup>th</sup> May, 2016

### General Meetings

The 2<sup>nd</sup> Annual General Meeting of the Company was held on 1<sup>st</sup> September, 2015. There were two separate Extra Ordinary General Meetings held on 1<sup>st</sup> September, 2015.

### Committees of the Board

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company was reconstituted on 24<sup>th</sup> May, 2016 with the appointment of Mr. Kevin John McSweeney as the new Member of the Committee in place of Mr. John Battaglia.

The Nomination and Remuneration Committee accordingly consists of following members:

1. Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.), Chairman
2. Rear Admiral Sanjiv Kapoor (Retd.)
3. Dr. Devi Singh
4. Mr. S. P. Shukla
5. Mr. Kevin McSweeney.

The Committee met four times during the year under review i.e. on 19<sup>th</sup> May, 2015, 1<sup>st</sup> September, 2015, 4<sup>th</sup> December, 2015 and 3<sup>rd</sup> March, 2016. The Committee at its meetings carried out the evaluation of every director's performance (except the Independent Directors).

The attendance at the meetings of the Nomination and Remuneration Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of four Meetings
1.	Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.), Chairman	3
2.	Rear Admiral Sanjiv Kapoor (Retd.)	2
3.	Dr. Devi Singh	4
4.	Mr. S. P. Shukla	4
5.	Mr. Joseph Battaglia*	4
6.	Mr. Kevin McSweeney#	–

\* Resigned w.e.f. 25<sup>th</sup> May, 2016

# Appointed as a Member w.e.f. 26<sup>th</sup> May, 2016

### Audit Committee

The Audit Committee of the Company was reconstituted with the appointment of Mr. Mukul Verma as the new Member of the Committee in place of Mr. V S Parthasarathy vide Circular Resolution of the Board of Directors dated 20<sup>th</sup> November, 2015.

The Audit Committee accordingly consists of following members:

1. Dr. Devi Singh, Chairman
2. Rear Admiral Sanjiv Kapoor (Retd.)
3. Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.)
4. Mr. Hector Colon
5. Mr. Mukul Verma.

The Committee met twice during the year i.e. on 19<sup>th</sup> May, 2015 and 3<sup>rd</sup> March, 2016 and complied with the terms of reference assigned to the Committee.

The attendance at the meetings of the Audit Committee was as under:

Sr. No.	Name of Director	No. of Meetings attended out of two Meetings
1.	Dr. Devi Singh, Chairman	2
2.	Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.)	1
3.	Rear Admiral Sanjiv Kapoor (Retd.)	1
4.	Mr. V S Parthasarathy*	1
5.	Mr. Mukul Verma**	1
6.	Mr. Hector Colon	2

\* Resigned w.e.f. 28<sup>th</sup> October, 2015

\*\* Appointed as a Member w.e.f. 20<sup>th</sup> November, 2015

### Evaluation of Performance

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee of the Board to evaluate the performance of individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Non-Executive Directors. The Directors expressed their satisfaction with the evaluation process.

### Meeting of Independent Directors

One meeting of the Independent Directors of the Company was held on 4<sup>th</sup> December, 2015 without the presence of the Non-Independent Directors or Chief Executive Officer or Chief Financial Officer or any other Management Personnel. The above Meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to, inter alia, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis; and
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Code of Governance

Your Company has adopted Code of Governance for Corporate Governance ("the Code") for its Directors and Senior Management Personnel and Employees. This Code enunciates the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of your Company's ethos.

Your Company has for the year under review, received declarations from the Board Members affirming compliance with Code of Conduct for Directors and Senior Management Employees.

### Key Managerial Personnel

There was no change in the Key Managerial Personnel of your Company during the year under review. Mr. Jayantaraj Chatterjee, Mr. Arun Gupta and Mr. Rajesh Parte continued as the Chief Executive Officer (CEO), Chief Financial Officer

(CFO) and the Company Secretary respectively, for the year under review.

### Policy for Remuneration of Directors, Key Managerial Personnel and other Employees and Criteria for Appointment/Removal of Directors and Senior Management Personnel

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved -

- Policy on the appointment/removal of directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of directors
- Policy on the remuneration of directors, key managerial personnel and other employees.

These policies are provided as **Annexure I** and form part of this report.

### Risk Management Policy

Your Company has formulated Risk Management Policy which includes the elements of risks which in the opinion of Board may threaten the existence of the Company.

The implementation of the policy is helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

### Corporate Social Responsibility (CSR)

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company and accordingly, your Company has not adopted a CSR policy.

However, during the year under review, your Company has undertaken various activities under its CSR program in Prithla Village for the welfare of local residents. The employees of your Company have also participated in tree plantation program.

### The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

### Auditors

#### (A) Statutory Auditors

Messrs. S. V. Ghatalia & Associates LLP, Chartered Accountants, (ICAI registration Number 103162W) were appointed as Auditors of your Company to hold office from the conclusion of the 2<sup>nd</sup> Annual General Meeting (AGM) held on 1<sup>st</sup> September, 2015 until the conclusion of 7<sup>th</sup> AGM. In terms of Section 139(1) of Companies Act, 2013, such appointment is required to be ratified by members at every AGM.

The members are requested to ratify the appointment of Auditors so made at the forthcoming AGM and fix their remuneration.

As required under the provisions of Section 139 of the Companies Act, 2013, your Company has obtained a written consent and certificate from the above Auditors to the effect that their appointment, if ratified, would be in conformity with the conditions and criteria specified therein.

There were no qualifications, reservations or adverse remarks made by the Auditors in their Report.

#### **(B) Secretarial Auditors**

Your Company has appointed Mr. Ashish Bhatt as a Secretarial Auditor of the Company in accordance with the provisions of Section 204 of the Companies Act, 2013.

In terms of provisions of sub Section (1) of Section 204 of the Companies Act, 2013, the Company has annexed with this Board Report, a Secretarial Audit Report given by the Secretarial Auditor, and the said Secretarial Report, in prescribed form MR 3 at **Annexure II** forms part of this Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

#### **Reporting of Frauds by Auditors**

During the year under review, the Statutory Auditors and Secretarial Auditor, 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.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure III** to this Report.

#### **Particulars of Employees as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of public deposits, loans, guarantees or investments under Section 186 of the Companies Act, 2013.**

Your Company has not accepted deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with requirement of chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of

the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the parent Company, Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

Particulars of material contracts or arrangements with related parties referred to in sub Section 1 of Section 188 of the Companies Act, 2013 are given in the prescribed form AOC – 2 as **Annexure IV** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in Form MGT-9 is attached herewith as **Annexure V** and forms part of this Report.

#### **Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry your Directors confirm that they have laid down internal finance controls with reference to the Financial Statements and these controls are adequate.

#### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013).

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**S. P. Shukla**

Director

DIN: 00007418

**Joseph J. Battaglia**

Director

DIN: 05309645

Mumbai, 24<sup>th</sup> May, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### I. POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

#### Purpose

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Telephonics Integrated Systems Limited ("MTIS").

#### Policy Statement

The Mahindra Group has a well-defined Compensation policy for Directors, Key Managerial Personnel and all employees, including the Chairman, Presidents and other Members of the Group Executive Board who are employees of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

#### Non-executive including Independent Directors

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges (where applicable) and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

#### Executive Directors

The remuneration to Chairman &/or Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

#### Key Managerial Personnel (KMPs)

The terms of remuneration of Chief Financial Officer (CFO) shall be determined by the NRC from time to time. The terms of remuneration of the Company Secretary shall be finalised/ revised either by any Director or such other person as may be authorised by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of Section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### Employees

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

Subject to approval by the Board and Shareholders, as may be applicable, the Employees and Directors (other than Independent Directors) may also be granted Stock Options or equivalent benefits in accordance with the ESOP Scheme or similar scheme as may be approved and subject to the compliance of the applicable statutes and regulations.



## II. POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Telephonics Integrated Systems Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors

- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman &/or Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman &/ or Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

## II. SUCCESSION PLANNING

### Purpose

The Talent Management Policy sets out the approach to the development and anagement of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

### Board

The successors for the Independent Directors shall be identified by the NRC atleast one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel**

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

**Policy Statement**

The Talent Management framework of the Mahindra Group has been created to address three basic issues:

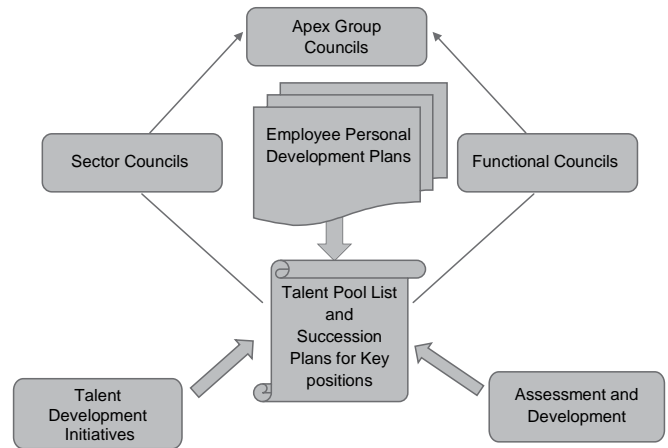
- 1) Given the strategic business plans, do we have the skills and competencies required to implement them? If not, how do we create them – by developing them internally or through lateral induction from outside?
- 2) For critical positions, what is the succession pipeline?
- 3) What are the individual development plans for individuals both in the succession pipeline as well as others?

The framework lays down an architecture and processes to address these questions using the 3E approach:

- a) **Experience** i.e. both long and short-term assignments. This has 70% weightage
- b) **Exposure** i.e. coaching and mentoring – 20% weightage
- c) **Education** i.e. learning and development initiatives – 10% weightage

The Talent Management process is applicable to all employees. Over the years, the Talent Management framework has become a well-structured and process-oriented system which is driven by an interactive and collaborative network of Talent Councils at the Group and Sector Levels. These Talent Councils, which consist mainly of Senior business leaders supported by HR, are a mix of Sector (Business) and Functional Councils coordinated by an Apex Talent Council, headed by the Group Chairman. The Apex Council reviews the work done by the Talent Councils and facilitates movement of talent across Sectors. The Sector/Functional Councils meet regularly throughout the year and the Apex Council interacts with each one of them separately once a year, and in addition conducts an integrated meeting where the Chairpersons of all the Councils are present.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

**For and on behalf of the Board**

**S. P. Shukla**  
Director  
DIN: 00007418

**Joseph J. Battaglia**  
Director  
DIN: 05309645

Mumbai, 24<sup>th</sup> May, 2016

**ANNEXURE II TO DIRECTORS' REPORT**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016**

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

To,

The Members,  
Mahindra Telephonics Integrated Systems Limited  
Mahindra Towers, P. K. Kurne Chowk,  
Dr. G. M. Bhosale Marg, Worli,  
Mumbai 400018

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Telephonics Integrated Systems Limited (hereinafter called 'the Company'). The Secretarial Audit was conducted in a manner which provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under. (Not applicable to the Company during audit period);
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(Not applicable to the Company during audit period)
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (Not applicable to the Company during audit period);
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during audit period);
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during audit period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during audit period);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Company during audit period);

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during audit period); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998(Not applicable to the Company during audit period);

**I further report that**, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the laws i.e. as stated in the **Annexure I** attached herewith, applicable specifically to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities of the Company are not listed on any Stock Exchange hence no comment is made about Listing Agreements entered into by the Company with Stock Exchange(s);

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that -**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings and agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

**I further report that** during the audit period the Company has passed following ordinary/special resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

1. Increase in Authorised Share Capital of Company as per the provisions of the Act.
2. Adoption of New Set of Articles of Association as per the provisions of the Act.
3. Right Issue of Equity Shares of the Company as per the provisions of the Act.
4. Offer and issue of further equity shares on preferential basis as per the provisions of the Act.

**For Ashish Bhatt & Associates**

**Ashish Bhatt**  
Practicing Company Secretary  
FCS No: 4650  
C.P. No. 2956

Place: Thane  
Date: May 24, 2016

**ANNEXURE I**  
**(to the Secretarial Auditor's Report)**  
**LIST OF APPLICABLE LAWS TO THE COMPANY**

**Under the Major Group and Head:**

1. Labour Laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc.;
2. Acts as prescribed under Direct Tax and Indirect Tax;
3. Labour Welfare Act of respective States;
4. The Custom Act, 1962
5. The Shops and Establishment Act, 1948.
6. The Indian Stamp Act, 1899.
7. The State Stamp Acts
8. Negotiable Instruments Act, 1881.

**For Ashish Bhatt & Associates**

Place: Thane  
Date: May 24, 2016

**Ashish Bhatt**  
Practicing Company Secretary  
FCS No: 4650  
C.P. No. 2956

**ANNEXURE III TO THE DIRECTORS' REPORT****PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.****A. CONSERVATION OF ENERGY**

- (a) the steps taken or impact on conservation of energy: **NIL**  
 (b) the steps taken by the company for utilizing alternate sources of energy: **NIL**  
 (c) the capital investment on energy conservation equipments: **NIL**

**B. TECHNOLOGY ABSORPTION**

- i) the efforts made towards technology absorption - **NA**  
 ii) the benefits derived like product improvement, cost reduction, product development or import substitution: - **NA**  
 iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –  
 a) the details of technology imported: **NA**  
 b) the year of import: **NA**  
 c) whether the technology been fully absorbed: **NA**  
 d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: **NA**  
 iv) the expenditure incurred on Research and Development: **NA**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

	<b>(Rupees in Lakhs)</b>	
	<b>For the Financial Year ended 31<sup>st</sup> March, 2016</b>	<b>For the Financial Year ended 31<sup>st</sup> March, 2015</b>
Total Foreign Exchange Earned	<b>459.27</b>	153.16
Total Foreign Exchange Used	<b>47.15</b>	33.97

**For and on behalf of the Board**

**S. P. Shukla**  
 Director  
 DIN: 00007418

**Joseph J. Battaglia**  
 Director  
 DIN: 05309645

Mumbai, 24<sup>th</sup> May, 2016

**ANNEXURE IV TO THE DIRECTORS' REPORT****FORM NO. AOC - 2**

**(Pursuant to clause (h) of sub-Section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014).**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis – Nil****2. #Details of Material contracts or arrangements or transactions at Arm's length basis.\***

Sr. No.	Name of Related Party	Nature of relationship	Nature of contracts/ arrangements/transactions	Salient terms of contracts or arrangements or the transactions including the value	Duration of transaction	Amount in Rs. lakhs	Date of approval by Board
1.	Telephonics Corporation, USA (TC)	Joint Venture Company	Sale of Goods & Services	Sales	2015-16	459.27	NA
			Lease Rent for Equipment **	Lease rental paid	2015-16	32.51	NA
2.	Mahindra Defence Systems Ltd. (MDS)	Holding Company	Shared Service Charges as per agreement **	Services received	2015-16	116.48	NA
3.	Defence Land Systems India Ltd.	Fellow subsidiary	Lease Rent for factory-cum-office at Prithla **	Lease rental paid	2015-16	112.74	NA
			Charges for Power & Fuel	Services received	2015-16	21.69	NA
4.	Mahindra & Mahindra Ltd.	Ultimate Holding Company	Lease Rent for Delhi office **	Lease rental paid	2015-16	12.20	NA
			Shared services charges **	Services Received	2015-16	6.05	NA
			Guest house charges and Other miscellaneous expenses **	Services received	2015-16	0.75	NA
5.	Mahindra Integrated Business Solutions	Fellow subsidiary	Charges for outsourcing of data-entry services **	Services received	2015-16	1.08	NA

\* Advance is not paid for any of the aforesaid transactions.

\*\* Amount is net of service tax and swach bharat cess amount.

# Pursuant to Notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R. 590(E))

**For and on behalf of the Board**

**S. P. Shukla**  
Director  
DIN: 00007418

**Joseph J. Battaglia**  
Director  
DIN: 05309645

Mumbai, 24<sup>th</sup> May, 2016

## ANNEXURE V TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1.	<b>CIN</b>	U75302MH2013PLC242268
2.	<b>Registration Date</b>	22 <sup>nd</sup> April, 2013
3.	<b>Name of the Company</b>	Mahindra Telephonics Integrated Systems Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non Government Company
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018 Tel. No.: 022 24905828
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the company
1	Telephonics Dynamic Headsets (TDH) and Sub-systems of RDR 1400	26515	100

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1	Mahindra Defence Systems limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018	U75220MH2012PLC233889	Holding Company	51	2(46)
2	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400018	L65990MH1945PLC004558	Holding Company	–	2(46)

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

#### i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	–	–	–	–	–	–	–	–	–
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	1,48,00,000	1,48,00,000	74%	–	2,59,00,000	2,59,00,000	51%	–



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
e. Bank/FI	-	-	-	-	-	-	-	-	-
f. Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total A (1)</b>	-	<b>1,48,00,000</b>	<b>1,48,00,000</b>	<b>74%</b>	-	<b>2,59,00,000</b>	<b>2,59,00,000</b>	<b>51%</b>	-
<b>2. Foreign</b>									
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	52,00,000	52,00,000	26%	-	2,48,84,313	2,48,84,313	49%	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total A(2)</b>	-	<b>52,00,000</b>	<b>52,00,000</b>	<b>26%</b>	-	<b>2,48,84,313</b>	<b>2,48,84,313</b>	<b>49%</b>	-
<b>Total ShareHolder of Promoters (1+2)</b>	-	<b>2,00,00,000</b>	<b>2,00,00,000</b>	<b>100</b>	-	<b>5,07,84,313</b>	<b>5,07,84,313</b>	<b>100</b>	-
<b>B. Public Share holding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total B(1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>									
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total B(2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>2,00,00,000</b>	<b>2,00,00,000</b>	<b>100</b>	-	<b>5,07,84,313</b>	<b>5,07,84,313</b>	<b>100</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra Defence Systems limited	1,47,99,997	74%	–	2,58,99,997	51%	–	–
2.	Mr. Narayan Shankar (Nominee of Mahindra Defence Systems Limited)*	1	–	–	1	–	–	–
3.	Mr. V. S. Parthasarathy (Nominee of Mahindra Defence Systems Limited)*	1	–	–	1	–	–	–
4.	Mr. K. Chandrasekar (Nominee of Mahindra Defence Systems Limited)*	1	–	–	1	–	–	–
5.	Telephonics Corporation	51,99,998	26%	–	2,48,84,311	49%	–	–
6.	Gritel Holding Co. Incorporation (Nominee of Telephonics Corporation)*	1	–	–	1	–	–	–
7.	Exphonics Incorporation (Nominee of Telephonics Corporation)*	1	–	–	1	–	–	–

\* Nominees are holding shares for the purpose of compliance with statutory provisions of Companies Act, with regard to minimum number of members.

**iii. There is change in the shareholding of the Promoter Group as follows:**

Particulars	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
<b>At the beginning of the Year (Mahindra Defence Systems Limited)</b>	1,48,00,000	51%	1,48,00,000	51%
Increase on 19 <sup>th</sup> May, 2015 - Allotment by the Company	22,20,000	–	1,70,20,000	–
Increase on 1 <sup>st</sup> September, 2015 - Allotment by the Company	44,40,000	–	2,14,60,000	–
Increase on 4 <sup>th</sup> December, 2015 - Allotment by the Company	44,40,000	–	2,59,00,000	–
<b>At the beginning of the Year (Telephoincs Corporation)</b>	52,00,000	49%	52,00,000	49%
Increase on 19 <sup>th</sup> May, 2015 - Allotment by the Company	7,80,000	–	59,80,000	–
Increase on 1 <sup>st</sup> September, 2015 - Allotment by the Company	15,60,000	–	75,40,000	–
Increase on 4 <sup>th</sup> December, 2015 - Allotment by the Company	15,60,000	–	91,00,000	–
Increase on 3 <sup>rd</sup> March, 2016 - Preferential Allotment by the Company	1,57,84,313	–	2,48,84,313	–
<b>At the end of the Year</b>	–	–	<b>5,07,84,313</b>	<b>100</b>

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. V. S. Parthasarathy (Nominee of Mahindra Defence Systems Limited)	1	–	1	–
2.	–	–	–	–	–
3.	–	–	–	–	–

**V. INDEBTEDNESS**

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

(₹ In Crores)

Particulars	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 04.201501.04.2014</b>	–	–	–	–
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–
<b>Change in Indebtedness during the financial year</b>	–	–	–	–
+ Addition	–	–	–	–
– Reduction	–	–	–	–
<b>Net Change</b>	–	–	–	–
<b>Indebtedness at the end of the financial year-31.03.2016</b>	–	–	–	–
1) Principal Amount	–	–	–	–
2) Interest due but not paid	–	–	–	–
3) Interest accrued but not due	–	–	–	–
<b>Total of (1+2+3)</b>	–	–	–	–

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:**

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Name of MD/ WTD/Manager	Total Amount
1.	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act		
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	–
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2.	Stock option	–	–
3.	Sweat Equity	–	–
4.	Commission		
	– As % of profit	–	–
	– others, specify	–	–
5.	Others, please specify Provident Fund & other Funds	–	–
	Performance Bonus	–	–
	<b>Total (A)</b>	–	–
	Ceiling as per the Act	As per Schedule V of the Act	

**B. Remuneration of other directors:**
**I. Independent Directors:-**

(₹ in Lakhs)

Particulars of Remuneration	Name of Directors					Total Amount
	Air Chief Marshal Krishnaswamy Srinivasapuram (Retd.)	Dr. Devi Singh	Rear Admiral Sanjiv Kapoor (Retd.)			
Fee for attending board committee meetings	1.00	1.40	0.70	-	-	3.10
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	<b>1.00</b>	<b>1.40</b>	<b>0.70</b>	<b>-</b>	<b>-</b>	<b>3.10</b>

**II. Other Non-Executive Directors:-**

(₹ in Lakhs)

Other Non-Executive Directors						Total Amount
Fee for attending Board Committee Meetings						
Commission						
Others						
<b>Total (2)</b>						
<b>Total B = (1+2)</b>						
Ceiling as per the Act						

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD:**

(₹ in Lakhs)

Sr. No.	Particulars of Remuneration	Name of the KMP			Total Amount
		CEO Mr. Jayantaraj Chatterjee	CFO Mr. Arun Gupta	CS Mr. Rajesh Parte	
1.	Gross Salary	44.60	26.93	-	71.53
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-	-
2.	Stock option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- As % of profit	-	-	-	-
	- others, specify	-	-	-	-
5.	Others	-	-	2.75	2.75
	Performance Bonus	-	-	-	-
	<b>Total (C)</b>	<b>44.60</b>	<b>26.93</b>	<b>2.75</b>	<b>74.28</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):** None

	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	-	-	NA	NA	NA	NA
Punishment	-	-	NA	NA	NA	NA
Compounding	-	-	NA	NA	NA	NA
<b>B. DIRECTORS</b>						
Penalty	-	-	NA	NA	NA	NA
Punishment	-	-	NA	NA	NA	NA
Compounding	-	-	NA	NA	NA	NA
<b>C. OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	NA	NA	NA	NA
Punishment	-	-	NA	NA	NA	NA
Compounding	-	-	NA	NA	NA	NA

**For and on behalf of the Board**

**S. P. Shukla**  
Director  
DIN: 00007418

**Joseph J. Battaglia**  
Director  
DIN: 05309645

Mumbai, 24<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Mahindra Telephonics Integrated Systems Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA TELEPHONICS INTEGRATED SYSTEMS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with 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 the design, implementation and maintenance of adequate internal financial control 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 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, issued by the Institute of Chartered Accountants of India, as 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 disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the

information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Sub-section (11) of Section 143 of the Act, we give in the Annexure 1 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 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 it 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164(2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (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:
    - i. The Company does not have any pending litigations which would impact its financial position;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S. V. Ghatalia & Associates LLP**

*Chartered Accountants*

*ICAI Firm Registration Number: 103162WJE300006*

**per Vishal Arora**

*Partner*

*Place: Gurgaon*

*Date: 24<sup>th</sup> May, 2016*

*Membership Number: 95788*

## ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE

### Re: Mahindra Telephonics Integrated Systems Limited (‘the Company’)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) (a) The Company’s business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) 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 are no loans, investments, guarantees, and securities granted in respect of which provisions of Sections 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (viii) The Company has no outstanding dues to banks, financial institution and debenture holders.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of Section 197 read with Schedule V of the Act is not applicable to the company and hence reporting under clause 3(xi) are not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given by the management the Company has complied with provisions of Section 42 of the Companies Act, 2013 in respect of the private placement of shares during the year. According to the information and explanations given by the management, we report that the amount raised is yet to be used for the purposes for which the funds were raised and the idle/surplus funds amounting to Rs. 179,941,168 which were not required for immediate utilization have been invested in fixed deposits with banks payable on demand. The maximum amount of idle/surplus funds invested during the year was 179,941,168, of which Rs. 179,941,168 was outstanding at the end of the year.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S. V. Ghatalia & Associates LLP**

*Chartered Accountants*

*ICAI Firm Registration Number: 103162W/E300006*

**per Vishal Arora**

*Partner*

*Membership Number: 95788*

*Place:*

*Date:*

## ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA TELEPHONICS INTEGRATED SYSTEMS LIMITED

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

#### To the Members of Mahindra Telephonics Integrated Systems Limited

We have audited the internal financial controls over financial reporting of Mahindra Telephonics Integrated Systems Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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 the 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.

#### Auditor's 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 as specified 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 judgement, 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 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For **S. V. Ghatalia & Associates LLP**

*Chartered Accountants*

*ICAI Firm Registration Number: 103162W/E300006*

**per Vishal Arora**

*Partner*

*Place: Gurgaon*

*Date: 24<sup>th</sup> May, 2016*

*Membership Number: 95788*



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

		(Amount in Rs.)	
	Notes	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' fund</b>			
Share capital	3	507,843,130	200,000,000
Reserves and surplus	4	(155,147,088)	(129,473,930)
		<u>352,696,042</u>	<u>70,526,070</u>
<b>Non-current liabilities</b>			
Other long-term liabilities	7	1,905,796	1,269,882
Long-term provisions	5	2,185,084	1,061,624
		<u>4,090,880</u>	<u>2,331,506</u>
<b>Current liabilities</b>			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	6	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		17,350,154	16,871,989
Other current liabilities	7	6,618,309	10,605,123
Short-term provisions	5	893,461	434,378
		<u>24,861,924</u>	<u>27,911,490</u>
<b>Total</b>		<u>381,648,846</u>	<u>100,769,066</u>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	8	47,391,369	40,191,732
Capital work-in-progress		5,170,281	9,058,386
Loans and advances	9	11,766,695	8,820,523
Other non-current assets	11	5,404,528	31,487,151
		<u>69,732,873</u>	<u>89,557,792</u>
<b>Current assets</b>			
Cash and bank balances	10	225,186,849	4,959,455
Trade receivables	12	37,669,669	5,576,769
Loans and advances	9	6,053,092	675,050
Other current assets	11	43,006,363	-
		<u>311,915,973</u>	<u>11,211,274</u>
<b>Total</b>		<u>381,648,846</u>	<u>100,769,066</u>
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the financial statements.

As per our report of even date

**For S. V. Ghatalia & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 103162W/E300006

per Vishal Arora

Partner

Membership No.: 95788

Place : Gurgaon

Date : 24<sup>th</sup> May, 2016

For and on behalf of Board of Directors of

**Mahindra Telephonics Integrated Systems Limited**

S P Shukla  
(Director)

Joseph J. Battaglia  
(Director)

Rajesh Parte  
(Company Secretary)

Jayantaraaj Chatterjee  
(CEO)

Arun Gupta  
(CFO)

Place : Mumbai

Date : 24<sup>th</sup> May, 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

<b>Particulars</b>	<b>Notes</b>	(Amount in Rs.)	
		<b>For the year ended March 31, 2016</b>	<b>For the year ended March 31, 2015</b>
<b>Income</b>			
Revenue from operations	13	<b>45,926,893</b>	15,316,819
Other income	14	<b>7,984,563</b>	1,116,926
<b>Total revenue</b>		<b><u>53,911,456</u></b>	<u>16,433,745</u>
<b>Expenses</b>			
Employee benefit expenses	15	<b>38,839,568</b>	26,990,893
Depreciation expense	8	<b>7,262,179</b>	3,290,617
Other expenses	16	<b>55,275,363</b>	47,010,866
<b>Total expenses</b>		<b><u>101,377,110</u></b>	<u>77,292,376</u>
<b>Loss before tax</b>		<b>(47,465,654)</b>	(60,858,631)
<b>Tax expense</b>			
Current tax		-	-
<b>Loss for the year</b>		<b><u>(47,465,654)</u></b>	<u>(60,858,631)</u>
<b>Earning per equity share (nominal value of share Rs. 10/-)</b>			
Basic earnings per share	19	<b>(1.41)</b>	(4.54)
Diluted earnings per share	19	<b>(1.41)</b>	(4.54)
Summary of significant accounting policies	2.1		

The accompanying notes are interegral part of the financial statements.  
As per our report of even date

**For S. V. Ghatalia & Associates LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 103162W/E300006

**per Vishal Arora**  
Partner  
Membership No.: 95788

Place : Gurgaon  
Date : 24<sup>th</sup> May, 2016

For and on behalf of Board of Directors of  
**Mahindra Telephonics Integrated Systems Limited**

**S P Shukla**                      **Joseph J. Battaglia**                      **Rajesh Parte**  
**(Director)**                                      **(Director)**                                      **(Company Secretary)**

**Jayantaraaj Chatterjee**  
**(CEO)**

**Arun Gupta**  
**(CFO)**

Place : Mumbai  
Date : 24<sup>th</sup> May, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	For the year ended March 31, 2016	(Amount in Rs.) For the year ended March 31, 2015
<b>Particulars</b>		
<b>A. Cash flows from operating activities</b>		
Loss before tax from operations	(47,465,654)	(60,858,631)
<b>Adjustments to reconcile Loss before tax to net cash flow</b>		
Depreciation	7,262,179	3,290,617
Interest income	(7,875,960)	(858,196)
Loss on sale of assets	-	917,077
Foreign exchange gain	(108,603)	(208,191)
<b>Operating profit before working capital changes</b>	<b>(48,188,038)</b>	<b>(57,717,324)</b>
<u>Movement in working capital:</u>		
Increase /(decrease) in trade payables	478,165	8,729,965
Increase /(decrease) in short-term provisions	459,084	(304,419)
Increase /(decrease) in other current liability	339,676	(662,700)
Increase /(decrease) in long term liability	635,914	913,639
Decrease/(increase) in Trade Receivables	(31,984,297)	(5,421,735)
Increase /(decrease) in long term provisions	1,123,460	640,909
Decrease/(increase) in loans and advances	(5,378,042)	890,879
Decrease/(increase) in other current assets	(4,551,057)	
Decrease/(increase) in long term loans and advances	(2,946,172)	(7,590,649)
<b>Cash used in operations</b>	<b>(90,011,307)</b>	<b>(60,521,435)</b>
Direct taxes paid	-	-
<b>Net cash flow used in operating activities (A)</b>	<b>(90,011,307)</b>	<b>(60,521,435)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(14,900,202)	(39,103,185)
Sales of fixed assets	-	1,030,899
Investment in bank deposits liened with government authorities	(7,425,000)	(29,293,600)
Interest income on bank deposits	2,928,277	147,951
<b>Net cash flow used in investing activities (B)</b>	<b>(19,396,925)</b>	<b>(67,217,935)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issue of equity shares capital	329,941,168	120,165,775
Share Issue expenses	(305,542)	-
<b>Net cash flows from financing activities (C)</b>	<b>329,635,626</b>	<b>120,165,775</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>220,227,394</b>	<b>(7,573,595)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,959,455</b>	<b>12,533,050</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>225,186,849</b>	<b>4,959,455</b>
<b>Components of cash and cash equivalents</b>		
<b>Balance with bank</b>		
- On current account	225,186,849	4,959,455
Total cash and cash equivalents (note. 10 )	225,186,849	4,959,455
Summary of significant accounting policies	2.1	

The accompanying notes are integral part of the financial statements.

As per our report of even date

**For S. V. Ghatalia & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 103162W/E300006

per Vishal Arora

Partner

Membership No.: 95788

Place : Gurgaon

Date : 24<sup>th</sup> May, 2016

For and on behalf of Board of Directors of

**Mahindra Telephonics Integrated Systems Limited**

S P Shukla  
(Director)

Joseph J. Battaglia  
(Director)

Rajesh Parte  
(Company Secretary)

JayantaraJ Chatterjee  
(CEO)

Arun Gupta  
(CFO)

Place : Mumbai

Date : 24<sup>th</sup> May, 2016

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 1. Corporate Information

Mahindra Telephonics Integrated Systems Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is formed to develop, manufacture and provide service support for Radar Systems and various kinds of defence electronics systems.

### 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 Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

### 2.1 Summary of significant accounting policies

#### a. 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.

#### b. Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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 derecognition 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.

#### c. Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The company has used the following rates to provide depreciation on its fixed assets.

	Useful Lives estimated by management (years)
Plant and Machinery:	15 years
Office Equipment:	5 years
Computers:	3 years
Furniture and Fixtures:	10 years
Vehicles:	5 years
Mobile Phones:	2 years
Leasehold Improvements:	Shorter of estimated useful life of individual asset or the lease period
Electric Installation & Equipment:	10 years

The management has estimated supported by technical assessment done by professionals employed by the Company the useful lives of following classes of assets:

- i) The useful lives of vehicles are estimated as 5 years. These lives are lower than those indicated in Schedule II.
- ii) The useful lives of mobile phones are estimated as 2 years. These lives are lower than those indicated in Schedule II.

#### d. Leases

Where the company is lessee:

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

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.

#### e. Impairment of tangible 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 or cash-generating unit's (CGU) 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 or CGU 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.

The company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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 or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there 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.

**f. 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:

**Income from services**

Revenue from job-work contract is recognized on completion of service in accordance with terms of service agreement when services are rendered.

**Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

**g. Foreign currency translation**

Foreign currency transactions and balances

**i) Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**ii) Conversion**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

**iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

**h. Retirement and other employee benefits**

**i) Provident Fund**

Retirement benefit in the form of provident fund (Contributed to the Regional PF Commissioner) is a defined contribution scheme. The company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders related service. There are no other obligations other than contribution payable.

**ii) Defined Benefit Plans**

The company operates two defined benefit plans for its employees, viz., and gratuity and post-employment medical benefit liability. The costs of providing benefits under these plans are determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.

**iii) Compensated Absences**

Accumulated leave, which is expected to be utilized within the next 12 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 reporting date.

The company treats 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 year-end.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The company presents the leave as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period 12 months, the same is presented as non-current liability.

**i. Income tax**

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 and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

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. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

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.

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.

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 reasonably certain or virtually certain, as the case may be, 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 reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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.

**j. Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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 period are adjusted for the effects of all dilutive potential equity shares.

**k. 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 embodying economic benefits will be required to settle

the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

#### I. Contingent Liability

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.

#### m. Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

### 3. Share Capital

	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
<b>Authorised shares (Nos.)</b>		
55,000,000 equity shares (31 <sup>st</sup> March, 2015: 35,000,000) of Rs 10 each	550,000,000	350,000,000
	<u>550,000,000</u>	<u>350,000,000</u>
<b>Issued, subscribed and fully paid up shares (Nos.)</b>		
50,784,313 Equity shares (31 <sup>st</sup> March, 2015: 20,000,000) of Rs. 10 each fully paid up	507,843,130	200,000,000
	<u>507,843,130</u>	<u>200,000,000</u>

#### 3.1 Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period

	As at March 31, 2016		As at March 31, 2015	
	Nos.	Amount in Rs.	Nos.	Amount in Rs.
At the beginning of the period	20,000,000	200,000,000	5,000,000	50,000,000
Issued during the period	30,784,313	307,843,130	15,000,000	150,000,000
Outstanding at the end of the period	<u>50,784,313</u>	<u>507,843,130</u>	<u>20,000,000</u>	<u>200,000,000</u>

#### 3.2 Terms/rights attached to Equity Shares

The Company has only one class of equity shares 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 proportion of number of equity shares held by shareholders'.

#### 3.3 Details of shareholders holding more than 5% shares in the Company (Including both legal and beneficial ownership)

	As at March 31, 2016		As at March 31, 2015	
	Nos.	% of holding	Nos.	% of holding
Mahindra Defence Systems Limited, holding company	25,900,000	51.00%	14,800,000	74.00%
Telephonics Corporation	<u>24,884,313</u>	<u>49.00%</u>	<u>5,200,000</u>	<u>26.00%</u>

#### 3.4 Shares held by holding company (Including both legal and beneficial ownership)

	As at March 31, 2016		As at March 31, 2015	
	Nos.	Amount in Rs	Nos.	Amount in Rs
Mahindra Defence Systems Limited	25,900,000	259,000,000	14,800,000	148,000,000

#### 4. Reserves and surplus

	As at March 31, 2016	As at March 31, 2015
<b>Securities Premium Account</b>		
Balance as per last financial statements	-	-
Add :Premium on issue of equity shares during the year	22,098,038	-
Less : Share issue expenses	(305,542)	-
<b>Closing Balance</b>	<u>21,792,496</u>	<u>-</u>
<b>Deficit in the statement of profit and loss</b>		
Balance as per last financial statements	(129,473,930)	(68,615,299)
Loss for the period	(47,465,654)	(60,858,631)
<b>Total Deficit in the statement of profit and loss</b>	<u>(176,939,584)</u>	<u>(129,473,930)</u>
<b>Total reserve and surplus</b>	<u>(155,147,088)</u>	<u>(129,473,930)</u>

#### 5. Provisions

	As at March 31, 2016		As at March 31, 2015	
	Long Term	Short Term	Long Term	Short Term
Provision for gratuity (note 24)	991,955	2,058	350,538	436
Provision for leave benefits	-	891,403	-	433,942
Provision for post employment medical benefit (note 24)	1,193,129	-	711,086	-
	<u>2,185,084</u>	<u>893,461</u>	<u>1,061,624</u>	<u>434,378</u>

#### 6. Trade payables

	(Amount in Rs.)	
	Current As at March 31, 2016	Current As at March 31, 2015
Total outstanding dues of micro enterprises and small enterprises*	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	17,350,154	16,871,989
	<u>17,350,154</u>	<u>16,871,989</u>

#### \* Details of dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

As per the MSMED Act, the Company is required to identify Micro and Small suppliers and pay them interest on overdue amount beyond the specified period irrespective of the terms agreed with the suppliers. None of the creditors have confirmed the applicability of the MSMED Act on them. Hence, the liability of the interest and disclosure are not required to be disclosed in the financial statements.

**7. Other liabilities**

	(Amount in Rs.)			
	As at March 31, 2016		As at March 31, 2015	
	Non Current	Current	Non Current	Current
Security deposits received	-	300,000	-	-
Capital creditors	-	5,284,799	-	9,611,289
Statutory dues	-	1,033,510	-	993,834
Lease equalisation reserve	1,905,796	-	1,269,882	-
	<u>1,905,796</u>	<u>6,618,309</u>	<u>1,269,882</u>	<u>10,605,123</u>

**8. Fixed Assets**

	(Amount in Rs.)						
	Plant & Equipment	Computer & Peripherals	Furniture & Fixtures	Leasehold Improvements	Electric Installations & Equipment	Vehicles	Total
<b>Tangible assets</b>							
<b>Cost</b>							-
As on 1 <sup>st</sup> April, 2014	446,849	397,608	1,208,415	-	-	3,975,200	6,028,072
Additions	7,412,793	2,307,083	2,173,220	14,119,142	8,412,377	5,153,719	39,578,334
Deletions	-	-	-	-	-	2,498,245	2,498,245
<b>As on 31<sup>st</sup> March, 2015</b>	<b>7,859,642</b>	<b>2,704,691</b>	<b>3,381,635</b>	<b>14,119,142</b>	<b>8,412,377</b>	<b>6,630,674</b>	<b>43,108,161</b>
Additions	10,461,841	1,787,605	1,267,006	-	329,364	616,000	14,461,816
Deletions	-	-	-	-	-	-	-
<b>As on 31<sup>st</sup> March, 2016</b>	<b>18,321,483</b>	<b>4,492,296</b>	<b>4,648,641</b>	<b>14,119,142</b>	<b>8,741,741</b>	<b>7,246,674</b>	<b>57,569,977</b>
<b>Depreciation</b>							
As on 1 <sup>st</sup> April, 2014	5,350	11,891	30,897	-	-	127,943	176,081
Charge for the year	903,361	501,478	195,160	469,542	262,743	958,333	3,290,617
Disposals	-	-	-	-	-	550,269	550,269
<b>As on 31<sup>st</sup> March, 2015</b>	<b>908,711</b>	<b>513,369</b>	<b>226,057</b>	<b>469,542</b>	<b>262,743</b>	<b>536,007</b>	<b>2,916,429</b>
Charge for the year	2,229,504	1,171,741	409,517	1,341,319	805,759	1,304,339	7,262,179
Disposals	-	-	-	-	-	-	-
<b>As on 31<sup>st</sup> March, 2016</b>	<b>3,138,215</b>	<b>1,685,110</b>	<b>635,574</b>	<b>1,810,861</b>	<b>1,068,502</b>	<b>1,840,346</b>	<b>10,178,608</b>
Net Block as on 31 <sup>st</sup> March, 2015	6,950,931	2,191,322	3,155,578	13,649,600	8,149,634	6,094,667	40,191,732
<b>Net Block as on 31<sup>st</sup> March, 2016</b>	<b>15,183,268</b>	<b>2,807,186</b>	<b>4,013,067</b>	<b>12,308,281</b>	<b>7,673,239</b>	<b>5,406,328</b>	<b>47,391,369</b>

**9. Loans and advances**

	As at March 31, 2016		As at March 31, 2015		As at March 31, 2016		As at March 31, 2015	
	Non Current	Current	Non Current	Current	Non Current	Current	Non Current	Current
<b>Security deposit</b>					<b>Other loan and advances</b>			
Unsecured, considered good	95,500	-	80,500	-	Unsecured, considered good			
	<u>95,500</u>	<u>-</u>	<u>80,500</u>	<u>-</u>	Balances with statutory/government authorities			
<b>Loan and advances to related parties</b>					8,994,861	-	4,834,315	-
Unsecured, considered good					Prepaid expenses			
Security Deposit	2,676,334	161,614	3,905,708	-	-	3,679,198	-	410,961
	<u>2,676,334</u>	<u>161,614</u>	<u>3,905,708</u>	<u>-</u>	Tax deducted at source			
<b>Advance recoverable in cash or kind</b>					-	789,254	-	85,016
Unsecured, considered good	-	1,423,026	-	174,073	Loans to employees			
	<u>-</u>	<u>1,423,026</u>	<u>-</u>	<u>174,073</u>	8,994,861	4,468,452	4,834,315	500,977
					<u>11,766,695</u>	<u>6,053,092</u>	<u>8,820,523</u>	<u>675,050</u>

**10. Cash and bank balances**

Particulars	(Amount in Rs.)			
	As at		As at	
	March 31, 2016		March 31, 2015	
	Non Current	Current	Non Current	Current
<b>Balance with bank</b>				
- Deposits with original maturity of less than three months	-	212,500,000	-	-
- On current account	-	12,686,849	-	4,959,455
		<u>225,186,849</u>		<u>4,959,455</u>
<b>Other bank balances</b>				
- Under lien	208,750	400,000	608,750	-
- Under margin money deposits	5,178,600	32,375,000	30,128,600	-
- Amount disclosed under other assets	(5,387,350)	(32,775,000)	(30,737,350)	-
		<u>-</u>	<u>-</u>	<u>-</u>
		<u>225,186,849</u>		<u>4,959,455</u>

**Bank balances under lien given as security and margin money deposits**

- Rs. 4,00,000 (31<sup>st</sup> March, 2015: Rs. 400,000) given to sales tax authority.
- Rs. 2,08,750 (31<sup>st</sup> March, 2015: Rs. 208,750) deposited with excise and customs.
- Rs. 3,75,53,600 (31<sup>st</sup> March, 2015: Rs. 3,01,28,600) given to Banks as margin money for Bank Guarantee

**11. Other assets**

Particulars	(Amount in Rs.)			
	As at		As at	
	March 31, 2016		March 31, 2015	
	Non Current	Current	Non Current	Current
Other bank balances	5,387,350	32,775,000	30,737,350	-
Interest accrued on deposits	17,178	5,680,306	749,801	-
Pass through cost receivable	-	4,551,057	-	-
	<u>5,404,528</u>	<u>43,006,363</u>	<u>31,487,151</u>	<u>-</u>

**12. Trade receivables**

Particulars	(Amount in Rs.)	
	Current	
	As at	As at
	March 31, 2016	March 31, 2015
<b>Outstanding for period exceeding six months from the date they were due for payment</b>		
Unsecured, considered good	-	-
<b>Other receivable</b>		
Unsecured, considered good (note 18)	37,669,669	5,576,769
	<u>37,669,669</u>	<u>5,576,769</u>

**13. Revenue from operations**

Particulars	(Amount in Rs.)	
	For the year ended	
	March 31, 2016	March 31, 2015
Revenue from job-work services	45,926,893	15,316,819
	<u>45,926,893</u>	<u>15,316,819</u>

**14. Other income**

Particulars	(Amount in Rs.)	
	For the year ended	
	March 31, 2016	March 31, 2015
Interest income on bank deposit	7,875,960	858,196
Gain on foreign exchange fluctuation	108,603	258,730
	<u>7,984,563</u>	<u>1,116,926</u>

**15. Employee benefit expenses**

Particulars	(Amount in Rs.)	
	For the year ended	
	March 31, 2016	March 31, 2015
Salaries wages and bonus	34,472,413	24,275,571
Contribution to provident and other funds	1,500,037	1,040,360
Gratuity expense (note 24)	643,039	73,787
Post employment medical benefit (note 24)	482,043	308,380
Staff welfare expenses	1,742,036	1,292,795
	<u>38,839,568</u>	<u>26,990,893</u>

**16. Other expenses**

Shared service charges	12,421,617	11,319,096
Travelling and conveyance	6,046,006	4,432,771
Rent	16,983,219	14,853,104
Rates and taxes	2,085,141	2,580,298
Legal and professional	2,396,543	3,050,028
Sales promotion	1,652,969	3,176,197
Insurance	685,985	316,023
Printing and stationery	278,674	246,579
Telecommunication cost	676,796	295,362
Power and fuel	2,787,324	1,854,132
Repairs and maintenance		
- Others	1,830,434	847,842
Watch and ward	1,242,967	882,823
Freight outward	2,808,730	1,155,286
Loss on sale of assets	-	917,077
Bank charges	372,707	394,136
Stores and Consumables	2,153,045	-
Miscellaneous expenses	853,206	690,112
	<u>55,275,363</u>	<u>47,010,866</u>

**Payment to auditor (included in legal and professional fees)**

As auditor		
Audit fee	600,000	775,000
Tax audit fee	100,000	100,000
In Other capacity		
Taxation matters	50,000	50,000
Reimbursement of expenses	78,124	24,583
	<u>828,124</u>	<u>949,583</u>

**17. Segment Information**

As the Company's business activities primarily falls within in a single business and geographical segment, there are no additional disclosures to be provided in terms of Accounting Standard 17 on "Segment Reporting".

**18. Related party disclosure**
**A) Name of related parties where control exists irrespective of whether transactions have occurred or not:**

Ultimate Holding Company	Mahindra & Mahindra Limited (M&M)
Holding company	Mahindra Defence Systems Limited (MDSL)
Joint venture partner	Telephonics Corporation (TC)

**B) Related parties under AS-18 with whom transactions have taken place during the year:**

Fellow Subsidiary	Defence Land Systems India Limited (DLSI)
	Mahindra Integrated Business Solutions Pvt. Ltd. (MIBL)
Key management personnel	Mr. HJ Kamath (w.e.f 1 <sup>st</sup> September, 2013 to 4 <sup>th</sup> November, 2014)
	Mr. Jayantaraj Chatterjee (w.e.f 2 <sup>nd</sup> February, 2015)



C) Details of transactions with above related parties:

For the year ended 31<sup>st</sup> March, 2016

(Amount in Rs.)

Particulars	MDSL	M&M	DLSI	TC	MIBL	Key Managerial personnel	Total
Issue of share capital	111,000,000			218,941,168			329,941,168
Security Deposit Received	300,000						300,000
							-
Sales				45,926,893			45,926,893
Rent **		1,220,345	11,273,842	3,251,275			15,745,462
Shared service charges **	11,648,556	605,000			108,300		12,361,856
Power and fuel		10,459	2,169,418				2,179,877
Miscellaneous expenses		65,093					65,093
Salary wages and bonus*						4,475,139	4,475,139
<b>Total</b>	<b>122,948,556</b>	<b>1,900,897</b>	<b>13,443,260</b>	<b>268,119,336</b>	<b>108,300</b>	<b>4,475,139</b>	<b>410,995,488</b>

\* amount is in accordance with Form 16-TDS certificate issued under Income Tax Act

\*\* net of service tax and swach bharaat cess amount

For the year ended 31<sup>st</sup> March, 2015

(Amount in Rs.)

Particulars	MDSL	M&M	DLSI	TC	MIBL	Key Managerial personnel	Total
Issue of share capital *	111,000,000	-	-	39,000,000	-	-	150,000,000
Purchase of fixed assets	-	2,710,984	-	-	-	-	2,710,984
Security deposit paid	-	-	2,676,334	-	-	-	2,676,334
							-
Sales	-	-	-	15,316,819	-	-	15,316,819
Rent **	-	-	11,787,429	1,915,303	-	-	13,702,732
Shared service charges **	10,526,559	693,442	-	-	99,095	-	11,319,096
Power and fuel	-	-	1,514,883	-	-	-	1,514,883
Travelling expenses **	-	75,600	-	-	-	-	75,600
Miscellaneous expenses	-	-	27,611	-	-	-	27,611
Salary wages and bonus	-	-	-	-	-	4,149,553	4,149,553
<b>Total</b>	<b>121,526,559</b>	<b>3,480,026</b>	<b>16,006,257</b>	<b>56,232,122</b>	<b>99,095</b>	<b>4,149,553</b>	<b>201,493,612</b>

\* Includes Rs. 2,21,99,970 for MDS and Rs. 76,34,255 for TC issued out of Application money outstanding as on 31<sup>st</sup> March, 2014

\*\* net of service tax amount

D) Balance outstanding at the year end

(Amount in Rs.)

	As at March 31, 2016		As at March 31, 2015			For the year ended	For the period ended
	Receivable	Payable	Receivable	Payable		March 31, 2016	March 31, 2015
M&M		121,161	-	727,292	Basic EPS		
MDSL		1,534,001	-	3,434,022	Profit/(loss) after tax	(47,465,654)	(60,858,631)
MIBL		9,405	-	9,212	Weighted average number of equity shares outstanding during the year	33,638,380	13,419,178
TC	37,669,669	1,312,272	5,576,769	652,187	<b>Basic Earnings Per Share (Rs.)</b>	<b>(1.41)</b>	<b>(4.54)</b>
DLSI		188,033	-	4,263,467	<b>Dilutive EPS</b>		
<b>19. Earnings per share</b>					Weighted average number of equity shares outstanding during the year for dilutive earnings per share (Nos.)	33,638,380	13,419,178
The following table reflects the loss and share data used in basic and diluted EPS Computation:					<b>Diluted Earnings Per Share (Rs.)</b>	<b>(1.41)</b>	<b>(4.54)</b>

**20. Deferred Tax Asset/(Liability)**

The Company follows Accounting Standard(AS 22) "Accounting for Taxes on Income" as notified by Companies Accounting Standard Rules,2006. Due to losses, the Company has deferred tax asset with loss and unabsorbed depreciation as a major component. However, deferred tax asset has been recognised only to the extent of deferred tax liability since there is no convincing evidence which demonstrates virtual certainty of realization of such deferred tax asset in the near future accordingly company has prudently decided not to recognise deferred tax asset on such timing differences.

**21. Expenditure in foreign currency (accrual basis)**

	(Amount in Rs.)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
Lease Rental	3,251,275	1,915,303
Travelling expenses	1,463,823	1,482,022
	<u>4,715,098</u>	<u>3,397,325</u>

**22. Earnings in foreign currency (accrual basis)**

Sale of services	45,926,893	15,316,819
	<u>45,926,893</u>	<u>15,316,819</u>

**Statement of profit and loss**

Net employee benefit expenses recognised in employee cost.

**23. Particulars of unhedged foreign currency**

	As at March 31, 2016		As at March 31, 2015	
	Foreign Currency	INR	Foreign Currency	INR
Import creditors (USD)	23,108	1,532,800	34,885	2,183,483
	<u>23,108</u>	<u>1,532,800</u>	<u>34,885</u>	<u>2,183,483</u>
Export Receivables (USD)	567,913	37,669,669	89,100	5,576,769
	<u>567,913</u>	<u>37,669,669</u>	<u>89,100</u>	<u>5,576,769</u>

**Closing rates are as under**

(1 USD =)	66.33	62.59
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**24. Gratuity and other post employment benefit plans**

The Company operates two defined plans viz, gratuity and post employment medical benefits, for its employees. Under the gratuity plan every employee who has completed 5 years of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. Gratuity plan is not funded.

The Company provides post retirement medical cover to employees for grade L1 to L5 to cover the retiring employee and their spouse upto a specified age through mediclaim policy on which the premium are paid by the company. The eligibility of the employee for the benefit as well as the amount of the medical cover purchase is determined by the grade of the employee at the time of retirement.

	Unfunded		Unfunded	
	Gratuity		Post Retirement Medical Benefit	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
Current Service Cost	622,860	290,163	800,853	624,272
Interest cost on benefit obligation	28,078	22,175	56,887	32,216
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/loss recognised in the year	(7,899)	(238,551)	(375,697)	(348,108)
Past service cost	-	-	-	-
<b>Net benefit expense</b>	<b>643,039</b>	<b>73,787</b>	<b>482,043</b>	<b>308,380</b>
Actual return on plan assets	-	-	-	-
<b>Balance Sheet</b>				
Benefit asset/liability	(994,013)	(350,974)	(1,193,129)	(711,086)
Defined benefit obligation	-	-	-	-
Fair value of plan assets	-	-	-	-
Funded status	(994,013)	(350,974)	(1,193,129)	(711,086)
Less: unrecognised past service cost	-	-	-	-
<b>Plan assets/(liability)</b>	<b>(994,013)</b>	<b>(350,974)</b>	<b>(1,193,129)</b>	<b>(711,086)</b>
<b>Changes in the present value of the defined benefit obligation are as follows</b>				
Opening defined benefit obligation	350,974	277,187	711,086	402,706
Interest cost	28,078	22,175	56,887	32,216

	Unfunded		Unfunded	
	Gratuity		Post Retirement Medical Benefit	
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2015
Current service cost	622,860	290,163	800,853	624,272
Benefits paid	-	-	-	-
Actuarial (gains)/losses on obligations	(7,899)	(238,551)	(375,697)	(348,108)
<b>Closing defined benefit obligations</b>	<b>994,013</b>	<b>350,974</b>	<b>1,193,129</b>	<b>711,086</b>

The Principal assumption used in determining benefit obligations for the Company's plans are shown below:

Discount rate	8%	8%	8%	8%
Retirement age	60	60	60	60
Employee turnover				
- Age 18 - 30 Years	3%	3%	3%	3%
- Age 30 - 45 Years	2%	2%	2%	2%
- Above 45 Years	1%	1%	1%	1%

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 current year and previous three years are as follows:

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
<b>Gratuity</b>				
Defined benefit obligation	(994,013)	(350,974)	(277,187)	-
Plan Assets	-	-	-	-
Surplus/(Deficit)	(994,013)	(350,974)	(277,187)	-
Experience adjustments (gain)/loss on plan liabilities	(7,899)	(238,551)	-	-
Experience adjustments (gain)/loss on plan assets	-	-	-	-
<b>Post Retirement Medical benefits</b>				
Defined benefit obligation	(1,193,129)	(711,086)	(402,706)	-
Plan Assets	-	-	-	-
Surplus/(Deficit)	(1,193,129)	(711,086)	(402,706)	-
Experience adjustments (gain)/loss on plan liabilities	(375,697)	(348,108)	-	-
Experience adjustments (gain)/loss on plan assets	-	-	-	-

The effect of 1% increase and decrease in inflation rate on post retirement medical benefits is as below:

	March 31, 2016	
	+1%	-1%
a) Effect on service and interest cost	100,048	(283,493)
b) Effect on present benefit obligation (closing)	140,776	(395,445)

**25. Contingent Liabilities not provided for**

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
A) Obligation arising from import of capital equipment at concessional rate of duty under export promotion capital goods scheme	10,652,113	7,755,668
B) Obligation arising from import of raw materials at concessional rate of duty under advance authorisation scheme	-	460,666
<b>Total</b>	<b>10,652,113</b>	<b>8,216,334</b>

Export obligation undertaken by the Company for import of capital equipment and raw materials under Export Promotion Capital Goods Scheme and Advance Authorisation Scheme respectively of the Central Government at concessional or zero rate of customs duty are in the opinion of the management expected to be fulfilled within respective timelines.

**26. Operating lease: company as lessee**

The Company has entered into operating lease agreement for factory space and capital equipments, rent paid is:

	Amount (Rs.)
For Financial Year 2015-16	16,983,219
For Financial Year 2014-15	14,853,104

Future minimum rentals payable under non cancellable operating lease are as follows:

Particulars	(Amount in Rs.)	
	As at March 31, 2016	As at March 31, 2015
Within one year	11,837,073	11,428,423
After one year but not more than five years	24,672,271	37,012,937
<b>Total</b>	<b>36,509,344</b>	<b>48,441,360</b>

**27. Utilization of money raised through Private Placement**

During the year ended 31<sup>st</sup> March, 2016, the Company has issued equity share capital for sum amounting to Rs. 17,99,41,168 through private placement to Telephonics Corporation at premium. The amount raised are yet to be used for the purpose for which they were raised and the idle/surplus funds amounting to Rs. 179,941,168 which were not required for immediate utilization have been invested in fixed deposits with banks payable on demand.

**28. Previous period figures**

Previous year figures have been regrouped/reclassified, where necessary, to conform to this year's classification.

As per our report of even date

**For S. V. Ghatalia & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 103162W/E300006

per Vishal Arora

Partner

Membership No.: 95788

Place : Gurgaon

Date : 24<sup>th</sup> May, 2016

For and on behalf of Board of Directors of  
**Mahindra Telephonics Integrated Systems Limited**

S P Shukla  
(Director)

Joseph J. Battaglia  
(Director)

Rajesh Parte  
(Company Secretary)

Jayantaraaj Chatterjee  
(CEO)

Arun Gupta  
(CFO)

Place : Mumbai

Date : 24<sup>th</sup> May, 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Sixth Report together with the Audited Financial Statements of your Company for the financial year ended 31<sup>st</sup> March, 2016.

Financial Highlights	(Amount in AED/INR.)			
	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	AED	INR	AED	INR
Total Income	26,524,311	478,233,328	24,002,847	407,328,314
Profit/(Loss) before Depreciation & Interest	4,820,427	86,912,300	3,483,793	59,119,967
Depreciation	663,090	11,955,512	729,198	12,374,490
Profit/(Loss) before Interest	4,157,337	74,956,788	2,754,595	46,745,477
Interest	75,468	1,360,688	218,376	3,705,841
Profit/(Loss) for the year	4,081,869	73,596,100	2,536,219	430,39,636
Balance carried to Balance Sheet	4,081,869	73,596,100	2,536,219	430,39,636

### Review of Operations

During the year under review your company's Net Profit was grown by 61% (Sixty One Percentage) compared to previous year. Three units of newly developed APC (Armoured personnel carrier) on Toyota chassis were sold to Africa market and your company was able to get orders for VPAM certified armoured vehicle. VPAM certification has boosted sales of other armoured vehicles manufactured by your company to security companies. Your company's diversified line of business like parts sales, ambulance, armouring solutions and vehicles conversion vehicle has contributed to growth of revenue this year. Company continues to enjoy good reputation in the market due to uncompromised quality and customer commitment. Diversified business and improved marketing network will bring better result in the coming years.

### Dividend

Your Board has not considered recommendation of dividend in view of carry forward losses of the company.

### Board of Directors

Current composition of Board of Directors is as follows:

Sl. No.	Name of the Director	Designation
1	Mr. Shriprakash Shukla	Chairman
2	Mr. Pattathu Sultan Mohammed Habibulla Khan	Vice Chairman
3	Mr. Yousef Mohammed Esmaeel Mohammed Al Belooshi	Director
4	Mr. Zhooben Dosabhoy Bhiwandiwalla	Director
5	Mr. Kandasamy Chandrasekar	Director
6	Mr. Mukul Verma	Director
7	Mr. Mohamed Farook Rawoof Ali.	Director

### Directors' Responsibility Statement

Your Directors state that:

- (i) in the preparation of the annual accounts, the applicable International Financial Reporting Standards (IFRS) have been followed;
- (ii) the Directors in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 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 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Audit Committee

The Audit Committee of your Company comprises of Mr. Shriprakash Shukla, Mr. Zhooben Dosabhoy Bhiwandiwalla, Mr. Yousef Mohammed Esmaeel Mohammed Al Belooshi and Mr. Mohammed Farook Rawoof Ali.

### **Remuneration Committee**

The Remuneration Committee of your Company comprises of Mr. Shriprakash Shukla, Mr. Mukul Verma, Mr. Yousef Mohammed Esmaeel Mohammed Al Belooshi and Mr. Pattatu Sultan Mohamed Habibulla Khan.

### **Auditors**

Messrs. Deloitte & Touche (M.E), Sharjah-UAE the Auditors of your Company, have expressed their willingness to be re-appointed, for the financial year ending on 31<sup>st</sup> March, 2017.

The shareholders are requested to appoint Auditors for the current financial year and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

### **Acknowledgements**

Your Board takes this opportunity to thank all the stakeholders for their valuable contribution towards the growth of your Company during the year under review.

For and on Behalf of the Board

**Shriprakash Shukla**  
Chairman

Place : Dubai U.A.E  
Date : 16<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders  
Mahindra Emirates Vehicle Armouring FZ-L.L.C.  
Ras Al Khaimah, UAE

### Report on the financial statements

We have audited the accompanying financial statements of **Mahindra Emirates Vehicle Armouring FZ-L.L.C. (the "Company")**, which comprise the statement of financial position as at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that 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 International Standards on Auditing. 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 judgement, 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 entity'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 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, the financial statements present fairly, in all material respects, the financial position of **Mahindra Emirates Vehicle Armouring FZ-L.L.C.** as at 31 March 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 2.3 to the financial statements, the INR Amounts in the accompanying financial statements are presented as supplementary information solely for the convenience of users. Such supplementary information does not form part of the financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

### Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Company has maintained proper books of account;
- iv) the Company has not purchased or invested in any shares during the financial year ended 31 March 2016;
- vi) note 13 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the company has contravened during the financial year ended 31 March 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 March 2016;

Dubai  
16 May 2016

Deloitte & Touche

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

	Notes	2016 AED	Unaudited Supplementary Information (refer note 2.3) 2016 INR	2015 AED	Unaudited Supplementary Information (refer note 2.3) 2015 INR
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	5	2,269,766	40,923,881	2,154,886	36,568,415
<b>Current assets</b>					
Inventories	6	10,067,305	181,513,509	2,351,626	39,907,093
Trade and other receivables	7	2,089,304	37,670,151	1,956,378	33,199,735
Cash and cash equivalents	8	4,092,436	73,786,621	1,736,423	29,467,098
<b>Total current assets</b>		<b>16,249,045</b>	<b>292,970,281</b>	<b>6,044,427</b>	<b>102,573,926</b>
<b>Total assets</b>		<b>18,518,811</b>	<b>333,894,162</b>	<b>8,199,313</b>	<b>139,142,341</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	9	10,000,000	180,300,000	10,000,000	169,700,000
Statutory reserve	9	682,432	12,304,249	274,245	4,653,937
Accumulated losses		(1,027,403)	(18,524,076)	(4,701,085)	(79,777,412)
<b>Total equity</b>		<b>9,655,029</b>	<b>174,080,173</b>	<b>5,573,160</b>	<b>94,576,525</b>
<b>Non-current liabilities</b>					
Provision for employees' end of service benefits	10	441,135	7,953,664	331,799	5,630,629
<b>Current liabilities</b>					
Trade and other payables	11	8,422,647	151,860,325	2,294,354	38,935,187
<b>Total liabilities</b>		<b>8,863,782</b>	<b>159,813,989</b>	<b>2,626,153</b>	<b>44,565,816</b>
<b>Total equity and liabilities</b>		<b>18,518,811</b>	<b>333,894,162</b>	<b>8,199,313</b>	<b>139,142,341</b>

For and on behalf of the Board

**Shriprakash Shukla**

Chairman

**Yousef Mohammed Esmaeel Mohammed Albelooshi**

} Director

**Mohamed Farook Rawoof Ali.****Rajiv Gupta**

CEO

**Johnmon Xavier**

CFO

The accompanying notes form an integral part of these financial statements.

Place: Dubai

Date : 16 May 2016



**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016**

		Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	Notes	2016 AED	2016 INR	2015 AED	2015 INR
Revenue		26,411,893	476,206,431	24,002,847	407,328,314
Cost of revenue		(17,982,445)	(324,223,483)	(16,310,698)	(276,792,545)
Gross profit		8,429,448	151,982,948	7,692,149	130,535,769
General and administrative expenses	12	(3,852,868)	(69,467,210)	(4,190,086)	(71,105,759)
Business promotion expenses		(371,282)	(6,694,214)	(606,487)	(10,292,084)
Finance cost		(75,468)	(1,360,688)	(218,376)	(3,705,841)
Other expenses		(160,379)	(2,891,633)	(140,981)	(2,392,449)
Other income		112,418	2,026,897	–	–
<b>Profit for the year</b>		<b>4,081,869</b>	<b>73,596,100</b>	<b>2,536,219</b>	<b>43,039,636</b>
Other comprehensive income		–	–	–	–
<b>Total comprehensive income for the year</b>		<b>4,081,869</b>	<b>73,596,100</b>	<b>2,536,219</b>	<b>43,039,636</b>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
Balance at 31 March 2014	10,000,000	20,623	(6,983,682)	3,036,941
Total comprehensive income for the year	–	–	2,536,219	2,536,219
Transfer to statutory reserve	–	253,622	(253,622)	–
Balance at 31 March 2015	10,000,000	274,245	(4,701,085)	5,573,160
Total comprehensive income for the year	–	–	4,081,869	4,081,869
Transfer to statutory reserve	–	408,187	(408,187)	–
<b>Balance at 31 March 2016</b>	<b>10,000,000</b>	<b>682,432</b>	<b>(1,027,403)</b>	<b>9,655,029</b>

**Unaudited Supplementary Information (refer note 2.3)**

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>INR</b>	<b>INR</b>	<b>INR</b>	<b>INR</b>
Balance at 31 March 2014	163,000,000	336,155	(113,834,017)	49,502,138
Total comprehensive income for the year	–	–	43,039,636	43,039,636
Transfer to statutory reserve	–	4,303,965	(4,303,965)	–
Effect of foreign exchange differences	6,700,000	13,817	(4,679,066)	2,034,751
Balance at 31 March 2015	169,700,000	4,653,937	(79,777,412)	94,576,525
Total comprehensive income for the year	–	–	73,596,098	73,596,098
Transfer to statutory reserve	–	7,359,612	(7,359,612)	–
Effect of foreign exchange differences	10,600,000	290,700	(4,983,150)	5,907,550
<b>Balance at 31 March 2016</b>	<b>180,300,000</b>	<b>12,304,249</b>	<b>(18,524,076)</b>	<b>174,080,173</b>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
<b>Cash flows from operating activities</b>				
Profit for the year	4,081,869	73,596,100	2,536,219	43,039,636
Adjustments for:				
Depreciation of property and equipment	663,090	11,955,512	729,198	12,374,490
Provision for employees' end of service benefits	121,653	2,193,403	100,381	1,703,465
Allowance for slow-moving inventory	71,065	1,281,302	–	–
Finance cost	75,468	1,360,688	218,376	3,705,841
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>5,013,145</b>	<b>90,387,005</b>	3,584,174	60,823,432
Increase in inventories	(7,786,744)	(142,887,718)	(1,232,984)	(20,923,738)
(Increase)/decrease in trade and other receivables	(132,926)	(4,470,416)	4,655,175	78,998,320
Increase/(decrease) in trade and other payables	6,128,293	112,925,138	(284,864)	(4,834,142)
<b>Cash generated from operating activities</b>	<b>3,221,768</b>	<b>55,954,009</b>	6,721,501	114,063,872
Employees' end of service benefits paid	(12,317)	(222,076)	(14,388)	(244,164)
Finance cost paid	(75,468)	(1,360,688)	(218,376)	(3,705,841)
<b>Net cash generated from operating activities</b>	<b>3,133,983</b>	<b>54,371,245</b>	6,488,737	110,113,867
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(777,970)	(14,026,800)	(916,504)	(15,553,072)
<b>Cash used in investing activities</b>	<b>(777,970)</b>	<b>(14,026,800)</b>	(916,504)	(15,553,072)
<b>Cash flows from financing activities</b>				
Repayment of bank borrowings	–	–	(2,872,945)	(48,753,877)
Decrease in shareholders' loan	–	–	(1,000,000)	(16,970,000)
<b>Net cash used in financing activities</b>	<b>–</b>	<b>–</b>	(3,872,945)	(65,723,877)
<b>Net increase in cash and cash equivalents</b>	<b>2,356,013</b>	<b>40,344,445</b>	1,699,288	28,836,918
Cash and cash equivalents at beginning of the year	1,736,423	29,467,098	37,135	605,301
Effect of foreign exchange differences	–	3,975,078	–	24,879
<b>Cash and cash equivalents at end of the year (Note 8)</b>	<b>4,092,436</b>	<b>73,786,621</b>	1,736,423	29,467,098

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 1. General

Mahindra Emirates Vehicle Armouring FZ - L.L.C. – Ras Al Khaimah (the “Company”), is registered in the Emirate of Ras Al Khaimah, United Arab Emirates as a free zone – Limited Liability Company under the trade and industrial licences issued by RAK Investment Authority, Government of Ras Al Khaimah.

The UAE Federal Law No. 2 of 2015 (“Companies Law”) has come into force on 1 July 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions (“the transitional provisions”) and the Company has availed of these transitional provisions.

The principal activities of the Company are trading and assembling of automobiles, specialised vehicles, auto spare parts & components, auto accessories, special accessories fitting, tyres and rims and manufacturing of vehicle bodies and vehicle upholstery services.

The registered address of the Company is P.O. Box 39893, Ras Al Khaimah, United Arab Emirates.

### 2. Application of new and revised International Financial Reporting Standards (“IFRSs”)

#### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 – 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

#### 2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016

#### New and revised IFRSs

#### Effective for annual periods beginning on or after

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities

1 January 2016

Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

1 January 2016

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

### New and revised IFRSs

IFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

1 January 2018

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture

Effective date deferred indefinitely

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 April 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

### 2.3 Convenience translation

In addition to presenting the financial statements in AED, supplementary information in INR has been prepared for the convenience of users of the financial statements.

All amounts are translated from AED to INR at the closing exchange rate at 31 March 2016 INR 18.03 to 1 AED (31 March 2015: INR 16.97).

### 3. Summary of significant accounting policies

#### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The principal accounting policies adopted are set out below.

#### 3.3 Revenue recognition

Revenue represents the invoiced value of goods sold during the year, net of discounts and returns.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment (if any).

The cost of property and equipment is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is charged as to write off the cost of property and equipment, on a straight line basis over the expected useful economic lives of the assets concerned. The useful lives used for this purpose are:

Leasehold improvements	10 years
Machinery and equipment	7-8 years
Prototype	4 years
Motor vehicles	4 years
Furniture and equipment	4 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

#### 3.5 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis and includes invoiced cost, freight and handling costs. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

### 3.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.8 Employee benefits

#### *Annual leave and leave passage*

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date.

#### *Provision for employee's end of services benefits*

Provision is made for the full amount of end of service benefits due to employees in accordance with the U.A.E. Labour Law, for their period of service up to the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

### 3.9 Foreign currency

For the purpose of these financial statements U.A.E Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

### 3.10 Leasing

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis

is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### 3.11 Financial assets

The Company has the following financial assets: Cash and cash equivalents and trade and other receivables (other than prepaid expenses and advance to suppliers). These financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand and balance with banks in current accounts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### *Loans and receivables*

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

### 3.12 Financial liabilities and equity instruments issued by the Company

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liabilities and an equity instruments.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables (other than advance from customers) are classified as 'other financial liabilities.'

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

#### Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for the short term payable when the recognition of interest would be immaterial.

#### De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### 4. Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgments in applying the accounting policies

In the process of applying Company's accounting policies, the management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Allowance for slow moving inventories

Management has considered the requirement for an allowance for slow moving inventories. Management estimate the allowance for slow moving and obsolete inventories on the basis of prior experience, physical condition and expected future use of such inventory. Management has determined that there is no slow moving inventory except for provision created as at 31 March 2016.

#### Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is

based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions.

#### Useful lives and residual values of property and equipment

As described in note 3, the Company reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Management has determined that these expectations do not differ from estimates.

### 5. Property and equipment

	Leasehold improvements AED	Machinery and equipment AED	Prototype AED	Motor vehicles AED	Furniture and equipment AED	Total AED
<b>Cost</b>						
31 March 2014	1,166,809	1,027,302	977,510	298,000	481,466	3,951,087
Additions during the year	–	–	896,117	–	20,387	916,504
31 March 2015	1,166,809	1,027,302	1,873,627	298,000	501,853	4,867,591
Additions during the year	–	113,550	351,941	273,150	39,329	777,970
<b>31 March 2016</b>	<b>1,166,809</b>	<b>1,140,852</b>	<b>2,225,568</b>	<b>571,150</b>	<b>541,182</b>	<b>5,645,561</b>
<b>Accumulated depreciation</b>						
31 March 2014	344,148	404,013	682,220	217,357	335,769	1,983,507
Charge for the year	116,681	146,756	290,631	63,126	112,004	729,198
31 March 2015	460,829	550,769	972,851	280,483	447,773	2,712,705
Charge for the year	117,001	154,541	311,579	43,577	36,392	663,090
<b>31 March 2016</b>	<b>577,830</b>	<b>705,310</b>	<b>1,284,430</b>	<b>324,060</b>	<b>484,165</b>	<b>3,375,795</b>
<b>Carrying amount</b>						
<b>31 March 2016</b>	<b>588,979</b>	<b>435,542</b>	<b>941,138</b>	<b>247,090</b>	<b>57,017</b>	<b>2,269,766</b>
31 March 2015	705,980	476,533	900,776	17,517	54,080	2,154,886

#### Unaudited Supplementary Information (refer note 2.3)

	Leasehold improvements INR	Machinery and equipment INR	Prototype INR	Motor vehicles INR	Furniture and equipment INR	Total INR
<b>Cost</b>						
31 March 2014	19,018,987	16,745,023	15,933,413	4,857,400	7,847,896	64,402,719
Additions during the year	–	–	15,207,105	–	345,967	15,553,072
Effects of foreign exchange differences	781,762	688,292	654,932	199,660	322,582	2,647,228
31 March 2015	19,800,749	17,433,315	31,795,450	5,057,060	8,516,445	82,603,019
Additions during the year	–	2,047,307	6,345,496	4,924,895	709,102	14,026,800
Effects of foreign exchange differences	1,236,817	1,088,940	1,986,045	315,880	531,964	5,159,646
<b>31 March 2016</b>	<b>21,037,566</b>	<b>20,569,562</b>	<b>40,126,991</b>	<b>10,297,835</b>	<b>9,757,511</b>	<b>101,789,465</b>
<b>Accumulated depreciation</b>						
31 March 2014	5,609,613	6,585,412	11,120,186	3,542,919	5,473,035	32,331,165
Charge for the year	1,980,077	2,490,449	4,932,008	1,071,248	1,900,708	12,374,490
Effects of foreign exchange differences	230,578	270,689	457,087	145,630	224,965	1,328,949
31 March 2015	7,820,268	9,346,550	16,509,281	4,759,797	7,598,708	46,034,604
Charge for the year	2,109,528	2,786,374	5,617,769	785,693	656,148	11,955,512
Effects of foreign exchange differences	488,479	583,815	1,031,223	297,312	474,639	2,875,468
<b>31 March 2016</b>	<b>10,418,275</b>	<b>12,716,739</b>	<b>23,158,273</b>	<b>5,842,802</b>	<b>8,729,495</b>	<b>60,865,584</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

	Leasehold improvements INR	Machinery and equipment INR	Prototype INR	Motor vehicles INR	Furniture and equipment INR	Total INR
<b>Carrying amount</b>						
<b>31 March 2016</b>	<b>10,619,291</b>	<b>7,852,823</b>	<b>16,968,718</b>	<b>4,455,033</b>	<b>1,028,016</b>	<b>40,923,881</b>
31 March 2015	11,980,481	8,086,765	15,286,169	297,263	917,737	36,568,415

**6. Inventories**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Vehicles	6,122,846	110,394,913	1,691,227	28,700,122
Steel and carpets	2,988,354	53,880,023	474,123	8,045,867
Glasses	464,505	8,375,025	138,932	2,357,676
Others	761,892	13,736,913	246,571	4,184,310
	<b>10,337,597</b>	<b>186,386,874</b>	<b>2,550,853</b>	<b>43,287,975</b>
Allowance for slow-moving inventories	(270,292)	(4,873,365)	(199,227)	(3,380,882)
	<b>10,067,305</b>	<b>181,513,509</b>	<b>2,351,626</b>	<b>39,907,093</b>

**7. Trade and other receivables**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Trade receivables	122,040	2,200,381	1,232,910	20,922,483
Advances to suppliers	600,812	10,832,640	100,904	1,712,341
Prepaid expenses	476,043	8,583,055	347,346	5,894,462
Deposits and other receivables	890,409	16,054,075	275,218	4,670,449
	<b>2,089,304</b>	<b>37,670,151</b>	<b>1,956,378</b>	<b>33,199,735</b>

The average credit period ranges between 60-90 days. Trade receivables more than 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience in addition to specific provision made on identified customers.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (the receivable is more than 90 days outstanding) are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Analysis of receivables past due but not impaired:

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
90-180 days	78,000	1,406,340	–	–
Above 180 days	–	–	232,870	3,951,804
	<b>78,000</b>	<b>1,406,340</b>	<b>232,870</b>	<b>3,951,804</b>

**8. Cash and cash equivalents**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Current account with bank	246,653	4,447,154	226,562	3,844,757
Cash on hand	15,415	277,932	9,861	167,341
Fixed deposit	3,830,368	69,061,535	1,500,000	25,455,000
	<b>4,092,436</b>	<b>73,786,621</b>	<b>1,736,423</b>	<b>29,467,098</b>

**9. Share capital and statutory reserve**
**9.1 Share capital**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Issued and fully paid up: 10,000 ordinary shares of AED 1,000 each	10,000,000	180,300,000	10,000,000	169,700,000

**At 31 March 2016**

The contribution by the Shareholders is as follows:

	No. of shares	Percentage %	Amount AED
Mahindra Overseas Investment Company (Mauritius) Limited, Mauritius	5,100	51	5,100,000
RAK Transport Investment Company L.L.C., Ras Al Khaimah	1,200	12	1,200,000
Arabia Holding Limited, Ras Al Khaimah	3,700	37	3,700,000
	<b>10,000</b>	<b>100</b>	<b>10,000,000</b>

**Unaudited Supplementary Information (refer note 2.3)**

The contribution by the Shareholders is as follows:

	No. of shares	Percentage %	Amount INR
Mahindra Overseas Investment Company (Mauritius) Limited, Mauritius	5,100	51	91,953,000
RAK Transport Investment Company L.L.C., Ras Al Khaimah	1,200	12	21,636,000
Arabia Holding Limited, Ras Al Khaimah	3,700	37	66,711,000
	<b>10,000</b>	<b>100</b>	<b>180,300,000</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

At 31 March 2015

The contribution by the Shareholders is as follows:

	No. of shares	Percentage %	Amount AED	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
				2016 AED	2016 INR	2015 AED	2015 INR
Mahindra Overseas Investment Company (Mauritius) Limited, Mauritius	5,100	51	5,100,000				
RAK Transport Investment Company L.L.C., Ras Al Khaimah	1,200	12	1,200,000				
Arabia Holding Limited, Ras Al Khaimah	3,700	37	3,700,000				
	<u>10,000</u>	<u>100</u>	<u>10,000,000</u>				

**Unaudited Supplementary Information (refer note 2.3)**

The contribution by the Shareholders is as follows:

	No. of shares	Percentage %	Amount INR
Mahindra Overseas Investment Company (Mauritius) Limited, Mauritius	5,100	51	86,547,000
RAK Transport Investment Company L.L.C., Ras Al Khaimah	1,200	12	20,364,000
Arabia Holding Limited, Ras Al Khaimah	3,700	37	62,789,000
	<u>10,000</u>	<u>100</u>	<u>169,700,000</u>

**9.2 Statutory reserves**

According to the requirements of the UAE Federal Law No. (2) of 2015, as amended, 10% of the net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfer when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by law.

**10. Provision for employees' end of service benefits**

Movements in the net liability were as follows:

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Balance at the beginning of the year	331,799	5,630,629	245,806	4,006,639
Amounts charged to income	121,653	2,193,403	100,381	1,703,465
Amount paid	(12,317)	(222,076)	(14,388)	(244,164)
Effects of foreign exchange differences	–	351,708	–	164,689
Balance at the end of the year	<u>441,135</u>	<u>7,953,664</u>	<u>331,799</u>	<u>5,630,629</u>

**11. Trade and other payables**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Trade payables	3,535,461	63,744,362	350,131	5,941,723
Advances received from customers	3,173,027	57,209,677	718,259	12,188,855

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Accrued expenses and other payables	1,714,159	30,906,286	1,225,964	20,804,609
	<u>8,422,647</u>	<u>151,860,325</u>	<u>2,294,354</u>	<u>38,935,187</u>

Trade payables include due to related parties amounting to AED 242,290 (INR 4,368,489) (31 March 2015: AED Nil (INR Nil)).

The Company has financial risk management policies in place to ensure that all payables are paid within credit timeframe.

**12. General and administrative expenses**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Staff salaries and benefits	2,149,665	38,758,460	2,576,473	43,722,747
Rent	274,217	4,944,133	284,160	4,822,195
Depreciation	495,897	8,941,023	545,327	9,254,199
Miscellaneous expenses	862,024	15,542,292	584,899	9,925,736
Allowance for slow moving inventory	71,065	1,281,302	199,227	3,380,882
	<u>3,852,868</u>	<u>69,467,210</u>	<u>4,190,086</u>	<u>71,105,759</u>

**13. Related party transactions**

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

During the year, the Company entered into the following transactions with related parties:

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Purchases	242,290	4,368,489	770	13,067
Sales	535,066	9,647,240	546,830	9,279,705
Finance cost	–	–	61,650	1,046,201

The Company has entered into transaction with related parties which were on substantially the same terms as those prevailing the same time for comparable transactions with third party.

**Compensation of key management personnel:**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Salaries and benefits	452,570	8,159,837	415,966	7,058,943

**14. Operating lease arrangements**

The Company has leased two plots of land from RAK Investment Authority under an operating lease agreement for a period of 10 years. The Company does not have an option to purchase the leased land at the expiry of lease period.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)**

At 31 March 2016, the minimum lease commitments under the lease agreement were as follows:

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Within one year	711,428	12,827,047	711,428	12,072,933
In second to fifth year	2,567,458	46,291,268	2,845,710	48,291,699
After five years	–	–	433,176	7,350,997
	<u>3,278,886</u>	<u>59,118,315</u>	<u>3,990,314</u>	<u>67,715,629</u>

**15. Contingent liabilities**

	Unaudited Supplementary Information (refer note 2.3)		Unaudited Supplementary Information (refer note 2.3)	
	2016 AED	2016 INR	2015 AED	2015 INR
Letters of guarantee	829,200	14,950,476	–	–

The Company obtained a bank overdraft facility of AED 7 million. Bank borrowings are secured against Demand Promissory Note, letter of installment with acceleration clause, letter of continuing security, possessory pledge over plant and machinery and assignment of lease hold right on land mortgage of factory building and letter of comfort from Shareholders. The Company have not utilised the facility during the year.

**16. Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to the Shareholder.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising share capital and accumulated losses.

**17. Financial instruments**
**17.1 Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

**17.2 Categories of financial instruments**

	2016 AED	2015 AED
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<u>5,104,885</u>	<u>3,244,551</u>
<b>Financial liabilities</b>		
Amortised cost	<u>5,249,620</u>	<u>1,576,095</u>
	<b>Unaudited Supplementary Information (refer note 2.3)</b>	<b>Unaudited Supplementary Information (refer note 2.3)</b>
	<b>2016 INR</b>	<b>2015 INR</b>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<u>92,041,077</u>	<u>55,060,030</u>

	Unaudited Supplementary Information (refer note 2.3)	Unaudited Supplementary Information (refer note 2.3)
	2016 INR	2015 INR
<b>Financial liabilities</b>		
Amortised cost	<u>94,650,648</u>	<u>26,746,332</u>

Management considers that the carrying amounts of the financial assets and financial liabilities recorded in the financial statements approximate their fair values.

**17.3 Financial risk management objectives**

The Company's Finance Department, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

**17.4 Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

**17.5 Foreign currency risk management**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the Dirham is fixed.

**17.6 Interest rate risk management**

The Company's exposure to interest rate risk is limited to call and short term deposits with banks at fixed interest rates linked to LIBOR. At 31 March 2016 bank deposits carried an interest rate in the range of 0.4% to 0.75% per annum (31 March 2015: 0.5% to 0.75% per annum).

**17.7 Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's accounts receivables. The Company has adopted a policy of only dealing with creditworthy counterparties.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 48% (31 March 2015: 57%) of the Company's revenue is attributable to sales transactions with a single customer. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

**17.8 Liquidity risk management**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Company manages the liquidity risk by maintaining adequate reserves, sufficient cash and cash equivalent and arranging the contributions from the Shareholders to ensure that the funds are available to meet its commitments for liabilities as they fall due. All financial assets and liabilities are expected to be matured within one year from the end of the reporting period.

**18 Approval of the financial statements**

The financial statements were approved by the Directors and authorised for issue 16 May 2016.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Twenty Third Annual Report together with the audited financial statements of the Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

(Rs. in Lakhs)

	For the Year ended 31 <sup>st</sup> March, 2016	For the Year ended 31 <sup>st</sup> March, 2015
Income	69.81	316.67
Total Expenditure	3.85	2.40
Profit before Taxation	65.96	314.27
Provision for Tax:		
Current Tax	16.01	6.80
Earlier year tax	-	2.36
Deferred Tax	-	-
Profit after Taxation	49.95	305.11
Balance of Profit from earlier years	283.52	(21.59)
Balance Carried Forward	333.47	283.52
Net Worth	673.47	623.51

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.

#### Operations

During the year under review, your Company earned Income of Rs. 69.81 Lakhs as compared to Rs. 316.67 Lakhs in the previous year. The Profit for the year was Rs. 49.95 Lakhs as against a Profit Rs. 305.11 Lakhs in the previous year.

The current year's Income and Profit includes income arose from divestment of the balance of the shareholding in the equity capital of AT&T Global Network Services India Private Limited.

#### Dividend

Your Board has not recommended any dividend, for the year under review, with a view to utilize the available profit for future business operations.

#### Board of Directors

The Composition of the Board of Directors is as under:

Sl. No.	Name of the Director	Designation	Executive/ Non-Executive	Independent/ Non Independent
1.	Mr. Ulhas N Yargop (DIN: 00054530)	Chairman	Non-Executive	Non Independent
2.	Mr. Mario A Nazareth (DIN: 00013337)	Director	Non-Executive	Non Independent
3.	Mr. C Krishnadas (DIN: 00126027)	Director	Non-Executive	Non Independent

Mr. Ulhas N Yargop (DIN: 00054530), Director, retires by rotation and being eligible, offers himself for reappointment.

#### Meetings of the Board and Annual General Meeting

Your Board of Directors met six times during the year under review viz on 15<sup>th</sup> April, 2015, 21<sup>st</sup> May, 2015, 15<sup>th</sup> July, 2015, 27<sup>th</sup> October, 2015, 20<sup>th</sup> January, 2016 and 29<sup>th</sup> January, 2016.

The 22<sup>nd</sup> Annual General meeting of the shareholders was held on 15<sup>th</sup> July, 2015.

The attendance at the meetings of the Board was as under:-

Name of Directors	No. of meetings attended
Mr. Ulhas N Yargop	5
Mr. M A Nazareth	6
Mr. C Krishnadas	6

#### Directors' Responsibility Statement

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received from operating management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures in adoption of these standards;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Profit of the Company for the year ended on that date;

- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Code of Conduct**

Your Company has adopted Code of Conduct for Corporate Governance (“the Code”) for its Directors. The Code enunciates the underlying principles governing the conduct of the Company’s business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of your Company’s ethos.

Your Company has, for the year under review, received declarations from all the members of the Board affirming compliance with the Code.

#### **Auditors & Audit Report**

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI Registration Number 105102W) were appointed as statutory auditors, at the 21<sup>st</sup> Annual General Meeting held on 14<sup>th</sup> July, 2014, to hold office from the conclusion of 21<sup>st</sup> Annual General Meeting until the conclusion of 26<sup>th</sup> Annual General Meeting to be held in the year 2019 subject to the ratification of their appointment by shareholders at every Annual General Meeting.

As required under the provisions of Section 139 of the Companies Act, 2013, your Company has obtained a written consent and certificate from the above Auditors to the effect that their continuation, if ratification made, would be in conformity with the conditions and criteria specified therein.

The members are requested to ratify the appointment of Auditors until the conclusion of the 26<sup>th</sup> Annual General Meeting of the members of the Company and fix their remuneration.

The Auditors’ Report does not contain any qualification, reservation or adverse remark.

#### **Reporting on Frauds by Auditors.**

During the year under review, the statutory Auditors have not reported any instances of Frauds.

#### **Corporate Social Responsibility**

The provisions relating to Corporate Social Responsibility were not applicable to your Company for the year under review.

#### **Risk Management Policy**

Your Company has, in place, a Risk Management Policy which sets out the objectives and elements of risk management

including identification of risks that may threaten the existence of the Company. Your Company periodically carries out risk assessment and takes steps to mitigate risks, if any.

#### **Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8(3) of The Companies (Accounts) Rules, 2014 are given as Annexure I to this Report.

#### **Particulars of loans, guarantees or investments**

During the year under review, your Company had not granted loan, given guarantee or made investment in the securities of any body corporate, as are covered under Section 186 of the Companies Act, 2013.

Your Company had not made any loan/advances which are required to be disclosed in the annual financial statement of the Company pursuant to Regulations 34(3) and 53(f) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the ultimate Parent Company, Mahindra and Mahindra Limited.

#### **Public Deposits and Loans/Advances**

Your Company had not accepted any deposits from the public, or its employees, during the year under review. There were no deposits falling under Rule 2(i)(c) of the Companies (Acceptance of Deposits) Rules, 2014 at the beginning of the year, during the year and at the end of the year. There was no amount which qualified as deposit outstanding as on the date of balance sheet and not in compliance with the requirements of Chapter V of the Companies Act, 2013.

#### **Particulars of Contracts/Arrangements/Transactions with Related Parties**

All the contracts/arrangements/transactions entered, during the year under review, with related parties were in ordinary course of business and on arm’s length basis.

During the year under review, your company had not entered into any contract/arrangement/transaction with related parties which could be considered material. Accordingly, there are no transactions to be reported in pursuance to Section 134(3)(h) of the Companies Act, 2013.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 2(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as Annexure II and forms part of this report.

#### **The Sexual Harassment of Women at Work Place (Prevention, Prohibition, and Redressal) Act, 2013**

Your Company is committed to a policy for prevention of sexual harassment at work place in accordance with the Sexual Harassment of Women at Work Place (Prevention, Prohibition, and Redressal) Act, 2013 and the Rules framed

thereunder. During the year under review, no complaint was received under the said Act.

**Details in respect of adequacy of Internal Financial Controls with reference to the Financial Statements**

Your Company has a system of internal control and monitoring procedures in place with reference to financial statements, commensurate with the size, scale and complexity of its operations. No material weakness in the design or operation of any control was observed during the year under review.

**General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Change in the nature of business carried out by the Company.
3. Significant and/or material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company and its future operations.
4. Voting Rights which are not directly exercised by the employees in respect of shares for the subscription of which loan was given by the company as there is no

scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013.

5. Particulars of employees, since the provisions of Section 197(12) of the Companies Act, 2013 and the Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, are not applicable to an unlisted Company.

**Acknowledgements**

Your Directors are pleased to take this opportunity to thank all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Ulhas N. Yargop**  
Chairman

Mumbai, 22<sup>nd</sup> April, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016****PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.****A. CONSERVATION OF ENERGY**

(a) the steps taken or impact on conservation of energy:

Not Applicable in view of your company not being energy intensive.

(b) the steps taken by the Company for utilizing alternate sources of energy:

The operations of the Company do not call for any steps to be taken for utilizing alternate sources of energy.

(c) the capital investment on energy conservation equipments:

None

**B. TECHNOLOGY ABSORPTION**

i) the efforts made towards technology absorption : None

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable

(a) the details of technology imported:

(b) the year of import

(c) whether the technology been fully absorbed:

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:

iv) the expenditure incurred on Research and Development : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

**(Rupees in Lakhs)**

	<b>For the Financial Year Ended 31<sup>st</sup> March, 2016</b>	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	<b>NIL</b>	NIL
Total Foreign Exchange Used	<b>NIL</b>	NIL

For and on behalf of the Board

**Ulhas N. Yargop**  
Chairman

Mumbai, 22<sup>nd</sup> April, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**Form No. MGT-9  
Extract of Annual Return**

**as on the financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U63040MH1993PTC070642
2.	<b>Registration Date</b>	3 <sup>rd</sup> February, 1993
3.	<b>Name of the Company</b>	Mahindra Telecommunications Investment Private Limited
4.	<b>Category/Sub-Category of the Company</b>	Company Limited by shares/Indian Non-Government company.
5.	<b>Address of the Registered office and contact details</b>	Gateway Building, Apollo Bunder, Mumbai 400 001 Tel No. 022 22021031 Fax No. 022 22875485
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Other financial services, activities, except insurance and pension funding activities n.e.c.	64990	100

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Mumbai 400 018	U65993MH2007PLC17564	Holding Company	100	2(46)
2.	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder, Mumbai 400 001	L65990MH1945PLC004558	Ultimate Holding Company	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF									
b. Central Govt.									
c. State Govt.									
d. Bodies Corp.	–	4,66,663	4,66,663	100	–	4,66,663	4,66,663	100	Nil
e. Bank/FI									
f. Any Other									
<b>Sub-Total- A-(1)</b>	–	4,66,663	4,66,663	100	–	4,66,663	4,66,663	100	Nil

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Foreign</b>	-								
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Body Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total - A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holding of Promoters (A)=(A)(1)+(A)(2)</b>	-	4,66,663	4,66,663	100	-	4,66,663	4,66,663	100	Nil
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
i. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total - B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c. Others									
<b>Total Public shareholding (B)=(B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	-	4,66,663	4,66,663	100	-	4,66,663	4,66,663	100	Nil

## ii. Shareholding of Promoters.

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra Holdings Limited	4,66,662	100	0	4,66,662	100	0	0
2.	Mahindra Holdings Limited jointly with Mr. Narayan Shankar *	1	0	0	1	0	0	0
	<b>Total</b>	<b>4,66,663</b>	<b>100</b>	<b>0</b>	<b>4,66,663</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* jointly held with Mahindra and Mahindra Limited for the purpose of compliance with the statutory provisions of Companies Act with regard to minimum number of members.



iii. Change in Promoters' Shareholding (please specify, if there is no change) There is no change in the shareholding of the Promoter Group.

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	4,66,663	100	-	-
	Date wise Increase/Decrease in Promoter's Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	-	-	-	-
	At the end of the year (or on the date of separation, if separated during the year)	-	-	4,66,663	100

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	-	-	-	-	-
2.	-	-	-	-	-
3.	-	-	-	-	-

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	-	-	-	-	-
2.	-	-	-	-	-
3.	-	-	-	-	-

## V. INDEBTEDNESS

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

(Rs. In Crores)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	-	-	-	Nil
2) Interest due but not paid	-	-	-	Nil
3) Interest accrued but not due	-	-	-	Nil
<b>Total of (1+2+3)</b>	-	-	-	Nil
<b>Change in Indebtedness during the financial year</b>				
+ Addition	-	-	-	Nil
- Reduction	-	-	-	Nil
<b>Net change</b>	-	-	-	Nil
<b>Indebtedness at the end of the financial year-31.03.2016</b>				
1) Principal Amount	-	-	-	Nil
2) Interest due but not paid	-	-	-	Nil
3) Interest accrued but not due	-	-	-	Nil
<b>Total of (1+2+3)</b>	-	-	-	Nil

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

(Rs. In Lakhs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- As % of Profit			
	- Others, specify			
5.	Others, please specify Provident Fund & other Funds	-	-	-
	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act		-	

B. Remuneration of other directors:

1. Independent Directors:-

(Rs. In Lakhs)

Particulars of Remuneration	Name of Directors						Total Amount
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-	-

2. Other Non-Executive Directors:-

(Rs. In Lakhs)

Other Non-Executive Directors								Total Amount
Fee for attending board committee meetings	-	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-	-
Ceiling as per the Act							-	

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

(Rs. In Lakhs)

Sr. No.	Particulars of Remuneration	Name of the KMP		Total Amount
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- As % of Profit			
	- Others, specify			
5.	Others, please specify Contribution to Provident Fund	-	-	-
	Performance Bonus	-	-	-
	<b>Total (C)</b>	-	-	-

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):**

**A. Company**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

**B. Directors**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

**C. Other Officers in Default**

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)
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–

For and on behalf of the Board

**Ulhas N. Yargop**  
Chairman

Mumbai, 22<sup>nd</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF MAHINDRA TELECOMMUNICATIONS INVESTMENT PRIVATE LIMITED

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of Mahindra Telecommunications Investment Private Limited ("the Company"), which comprise the balance sheet as at 31 March, 2016, and the statements of profit and loss and cash flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

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

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 15 to the financial statements.
  - ii. The Company does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses that need provision.
  - iii. During the year, there were no amounts which were required to be transferred by the Company to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

**H. P. Mahajani**  
**Partner**  
*Membership No. 030168*

*Mumbai, 22 April, 2016*

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of Mahindra Telecommunications Investment Private Limited for the year ended March 31, 2016

1. (i) The Company does not own any fixed assets. Therefore, the provisions of clause 3(i), (ii) and (iii) are not applicable to the Company.
2. The Company is an investment Company and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause (iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
4. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and Section 186. Therefore the provisions of Clause 3(iv) of the Order are not applicable to the company.
5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore the provisions of Clause 3(v) of the Order are not applicable to the company.
6. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
7. (i) The Company does not have any employees, therefore it is not required to make any payments towards Provident Fund, Employees' State Insurance. According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Income Tax, Sales Tax,, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it with the concerned authorities.
  - (ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable.
  - iii According to the information and explanations given to us and records of the Company examined by us, there are no dues of income-tax, sales tax, service tax, excise duty, customs duty and value added tax and cess which have not been deposited on account of any

dispute except the following dues towards Income Tax:

Sr. No.	Assessment Year	Amount	Forum where case is pending
1.	2007-08	3,37,564	Commissioner of Income Tax (Appeals)
2.	2008-09	3,75,064	Income Tax Appellate Tribunal
3.	2009-10	5,89,661	Commissioner of Income Tax (Appeals)
4.	2010-11	6,01,715	Commissioner of Income Tax (Appeals)
5.	2011-12	7,80,890	Commissioner of Income Tax (Appeals)
6.	2012-13	14,51,220	Commissioner of Income Tax (Appeals)
7.	2013-14	22,70,400	Commissioner of Income Tax (Appeals)

8. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
9. During the year, there were no moneys raised by way of initial public offer or further public offer or term loans.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.
11. The Company has not paid/provided any managerial remuneration during the year.
12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
*Chartered Accountants*  
*Firm's Registration Number 105102W*

**H. P. Mahajani**  
*Partner*  
*Membership No. 030168*

*Mumbai, 22 April, 2016*

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA TELECOMMUNICATIONS INVESTMENT PRIVATE LIMITED

### Report 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 Mahindra Telecommunications Investment Private Limited ("the Company") as of 31 March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

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

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**H. P. Mahaani**  
Partner  
Membership No. 030168

Mumbai, 22 April, 2016



**BALANCE SHEET AS AT 31 MARCH 2016**

	Notes	Rupees	As at 31 March 2016 Rupees	Rupees	As at 31 March 2015 Rupees
<b>A EQUITY AND LIABILITIES</b>					
<b>1 Shareholders' Funds:</b>					
(a) Share capital .....	2	4,666,630		4,666,630	
(b) Reserves & surplus.....	3	62,679,875		57,685,087	
			<b>67,346,505</b>		62,351,717
<b>2 Current Liabilities:</b>					
(a) Trade payables .....	4	913,415		183,634	
(b) Short-term provisions .....	5	317,214		13,471	
(c) Other Current Liabilities.....	6	26,206		13,034	
			<b>1,256,835</b>		210,139
			<b>68,603,340</b>		62,561,856
<b>B ASSETS</b>					
<b>1 Non-Current Assets:</b>					
(a) Long-term loans and advances ...	7	955,050		955,250	
			<b>955,050</b>		955,250
<b>2 Current Assets:</b>					
(a) Current investments.....	8	-		1,000,000	
(b) Cash and cash equivalents.....	9	62,019,881		59,465,308	
(c) Short-term loans and advances...	7	-		40,661	
(d) Other current assets .....	10	5,628,409		1,100,637	
			<b>67,648,290</b>		61,606,606
			<b>68,603,340</b>		62,561,856

See accompanying notes forming part of the financial statements

In terms of our report attached

For **M/s. B K Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**H. P. Mahajani**  
Partner  
Member Registration No. 030168  
Mumbai, 22<sup>nd</sup> April, 2016

For and on behalf of the Board of Directors

Ulhas Yargop Director  
Mario Nazareth Director  
Chillara Krishnadas Director

Mumbai, 22<sup>nd</sup> April, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
<b>INCOME:</b>			
1 Revenue from Operations (gross) .....	11	48,408	849,687
Less: Excise duty .....		—	—
Revenue from Operations (net) .....		48,408	849,687
2 Other Incomes .....	12	6,932,888	30,817,547
3 <b>Total Revenue (1+2)</b> .....		<b>6,981,296</b>	<b>31,667,234</b>
<b>4 Expenses:</b>			
(a) Other expenses .....	13	385,540	240,485
		385,540	240,485
5 Profit before taxation (3-4) .....		6,595,756	31,426,749
6 Tax expense:			
(a) Current tax .....		1,600,968	680,146
(b) Provision for earlier year tax .....		—	235,834
		1,600,968	915,980
7 Profit for the year (5-6) .....		4,994,788	30,510,769
8 <b>Earnings per equity share [nominal value of share Rs. 10 (31 March 2015: Rs. 10)]</b>			
<b>Basic:</b>			
Computed on the basis of total profit for the year .....		10.70	65.38
<b>Diluted:</b>			
Computed on the basis of total profit for the year .....		10.70	65.38
<b>See accompanying notes forming part of the financial statements</b>	1		

In terms of our report attached

For **M/s. B K Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**H. P. Mahajani**  
Partner  
Member Registration No. 030168  
Mumbai, 22<sup>nd</sup> April, 2016

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

Ulhas Yargop Director  
Mario Nazareth Director  
Chillara Krishnadas Director

Mumbai, 22<sup>nd</sup> April, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016 (INDIRECT METHOD)**

	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before taxation .....	6,595,756	31,426,749
Adjustments for:		
Gain on sale of long-term investment .....	(1,467,140)	(29,241,225)
Interest on bank deposits .....	(5,465,748)	(1,576,322)
	<u>(6,932,888)</u>	<u>(30,817,547)</u>
Operating Profit/(Loss) before Working capital changes .....	(337,132)	609,202
Changes in:		
Trade and other receivables .....	40,661	1,122,953
Trade and other payables .....	742,953	16,922
	<u>783,614</u>	<u>1,139,875</u>
Cash generated from operations .....	446,482	1,749,077
Income taxes paid .....	(1,297,025)	(1,423,635)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES .....</b>	<u>(850,543)</u>	<u>325,442</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Investment in Bank deposits (Net) .....	(2,389,116)	(54,825,454)
Proceeds from sale of long-term investment .....	2,467,140	54,241,225
Interest received .....	937,976	513,040
<b>NET CASH FROM INVESTING ACTIVITIES .....</b>	<u>1,016,000</u>	<u>(71,189)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from the issue of share capital (including share premium) .....	-	-
<b>NET CASH FROM FINANCING ACTIVITIES .....</b>	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<u>165,457</u>	<u>254,253</u>
<b>CASH AND CASH EQUIVALENTS (see Note below)</b>		
Opening balance .....	405,572	151,319
Closing balance .....	<u>571,029</u>	<u>405,572</u>
Note:		
Cash and cash equivalents includes:		
Cash on hand .....	1,500	714
Balances with Scheduled Banks:		
(l) on Current Accounts .....	<u>569,529</u>	<u>404,858</u>
	<u>571,029</u>	<u>405,572</u>

Note: Cash and cash equivalents as per Balance Sheet include fixed deposits having maturity of more than three months but less than 12 months amounting to Rs. 6,14,48,852 (2015: 5,90,59,736)

In terms of our report attached

**For M/s. B K Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**H. P. Mahajani**  
Partner  
Member Registration No. 030168

Mumbai, 22<sup>nd</sup> April, 2016

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

Ulhas Yargop                      Director  
Mario Nazareth                  Director  
Chillara Krishnadas             Director

Mumbai, 22<sup>nd</sup> April, 2016

**NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**
**Note 1 Summary of Significant accounting policies:**
**a) Basis of preparation:**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The accounts have been prepared on the basis that the Company is regarded as a going concern, and to comply Accounting Standards specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.

**b) Revenue Recognition:**

Income in the nature of interest is recognized on time proportion basis.

**c) Investments:**

Investments are classified under Non-current and current categories.

'Non-current Investments' are carried at acquisition/amortized cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis

**d) Taxes on Income:**

Income taxes are accounted for in accordance with Accounting Standard 22 (AS 22) on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Tax expense comprises both current and deferred tax.

Current tax is measured at the amount expected to be paid to/recovered from the tax authorities using the applicable tax rates.

Deferred tax assets and liabilities are recognised for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured using the relevant enacted tax rates. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets to the extent they have become reasonably certain or virtually certain of realisation, as the case may be.

Deferred tax assets in respect of accumulated tax losses are not recognised to the extent that there is no virtual certainty or reasonable certainty, as the case may be, supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

**Note 2 Share capital:**

	As at 31 March 2016		As at 31 March 2015	
	Nos	Rupees	Nos	Rupees
<b>Authorised shares:</b>				
Equity Shares of Rs. 10 each.....	1,000,000	10,000,000	1,000,000	10,000,000
	<u>1,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>10,000,000</u>
<b>Issued, subscribed and fully paid-up shares:</b>				
Equity Shares of Rs. 10 each.....	466,663	4,666,630	466,663	4,666,630
	<u>466,663</u>	<u>4,666,630</u>	<u>466,663</u>	<u>4,666,630</u>
<b>a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period</b>				
<b>Equity:</b>				
Opening Balance .....	466,663	4,666,630	466,663	4,666,630

**Note 2 Share capital: (Contd.)**

	As at 31 March 2016		As at 31 March 2015	
	Nos	Rupees	Nos	Rupees
Add: Issued during the year .....	-	-	-	-
Add: Additions due to Merger .....	-	-	-	-
Less: Deductions due to Merger .....	-	-	-	-
<b>Closing Balance .....</b>	<b>466,663</b>	<b>4,666,630</b>	<b>466,663</b>	<b>4,666,630</b>

**b. Terms/rights attached to equity shares**

The Company is having only one class of equity shares having face value of Rs. 10 each. 366,663 equity shares were issued during the financial year 2011-2012 at a premium of Rs.80/- each. Each holder of equity share is entitled to one vote per share.

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

**c. Details of shares held by the holding company**

Particulars	As at 31 March 2016	As at 31 March 2015
Mahindra Holdings Limited, the holding company, including 1 share jointly held with its nominee	466,663	466,663

**d. Details of shareholders holding more than 5% shares in the company**

Particulars	As at 31 March 2016		As at 31 March 2015	
	Nos	% holding	Nos	% holding
Mahindra Holdings Limited	466,662	99.9998%	466,662	99.9998%

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.

Company is 100% subsidiary of Mahindra Holdings Limited w.e.f. 29th September 2011

**Note 3 Reserves and surplus:**

	As at 31 March 2016		As at 31 March 2015	
	Rupees	Rupees	Rupees	Rupees
<b>Surplus/(deficit) in the statement of profit and loss</b>				
Balance as per last financial statements.....	28,352,047	(2,158,722)		
Profit for the year.....	4,994,788	30,510,769		
Net surplus in the statement of profit and loss..	<u>33,346,835</u>	<u>28,352,047</u>		
<b>Securities premium account</b>				
	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>		
	<b>Rupees</b>	<b>Rupees</b>		
<b>Balance as per last financial statement .....</b>	<b>29,333,040</b>	<b>29,333,040</b>		
Add: Securities premium credited on Share issue .....	-	-		
Closing Balance.....	<u>29,333,040</u>	<u>29,333,040</u>		
<b>Total reserves and surplus .....</b>	<b>62,679,875</b>	<b>57,685,087</b>		

**Note 4 Trade payables:**

	Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
Trade Payables		
1 – Micro & Small Enterprises.....	-	-
2 – Other than Micro & Small Enterprises...	913,415	183,634
	<u>913,415</u>	<u>183,634</u>

**Note 5 Short-term provisions:**

	Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
1 Provision for income tax .....	317,214	13,471
	<u>317,214</u>	<u>13,471</u>

**Note 6 Other Current Liabilities**

	Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
1 TDS Payable.....	26,206	13,034
	<u>26,206</u>	<u>13,034</u>

**Note 7 Long-term/short-term loans and advances:**

	Non-current		Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
<b>Other loans and advances</b>				
-Unsecured, Considered Good				
Advance income tax (net of provision for taxation) .....	955,050	955,250		
AT&T (Amount accrued but not due).....			-	40,661
	<u>955,050</u>	<u>955,250</u>	<u>-</u>	<u>40,661</u>

**Note 8 Current investments:**

	As at 31 March 2016 Number of shares	As at 31 March 2016 Rupees	As at 31 March 2015 Number of shares	As at 31 March 2015 Rupees
	<b>Investments</b> (At Cost, unless otherwise specified):			
<b>Unquoted Shares (Non-trade and fully paid-up unless otherwise specified):</b>				
<b>Investment in others:</b>				
Rs. 10 per share in AT & T Global Network Ser. India P. Ltd.		-	100,000	1,000,000
		<u>-</u>	<u>100,000</u>	<u>1,000,000</u>

**Note 9 Cash and cash equivalents:**

	Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
Cash on hand.....	1,500	714
<b>Other Bank Balances</b>		
1 On current account.....	569,529	404,858
2 Deposits with original maturity for more than 3 months but less than 12 months maturities.....	61,448,852	59,059,736
	<u>62,019,881</u>	<u>59,465,308</u>

**Note 10 Other current assets:**

	Current	
	As at 31 March 2016 Rupees	As at 31 March 2015 Rupees
Others:		
Interest accrued but not due on term deposits.....	5,628,409	1,100,637
	<u>5,628,409</u>	<u>1,100,637</u>

**Note 11 Revenue from Operations**

	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
	Call Option Fees .....	48,408
	<u>48,408</u>	<u>849,687</u>

**Note 12 Other income:**

	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
	<b>Interest income on:</b>	
Bank deposits.....	5,465,748	1,576,322
Gain on sale of long-term investment .....	1,467,140	29,241,225
	<u>6,932,888</u>	<u>30,817,547</u>

**Note 13 Other expenses:**

	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
	Payment to Auditors (See details below) .....	74,425
Professional charges .....	304,951	162,037
General and miscellaneous expenses.....	6,164	25,358
	<u>385,540</u>	<u>240,485</u>

**Payment to Auditors:\***

	<b>For the year ended 31 March 2016 Rupees</b>	For the year ended 31 March 2015 Rupees
Audit Fees (As auditor).....	<b>34,350</b>	28,090
For Taxation Matters .....	<b>40,075</b>	25,000
* inclusive of service tax		
	<u><b>74,425</b></u>	<u>53,090</u>

**Note 14 Computation of "Earnings Per Share"**

The computation of the "Earnings per share" in line with Accounting Standard 20 is as under:

		<b>For the year ended 31 March 2016</b>	For the year ended 31 March 2015
A.	Net Profit after tax available for equity shareholders (Rs.)	<b>4,994,788</b>	30,510,769
B.	Nominal value per Share (Rs.)	<b>10</b>	10
C.	Weighted Average number of Equity Shares (No.)	<b>466,663</b>	466,663
D.	Basic & Diluted Earnings per share (Re.)	<b>10.70</b>	65.38

**Note 15 Contingent Liability**

	<b>For the year ended 31 March 2016</b>	For the year ended 31 March 2015
Income tax demands disputed from A.Y. 2007-08 to A.Y. 2013-14 for which the Company has preferred appeal before the Appellate Authorities	<b>6,406,314</b>	4,135,914
<b>TOTAL</b>	<b>6,406,314</b>	4,135,914

**Note 16**

As per Accounting Standard 18 "Related Party Disclosures" referred to in sub-section 3(C) of section 211 of the Companies Act, 1956, the details are as follows:

Related parties where control exists:

- i) Mahindra & Mahindra Limited: Ultimate Holding Company
- ii) Mahindra Holdings Limited: Holding Company

Transactions with related parties during the year

Nature of transactions	Enterprises controlling the Company	
	Ultimate Holding Company	Holding Company
Expenses	263,209	—
	(86,798)	(—)

Balance as on 31 March 2016

Nature of transactions	Enterprises controlling the Company	
	Ultimate Holding Company	Holding Company
Payables	<b>205,929</b>	—
	(79,073)	(—)

**Note 17**

No Companies have been identified under the Micro Small and Medium Enterprises Development Act, 2006 as on 31<sup>st</sup> March, 2016 and hence the disclosures as required by Notification No. G.S.R. 719 (E), dated 16<sup>th</sup> November, 2007 issued by the Ministry of Corporate Affairs is not applicable.

**Note 18**

Previous year's figures have been re-grouped/restated wherever necessary to conform to this year's classification.

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

Ulhas Yargop	Director
Mario Nazareth	Director
Chillara Krishnadas	Director

Mumbai, 22<sup>nd</sup> April, 2016

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors present their Eighth Report together with the audited Financial Statements of your Company for the year ended 31<sup>st</sup> March, 2016.

**FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS**

(Amount in Rs.)

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Income	60,60,09,894	50,25,52,355
(Loss) before Depreciation, Interest & Tax	(62,08,65,379)	(47,47,40,800)
Less: Depreciation	5,06,38,333	6,57,83,566
(Loss) before Taxation	(67,15,03,712)	(54,05,24,366)
Less: Provision for Taxation for the year	-	-
(Loss) after Tax	(67,15,03,712)	(54,05,24,366)
(Loss) brought forward from Previous year	(1,58,55,13,995)	(1,04,41,45,145)
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life	-	8,44,484
Balance carried forward to Balance Sheet	(2,25,70,17,707)	(1,58,55,13,995)
Net Worth	8,59,82,293	33,34,86,005

No material changes and commitments have occurred after the closure of current financial year till the date of this report which would affect the financial position of the Company.

**OPERATIONS**

Your Company continues to be the leader in multi brand servicing space with significant lead over the closest competitor. Income during the year under review stood at Rs. 60.6 Crores which is 20% higher as compared to the previous year.

Your Company's Franchise program, which was launched only last year with a strong Franchisee Value Proposition, has issued Letter of Intent ("LOIs") to 288 Franchisees in this year (cumulatively 367) and made 66 Franchisees Operational (cumulatively 102). The Franchise program has been received well by a diverse set of entrepreneurs varying from Original Equipment Manufacturers dealers and independent workshops to partners from non-auto background. Your Company has further strengthened the hub and spoke based spare parts distribution network in financial year 2016 by making 12 hubs operational (22 cumulatively) which has ensured timely availability of spare parts at all its workshops.

With overall network crossing 100 workshops your Company has launched its first ever marketing campaign 'Free Ke Baad First Choice' for improving the brand awareness. This campaign has been very well received by customers, market place, prospective franchisees and suppliers. With increase in scale and increased brand awareness your Company is now being approached by prospective suppliers, insurance companies and fleet companies among others to establish a successful alliance as your Company is the only multi-brand Company with such a wide network coverage.

Owing to all the support provided by your Company, the franchisee partners have been improving their performance with a healthy growth in revenue and customer footfalls month on month. 6 of your Company's franchisee partners own more than one franchisee outlets proving their confidence in the Franchisee Value Proposition.

During the year under review, your Company has closed down 11 Company Owned Company Operated ("COCOs") outlets and transferred 3 COCOs to Franchisees which are now being run as Franchisee Owned Franchisee Operated ("FOFOs") outlets. Your Company's Franchisee partners are expressing keen interest in taking over COCOs and discussions are on for transferring 4 more existing COCOs to prospective franchisee partners.

**DIVIDEND**

In view of the losses, your Directors do not recommend dividend for the year under review.

**OUTLOOK FOR THE CURRENT YEAR**

The Company's strategic focus area in Financial Year 2017 will be:-

- Expand network rapidly through FOFOs and supporting cluster warehouses
- Increasing spare parts sales to Franchisees
- Increasing sales and margins for Private Label Business.
- Innovate in digital space to create value through initiatives like multi brand parts catalogue, Service Estimator and CarworkZ.
- Further strengthen the Pillars of Brand, Spares, Training and Processes through Innovation.

Your Company has plans to start 306 franchisees in financial year 2017. It already has a strong head-start with an opening balance of 251 Franchisee LOIs which are currently under various stages of construction and will become operational this year. Your Company will also focus on improving margins and profitability and focus on steps to improve customer satisfaction. With the above plans your Company is set to cross a revenue of 100 crores in the Financial Year 2017.

### SHARE CAPITAL

During the year under review, the Authorized Share Capital of your Company was increased from Rs. 200 crore to Rs. 250 crore. Further, 4,24,00,000 equity shares of Rs. 10/- each, aggregating Rs. 42,40,00,000 were issued and allotted on rights basis to its Holding Company viz., Mahindra & Mahindra Limited (M&M) and consequently, the paid-up share capital of the Company has increased to Rs. 234.3 crore, divided into 23,43,00,000 Equity Shares of Rs. 10 each.

### SUBSIDIARY COMPANY

Pursuant to the investment/purchase/acquisition of the entire Share Capital of Auto Digitech Private Limited ("the said Company") by your Company, the said Company has consequently become the wholly owned subsidiary of your Company with effect from 29<sup>th</sup> April, 2016.

### BOARD COMPOSITION:

Sr. No.	Name of Director & DIN	Designation	Executive/Non Executive	Independent/Non Independent
1.	Debabrata Bandyopadhyay (DIN: 06972463)	Director	Non Executive	Independent
2.	Sonu Bhasin (DIN: 02872234)	Director	Non Executive	Independent
3.	Rajeev Dubey (DIN: 00104817)	Chairman	Non Executive	Non Independent
4.	K. Chandrasekar (DIN: 01084215)	Director	Non Executive	Non Independent
5.	Ramesh Iyer (DIN: 00220759)	Director	Non Executive	Non Independent
6.	Anupam Thareja (DIN: 01091533)	Director	Non Executive	Non Independent
7.	Ruzbeh Irani (DIN: 01831944)	Director	Non Executive	Non Independent
8.	Prince Augustin (DIN: 02336637)	Director	Non Executive	Non Independent
9.	Vivek Nayer (DIN: 03410053)	Director	Non Executive	Non Independent
10.	YVS VijayKumar (DIN: 03588223)	Whole-Time Director	Executive	Non Independent

Mr. Shriprakash Shukla (DIN: 00007418) resigned from the Board with effect from 28<sup>th</sup> July, 2015. The Board placed on record the valuable contribution made by Mr. Shriprakash Shukla during his tenure as Director in the Company

Mr. Ramesh Iyer and Mr. Vivek Nayer would retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

Mr. Debabrata Bandyopadhyay and Ms. Sonu Bhasin, Independent Directors of your Company have furnished declarations that they meet the criteria of independence as provided under Section 149 of the Companies Act, 2013.

### MEETINGS

The Board of Directors met five times during the year under review viz., on 29<sup>th</sup> April, 2015, 28<sup>th</sup> July, 2015, 16<sup>th</sup> October, 2015, 27<sup>th</sup> January, 2016 and 9<sup>th</sup> March, 2016. The maximum interval between any two meetings did not exceed 120 days.

The attendance at the meetings of the Board was as follows:

Name of Director	Number of Board Meetings Attended
Debabrata Bandyopadhyay	5
Sonu Bhasin	5
Rajeev Dubey	5
K. Chandrasekar	3
Ramesh Iyer	5
Anupam Thareja	3
Ruzbeh Irani	5
Prince Augustin	4
Vivek Nayer	2
YVS VijayKumar	5
Shriprakash Shukla*	1

\* Mr. Shriprakash Shukla resigned from the Board with effect from 28<sup>th</sup> July, 2015.

### DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors based on the representation received from the Operating Management and after due enquiry, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed;
- that such accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis; and
- that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



## EVALUATION OF PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees, performance of the Directors individually and of Independent Directors. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

## MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Company met on 20<sup>th</sup> January, 2015 without the presence of the Chairman or whole time Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The meeting was conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to *inter alia*, review of performance of Non-Independent Directors and the Board as a whole, assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## CODES OF CONDUCT

Your Company has in place Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of Company's ethos.

The Company has for the year under review, received declarations under the Codes from the Directors, Senior Management Personnel and Employees affirming compliance with the respective Codes.

## AUDIT COMMITTEE

The Audit Committee comprises of Mr. Debabrata Bandyopadhyay (Chairman), Ms. Sonu Bhasin (Member) & Mr. Ramesh Iyer (Member).

The Audit Committee met thrice during the year under review viz., on 29<sup>th</sup> April, 2015 and 28<sup>th</sup> July, 2015 and 9<sup>th</sup> March, 2016. The attendance at the meeting of Audit Committee was as follows:

Director	Designation	No. of meetings attended
Debabrata Bandyopadhyay	Chairman	3
Sonu Bhasin	Member	3
Ramesh Iyer	Member	3

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises of Ms. Sonu Bhasin, Chairperson, Mr. Debabrata Bandyopadhyay & Mr. Prince Augustin as its Members.

The Nomination and Remuneration Committee carried out an evaluation of the performance of individual Directors through a structured questionnaire process covering various aspects such as skills, performance, attendance, knowledge etc.

The Nomination and Remuneration Committee met thrice during the year under review viz., on 29<sup>th</sup> April, 2015 and 16<sup>th</sup> October, 2015 and 9<sup>th</sup> March, 2016.

The attendance at the meeting of Nomination and Remuneration Committee was as follows:

Director	Designation	No. of meetings attended
Sonu Bhasin	Chairman	3
Debabrata Bandyopadhyay	Member	3
Prince Augustin	Member	3

## RISK MANAGEMENT POLICY

Your Company has formulated a Risk Management Policy including identification therein of the elements of risk which in the opinion of Board may threaten the existence of the Company. Your Company's risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture.

Implementation of the risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

## POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved

- Policy on the appointment/removal of Directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors.
- Policy on the remuneration of Directors, key managerial personnel and other employees.

These policies are provided as Annexure I and forms part of this report.

## THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

During the year under review no complaints were received under the The Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013 and rules framed thereunder.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company and accordingly, your Company does not have a CSR policy.

**KEY MANAGERIAL PERSONNEL**

Pursuant to provisions of Section 2(51) and Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the key managerial personnel of your Company with effect from 1<sup>st</sup> April, 2014 are Mr. YVS Vijay Kumar (DIN: 03588223) Whole-time Director, Mr. V. Rajan, Chief Financial Officer and Mr. V. S. Ramesh, Company Secretary of the Company.

**STATUTORY AUDITORS**

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Mumbai (ICAI Registration Number: 117366W/W-100018) retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting (AGM).

As required by the provisions of Section 139 read with Section 141 of the Companies Act, 2013, your Company has received a written consent and certificate from M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, to the effect that their reappointment, if made, would be in conformity with the conditions and criteria specified in the said sections.

The members are requested to appoint Auditors to hold office from the conclusion of forthcoming AGM till the conclusion of next AGM and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

**SECRETARIAL AUDITORS**

Your Company had appointed Makarand M. Joshi & Co., a firm of practising Company Secretaries as Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

In terms of provisions of sub Section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Report as Annexure II, a Secretarial Audit Report in prescribed Form MR 3 given by the Secretarial Auditor.

The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

**REPORTING OF FRAUDS**

During the year under review, the Statutory Auditors, and Secretarial 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.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as

required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Account) Rules, 2014 is furnished as Annexure III and forms part of this Report.

**PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013, from the public, or its employees, during the year.

Your Company has not, whether directly or indirectly, given loans, made investments, and/or provided guarantees/securities which are required to be reported under Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the parent Company, Mahindra and Mahindra Limited.

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

All the contracts/arrangements/transactions entered, during the year under review, with related parties referred to in Sub section 1 of Section 188 of Companies Act, 2013, and Rules made thereunder, were carried out in ordinary course of business and at arm's length.

Accordingly the disclosures of Related Party Transactions to be provided under Section 134(3)(h) of the Companies Act, 2013 in form AOC – 2 is not applicable.

**EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return in Form MGT 9 is provided as Annexure IV which forms part of this Report.

**INTERNAL CONTROLS**

Your Company has an adequate system of internal controls and monitoring procedures as well as internal controls on financial statements commensurate with the size and the nature of its business. Besides the Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee.

**SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE**

Your Company's commitment towards safety, health and environment is being continuously enhanced and persons working at all locations are given adequate training on safety and health. The requirements relating to various environmental legislations and environment protection have been duly complied with by your Company.

## **SUSTAINABILITY**

Your Company continues with its journey on sustainable development with conscious efforts to minimize the environmental impact caused by its operations and simultaneously taking responsibility to enable communities to Rise without losing focus on economic performance.

## **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as they were not applicable to your Company during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Details relating to deposits covered under Chapter V of the Companies Act, 2013.
3. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
4. There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

5. Disclosure of remuneration of employees under Section 197(12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, since your Company is an unlisted Company.

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

## **ACKNOWLEDGEMENTS**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Rajeev Dubey**  
Chairman

*Mumbai, 29<sup>th</sup> April, 2016*

## ANNEXURE I TO THE DIRECTORS' REPORT

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra First Choice Services Ltd.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (**KMP**) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive Directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of Director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.

3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.

- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman or the Managing Director or any other Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act, 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become Directors and who may be appointed in senior management team in accordance with the criteria as enumerated above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman or Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

#### II. SUCCESSION PLANNING:

##### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

##### Board:

The successors for the Independent Directors shall be identified by the NRC atleast one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel:**

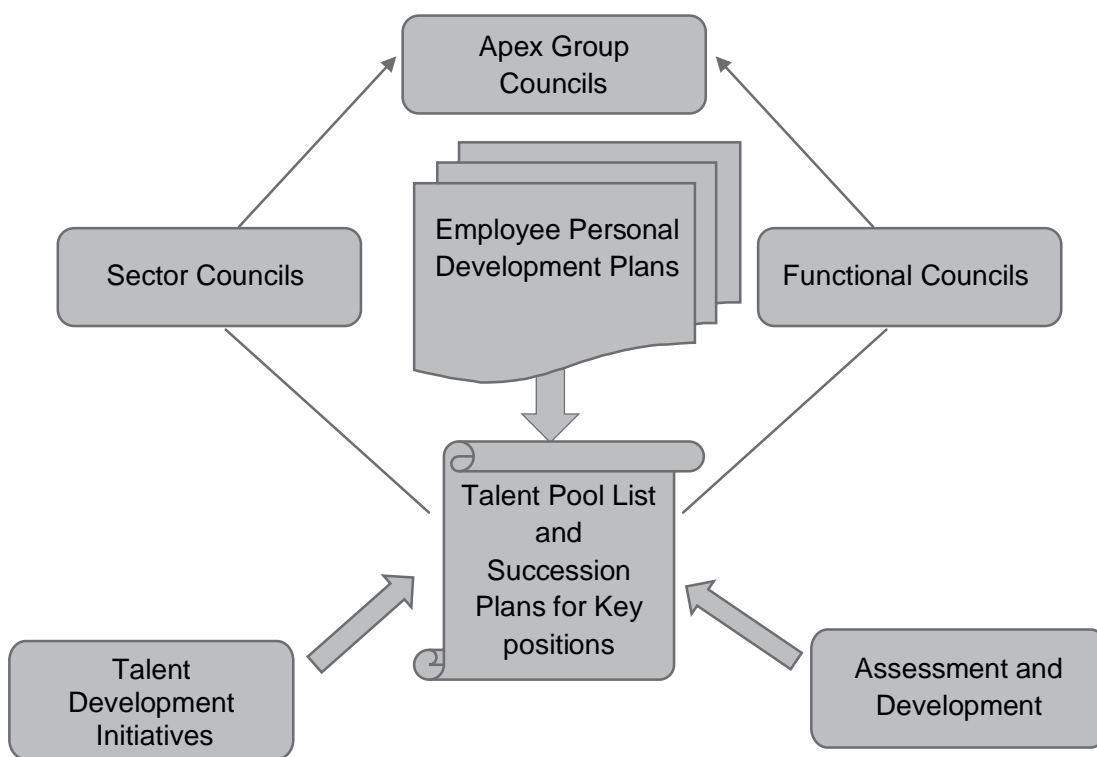
A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a ladder approach.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

**POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

**Purpose**

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra First Choice Services Ltd.

**Policy Statement**

We have a well-defined Compensation policy which is in line with our parent Company Mahindra & Mahindra Ltd. for Managing Director, Manager, Key Managerial Personnel and all employees, of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

**NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

**Executive Directors:**

The remuneration to Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

**Key Managerial Personnel (KMPs)**

The terms of remuneration of Chief Executive Officer (CEO), Chief Financial Officer (CFO) & Company Secretary (CS) shall be finalised/revised either by any Director or such other person as may be authorized by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of Section 203 of the Companies Act, 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to Directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

**Employees**

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

For and on behalf of the Board

**Rajeev Dubey**  
Chairman

*Mumbai, 29<sup>th</sup> April, 2016*

## ANNEXURE II TO THE DIRECTORS' REPORT

### FORM NO. MR.3

#### SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31<sup>st</sup> March, 2016

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

To,  
The Members,  
**Mahindra First Choice Services Limited**  
Mahindra Towers, P. K. Kurne Chowk  
Worli, Mumbai - 400018

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 ("**Audit Period**") complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under (**Not Applicable to the Company**)
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Overseas Direct Investment, Foreign Direct Investment and External Commercial Borrowings (**Not applicable to the Company during the Audit Period**)
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Not Applicable to the Company**)

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992/2015 (**Not Applicable to the Company**)
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**Not Applicable to the Company**)
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28<sup>th</sup> October, 2014 and its amendments notified on 18<sup>th</sup> September, 2015 (**Not Applicable to the Company**)
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**Not Applicable to the Company**)
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (**Not Applicable to the Company**)
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not Applicable to the Company**) and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not Applicable to the Company**);

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (**Notified with effect from 1<sup>st</sup> July, 2015**).
- (ii) The Listing Agreements entered into by the Company with stock exchanges and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**Not Applicable to the Company**).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards made thereunder.

#### We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors

and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**We further report that** during the audit period

- The Company has issued and allotted 424,00,000 Equity Shares having Face Value of Rs. 10/- each at par aggregating to Rs. 42,40,00,000/- on Right Basis during the Financial year.

For Makarand M. Joshi & Co

**SD/-**  
**Makarand Joshi**  
Partner  
FCS No. 5533  
CP No. 3662

*Mumbai, 29<sup>th</sup> April, 2016*



## ANNEXURE III TO THE DIRECTORS' REPORT

### PARTICULARS AS PER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

##### (A) Conservation of energy-

- (i) the steps taken or impact on conservation of energy:

Though the activities of the Company are not power intensive, various measures are taken to contain and bring about saving in power consumption through improved operational methods, better house-keeping and awareness programs.

- (ii) the steps taken by the Company for utilizing alternate sources of energy: Not Applicable

- (iii) the capital investment on energy conservation equipment: Nil

##### (B) Technology absorption:

- (i) the efforts made towards technology absorption: None

- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable

- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year: Not Applicable

- (iv) the expenditure incurred on Research and Development. Nil

##### (C) Foreign exchange earnings and Outgo

The Foreign Exchange earned in terms of actual inflows during the year: NIL

The Foreign Exchange outgo during the year in terms of actual outflows: 5,689 USD

For and on behalf of the Board

**Rajeev Dubey**  
Chairman

*Mumbai, 29<sup>th</sup> April, 2016*

**ANNEXURE IV TO THE DIRECTORS' REPORT**

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN****as on the financial year ended on 31<sup>st</sup> March, 2016**

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

**I. REGISTRATION AND OTHER DETAILS :**

i)	CIN:-	U35999MH2008PLC180385
ii)	Registration Date	24/03/2008
iii)	Name of the Company	Mahindra First Choice Services Limited
iv)	Category/Sub-Category of the Company	Company limited by shares (Indian Non-Government Company)
v)	Address of the Registered office and contact details	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai-400018, Maharashtra. Tel: +91 22 24905633 Fax: +91 22 24900833
vi)	Whether listed Company (Yes/No)	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

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

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

Sr. No.	Name and Description of main product/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Maintenance and repairs of motor vehicles	45200	22.82%
2.	Sale of Motor vehicle parts and accessories	45300	56.47%
3.	Franchise Income	7740	20.23%

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

Sr. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai 400 001 Tel : +91 22 24901441 Fax : +91 22 24900833	L65990MH1945PLC004558	HOLDING	100%	2(46)
2	Auto Digitech Private Limited * Mahindra Towers, P. K. Kurne Chowk, Worli Mumbai 400 018	U29253MH2009PTC196365	SUBSIDIARY	100%	2(87)

\* Subsidiary Company with effect from 29<sup>th</sup> April, 2016.**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****(i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	19,19,00,000*	19,19,00,000	100	-	23,43,00,000*	23,43,00,000	100	22.09
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other...	-	-	-	-	-	-	-	-	-
<b>Sub-total A (1):-</b>	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total A (2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	19,19,00,000*	19,19,00,000	100	-	23,43,00,000*	23,43,00,000	100	22.09
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Body Corp. (i) Indian (ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individual	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	19,19,00,000*	19,19,00,000	100	-	23,43,00,000 *	23,43,00,000	100	22.09

\* Includes 6 shares held by nominees of Mahindra & Mahindra Limited jointly with Mahindra & Mahindra Limited.

**(ii) Shareholding of Promoters:**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1.	Mahindra & Mahindra Limited	19,18,99,994	99.99%	0	23,42,99,994	99.99%	0	-
2.	Mahindra & Mahindra Limited jointly with Mr. Rajeev Dubey**	1	0.00%	0	1	0.00%	0	-

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of 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	
3.	Mahindra & Mahindra Limited jointly with Mr. Narayan Shankar**	1	0.00	0	1	0.00	0	-
4.	Mahindra & Mahindra Limited jointly with Mr. S Venkatraman**	1	0.00	0	1	0.00	0	-
5.	Mahindra & Mahindra Limited jointly with Mr. K Chandrasekar**	1	0.00	0	1	0.00	0	-
6.	Mahindra & Mahindra Limited jointly with Mr. Y. V. S. Vijay Kumar**	1	0.00	0	1	0.00	0	-
7.	Mahindra & Mahindra Limited jointly with Mr. Ruzbeh Irani**	1	0.00	0	1	0.00	0	-
	<b>Total</b>	<b>19,19,00,000</b>	<b>100.00</b>	<b>0</b>	<b>23,43,00,000</b>	<b>100.00</b>	<b>0</b>	<b>-</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	19,19,00,000	100	19,19,00,000	100
1	Allotment of 25,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 29 <sup>th</sup> April, 2015.	25,00,000	-	19,44,00,000	-
2	Allotment of 37,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 29 <sup>th</sup> May, 2015	37,00,000	-	19,81,00,000	-
3	Allotment of 34,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 30 <sup>th</sup> June, 2015	34,00,000	-	20,15,00,000	-
4	Allotment of 24,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 28 <sup>th</sup> July, 2015	24,00,000	-	20,39,00,000	-
5	Allotment of 60,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 30 <sup>th</sup> September, 2015	60,00,000	-	20,99,00,000	-
6	Allotment of 20,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 31 <sup>st</sup> October, 2015	20,00,000	-	21,19,00,000	-
7	Allotment of 30,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 30 <sup>th</sup> November, 2015	30,00,000	-	21,49,00,000	-

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
8	Allotment of 60,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 31 <sup>st</sup> December, 2015	60,00,000	–	22,09,00,000	–
9	Allotment of 34,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 30 <sup>th</sup> January, 2016	34,00,000	–	22,43,00,000	–
10	Allotment of 45,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 29 <sup>th</sup> February, 2016	45,00,000	–	22,88,00,000	–
11	Allotment of 55,00,000 Equity Shares of Rs. 10/- each for cash to Mahindra & Mahindra Limited on rights basis on 31 <sup>st</sup> March, 2016	55,00,000	–	23,43,00,000	–
	At the end of the year	<b>23,43,00,000</b>	<b>100</b>	<b>23,43,00,000</b>	<b>100</b>

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

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	<b>Top 10 Shareholders</b>				
	NOT APPLICABLE				

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

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	<b>For Each of the Directors and KMP</b>				
	At the beginning of the year				
	<b>Directors</b>				
1.	Mahindra & Mahindra Limited jointly with Mr. Rajeev Dubey**	1	0.00	1	0.00
2.	Mahindra & Mahindra Limited jointly with Mr. K Chandrasekar**	1	0.00	1	0.00
3.	Mahindra & Mahindra Limited jointly with Mr. Y. V. S. Vijay Kumar**	1	0.00	1	0.00
4.	Mahindra & Mahindra Limited jointly with Mr. Ruzbeh Irani**	1	0.00	1	0.00
	Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	No Change			
	At the end of the year	No Change			

\*\* Jointly held with Mahindra & Mahindra Limited to comply with the statutory provisions of Companies Act, 2013 with regard to minimum number of members.

**V. INDEBTEDNESS**

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

(Amount in Rs.)

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount			1,67,40,850	1,67,40,850
ii) Interest due but not paid			-	-
iii) Interest accrued but not due			-	-
<b>Total (i+ii+iii)</b>			<b>1,67,40,850</b>	<b>1,67,40,850</b>
<b>Change in Indebtedness during the financial year</b>				
Addition			4,61,60,006	4,61,60,006
Reduction	NIL	NIL	33,55,850	33,55,850
<b>Net change</b>			<b>4,28,04,156</b>	<b>4,28,04,156</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount			5,95,45,006	5,95,45,006
ii) Interest due but not paid			-	-
iii) Interest accrued but not due			-	-
<b>Total (i+ii+iii)</b>			<b>5,95,45,006</b>	<b>5,95,45,006</b>

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

(Amount in Rs.)

Sl. No	Particulars of Remuneration	Name of Whole-Time Director	Total Amount
		Mr. Y.V.S. Vijaykumar	
1.	Gross Salary	84,00,000	84,00,000
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission	-	-
	- As % of Profit		
	- Others, specify		
5.	Others, please specify	-	-
	<b>Total (A)</b>	<b>84,00,000</b>	<b>84,00,000</b>
	Ceiling as per the Act	In accordance with Schedule V of Companies Act, 2013	

**B. Remuneration of other directors:**

(Amount in Rs.)

Particulars of Remuneration	Name of Directors										Total Amount
	Mr. Shri Prakash Shukla*	Mr. Rajeev Dubey	Mr. Ramesh Iyer	Mr. K. Chandrasekar	Mr. Anupam Thareja	Mr. Ruzbeh Irani	Mr. P. Augustin	Ms. Sonu Bhasin	Mr. Vivek Nayer	Mr. D. Bandyopadhyay	
1. Independent Directors	N.A	N.A	N.A	N.A	N.A	N.A	N.A	2,43,000	N.A	2,43,000	4,86,000
• Fee for attending board/ committee meetings											
• Commission											
• Others, please specify											
<b>Total (1)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>2,43,000</b>	<b>NIL</b>	<b>2,43,000</b>	<b>4,86,000</b>

(Amount in Rs.)

Particulars of Remuneration	Name of Directors										Total Amount
	Mr. Shri Prakash Shukla*	Mr. Rajeev Dubey	Mr. Ramesh Iyer	Mr. K. Chandrasekar	Mr. Anupam Thareja	Mr. Ruzbeh Irani	Mr. P. Augustin	Ms. Sonu Bhasin	Mr. Vivek Nayer	Mr. D. Bandyopadhyay	
2. Other Non-Executive Directors											
• Fee for attending board/committee meetings	NIL	NIL	NIL	NIL	NIL	NIL	NIL	N.A	NIL	N.A	
• Commission											
• Others, please specify											
<b>Total (2)</b>											
<b>Total B=(1+2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>2,43,000</b>	<b>NIL</b>	<b>2,43,000</b>	<b>4,86,000</b>
Ceiling as per the Act	In accordance with Schedule V of Companies Act, 2013										

\* Upto 28<sup>th</sup> July, 2015.

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

(Amount in Rs.)

Sl. No	Particulars of Remuneration			
		Company Secretary	Chief Financial Officer	Total
		<b>Mr. V. S. Ramesh</b>	<b>Mr. V. Rajan</b>	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	–	47,72,155	–
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	4,36,125	–
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
	– As % of Profit			
	– Others, specify			
5.	Others, please specify	3,31,895	1,23,473	–
	<b>Total</b>	<b>3,31,895</b>	<b>53,31,753</b>	<b>–</b>

**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	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable
<b>B. DIRECTORS</b>						
Penalty	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable
<b>C. OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	–	–	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	–	–	Not applicable	Not applicable	Not applicable	Not applicable

For and on behalf of the Board

**Rajeev Dubey**  
Chairman

Mumbai, 29<sup>th</sup> April, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MAHINDRA FIRST CHOICE SERVICES LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA FIRST CHOICE SERVICES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its loss and its cash flows for the year ended on that date.

#### Emphasis of Matter

We draw attention to the following matter in the Notes to the financial statements:

Note 23 in the financial statements which indicates that, the Company has accumulated losses of Rs. 2,257,017,707 and its net worth has been substantially eroded, the Company has incurred a net cash loss during the current and previous years and, the Company's current liabilities exceeded its current assets as at the balance sheet date. These conditions, along with other matters set forth in Note 23, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - (e) The going concern matter described under the Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.



- (f) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- (g) 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 A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
- (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 36 of the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor’s Report) Order, 2016 (“the CARO 2016”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure B” a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS LLP**

*Chartered Accountants*

*(Firm’s Registration No. 117366W/W-100018)*

**Rajesh K. Hiranandani**

*Partner*

*Membership No. 36920*

Place : Mumbai

Date : April 28, 2016

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

**(Referred to in paragraph 1 under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)**

### **Report on the Internal Financial Controls Over Financial Reporting 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 Mahindra First Choice Services Limited (“the Company”) as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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.

### **Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For DELOITTE HASKINS & SELLS LLP**

*Chartered Accountants*

*(Firm’s Registration No. 117366W/W-100018)*

**Rajesh K. Hiranandani**

*Partner*

*Membership No. 36920*

Place : Mumbai

Date : April 28, 2016

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

**(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties and hence reporting under clause (i)(c) of the CARO 2016 is not applicable.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit and the provisions of Sections 73 to 76 of the Companies Act, 2013 are not applicable and hence reporting under clause 3(v) of the CARO 2016 is also not applicable.
- (vi) In respect of maintenance of Cost records under Section 148(1) of the Companies Act, 2013, having regard to the nature of the Company’s business/activities, reporting under clause (vi) of the CARO 2016 is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. Duty of customs and duty of excise are not applicable to the Company.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance,

Income-tax, Sales Tax, Service Tax, Value Added Tax, cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Service Tax, and Value Added Tax which have not been deposited as on 31<sup>st</sup> March, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs.)	Amount Unpaid (Rs.)
AP VAT Rules, 2005	VAT payments	Appellate Deputy Commissioner (CT)	November 2008 to April 2011	690,733	690,733
MVAT Act, 2002	VAT payable + Interest	Dy. Commissioner of Sales Tax – Appeals	April 2008 to March 2009	522,564	522,564

- (viii) The Company has neither taken any loans or borrowings from financial institutions, banks and government nor has issued any debentures and hence reporting under clause (viii) of the CARO 2016 is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS LLP**  
*Chartered Accountants*  
*(Firm's Registration No. 117366W/W-100018)*

**Rajesh K. Hiranandani**

*Partner*

*Membership No. 36920*

Place : Mumbai

Date : April 28, 2016

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

Particulars	Note No.	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital .....	3	2,343,000,000	1,919,000,000
(b) Reserves and surplus .....	4	<u>(2,257,017,707)</u>	<u>(1,585,513,995)</u>
		85,982,293	333,486,005
<b>2 Non-current liabilities</b>			
(a) Other Long-term liabilities.....	5	32,320,000	9,430,000
(b) Long-term provisions .....	6	<u>9,166,222</u>	<u>6,004,618</u>
		41,486,222	15,434,618
<b>3 Current liabilities</b>			
(a) Trade payables:	7		
Total outstanding dues of micro enterprises and small enterprises		541,313	98,149
Total outstanding dues of creditors other than micro enterprises and small enterprises.....		<u>194,134,554</u>	<u>99,466,338</u>
(b) Other current liabilities.....	8	62,457,946	25,924,123
(c) Short-term provisions.....	9	<u>5,541,961</u>	<u>2,936,042</u>
		262,675,774	128,424,652
<b>TOTAL.....</b>		<u><u>390,144,289</u></u>	<u><u>477,345,275</u></u>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets	10		
(i) Tangible assets .....		122,754,550	252,329,878
(ii) Intangible assets.....		19,321,147	7,474,209
(iii) Capital work-in-progress.....		30,450	275,599
(iv) Intangible Assets under development .....		<u>13,368,415</u>	<u>1,118,204</u>
		155,474,562	261,197,890
(b) Long-term loans and advances.....	11	64,901,303	77,323,716
(c) Other non-current assets .....	12	<u>47,028</u>	<u>495,000</u>
		220,422,893	339,016,607
<b>2 Current assets</b>			
(a) Inventories .....	13	30,826,643	31,816,772
(b) Trade receivables .....	14	28,023,390	24,495,007
(c) Cash and bank balances.....	15	68,853,268	56,173,698
(d) Short-term loans and advances .....	16	20,153,605	13,145,987
(e) Other current assets .....	17	<u>21,864,490</u>	<u>12,697,205</u>
		169,721,396	138,328,669
<b>TOTAL.....</b>		<u><u>390,144,289</u></u>	<u><u>477,345,275</u></u>

**Significant accounting policies**

2

See accompanying notes 1 to 37 forming part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants**Rajesh K. Hiranandani**  
Partner  
Mumbai : 29<sup>th</sup> April, 2016

For and on behalf of Board of Directors

**Rajeev Dubey**  
Chairman  
DIN - 00104817**YVS Vijay Kumar**  
CEO and Whole Time Director  
DIN - 03588223**V. Rajan**  
Chief Financial Officer  
Mumbai : 29<sup>th</sup> April, 2016**V S Ramesh**  
Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	Note No.	Year ended 31st March, 2016 Rupees	Year ended 31st March, 2015 Rupees
I. Revenue from operations .....	18	601,399,040	500,412,828
II. Other income .....	19	4,610,854	2,139,527
III. <b>Total revenue (I+II)</b> .....		<b>606,009,894</b>	502,552,355
<b>IV. Expenses</b>			
Purchase of traded goods .....	33	305,519,015	268,089,167
Changes in inventories of traded goods .....	20	990,129	(13,577,979)
Employee benefits expense .....	21	303,842,648	266,534,799
Depreciation and amortisation expenses .....	10	50,638,333	65,783,566
Other expenses .....	22	616,523,481	456,247,168
<b>Total expenses</b> .....		<b>1,277,513,606</b>	1,043,076,721
V. <b>Loss before tax (III-IV)</b> .....		<b>(671,503,712)</b>	(540,524,366)
VI. <b>Tax expense</b> .....		-	-
VII. <b>Loss for the year (V-VI)</b> .....		<b>(671,503,712)</b>	(540,524,366)
VIII. <b>Earnings per equity share:</b> .....	26		
Basic and diluted earnings per equity share .....		(3.21)	(3.36)
(nominal value of share Rs. 10)			
<b>Significant accounting policies</b> .....	2		
<b>See accompanying notes 1 to 37 forming part of the financial statements</b>			

In terms of our report attached

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants**Rajesh K. Hiranandani**  
Partner  
Mumbai : 29<sup>th</sup> April, 2016

For and on behalf of Board of Directors

**Rajeev Dubey**  
Chairman  
DIN - 00104817**V. Rajan**  
Chief Financial Officer  
Mumbai : 29<sup>th</sup> April, 2016**YVS Vijay Kumar**  
CEO and Whole Time Director  
DIN - 03588223**V S Ramesh**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	Year ended		Year ended
	Rupees	Rupees	31st March, 2015 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Loss before tax		(671,503,712)	(540,524,366)
Adjustments for:			
Depreciation and amortisation expense	50,638,333		65,783,566
Provision for impairment on fixed assets held for sale	27,069,799		7,675,931
Loss on sale/write off of fixed assets	44,965,048		2,569,638
Provision for doubtful trade receivables	2,227,356		1,118,195
Interest income	(78,175)		(59,796)
Provision for doubtful advances	860,687		1,597,887
Credit balances written back	(545,881)		(433,423)
Advances from customers written back	(8,681)		(95,252)
Provision for impairment no longer required	(965,427)		-
Provision for doubtful receivables no longer required	(741,274)		(177,472)
		<b>123,421,785</b>	<b>77,887,124</b>
<b>Operating loss before working capital changes</b>		<b>(548,081,927)</b>	<b>(462,637,242)</b>
Decrease/(Increase) in inventories	990,129		(13,577,979)
(Increase) in trade receivables	(5,014,465)		(16,409,745)
(Increase) in short-term loans and advances	(7,007,618)		(1,269,136)
Decrease/(Increase) in long-term loans and advances	20,995,578		(3,426,515)
Increase in trade payables	95,657,261		21,912,971
Increase in other current liabilities	36,542,504		1,675,100
Increase in other long-term liabilities	22,890,000		9,430,000
Increase in long-term provisions	3,161,604		620,873
(Increase) in other current assets	(8,196,700)		(5,655,433)
Increase in short-term provisions	2,605,919		514,765
		<b>162,624,212</b>	<b>(6,185,098)</b>
<b>Cash used in operations</b>		<b>(385,457,715)</b>	<b>(468,822,340)</b>
Income tax paid		(1,728,116)	(2,382,767)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(A)</b>	<b>(387,185,831)</b>	<b>(471,205,107)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed assets (including capital advances)	(58,190,249)		(29,004,324)
Sale of fixed assets	33,534,662		4,934,410
Recovery against assets written off in earlier years	-		92,150
Bank balances not considered as cash and cash equivalents (net)	147,972		25,000
Interest received	73,016		58,004
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(B)</b>	<b>(24,434,599)</b>	<b>(23,894,759)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of equity shares	424,000,000		531,300,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(C)</b>	<b>424,000,000</b>	<b>531,300,000</b>
<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b>12,379,570</b>	<b>36,200,133</b>
Cash and cash equivalents at the beginning of the year		56,148,698	19,948,565
Cash and cash equivalents at the end of the year		68,528,268	56,148,698
<b>Net (Decrease)/Increase as disclosed above</b>		<b>12,379,570</b>	<b>36,200,133</b>

See accompanying notes 1 to 37 forming part of the financial statements

- Note:- 1) The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statement".
- 2) Previous years' figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

In terms of our report attached

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner  
Mumbai : 29<sup>th</sup> April, 2016

For and on behalf of Board of Directors

**Rajeev Dubey**  
Chairman  
DIN - 00104817

**YVS Vijay Kumar**  
CEO and Whole Time Director  
DIN - 03588223

**V. Rajan**  
Chief Financial Officer  
Mumbai : 29<sup>th</sup> April, 2016

**V S Ramesh**  
Company Secretary

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1) Corporate Information:

Mahindra First Choice Services Limited (MFCSL) is a wholly owned subsidiary of Mahindra and Mahindra Limited and is part of its group after market sector. MFCSL has service centers across all major cities in India. MFCSL has presence in 18 states/Union Territories namely Andhra Pradesh, Bihar, Chhatisghad, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Pondichery, Punjab, Rajasthan, Tamilnadu, Telangana, Uttar Pradesh, Uttarakhand and West Bengal. The service network includes both Company owned Company operated (COCO) and franchise owned franchise operated outlets.

### 2) Significant Accounting Policies:

#### a) Basis of accounting and preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the 2013 Act") and the relevant provisions of the 2013 Act. 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.

#### b) Use of Estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### c) Fixed Assets:

All Tangible fixed assets are stated at cost less depreciation and impairment losses. Costs comprise purchase price net of any trade discounts and rebates and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use and other incidental expenses directly attributable to acquisition of fixed assets up to the date the asset is ready for its intended use.

Intangible Assets are recognized as per criteria specified in Accounting Standard 26 – Intangible Assets.

Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately.

#### Capital work-in-progress:

Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### Intangible assets under development:

Expenditure on Research and development eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

#### d) Depreciation:

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated

technological changes, manufacturers warranties and maintenance support, etc.:

Sr. No	Category of assets	Life
(i)	Plant and Machinery	
	– Machinery	10 Years
	– Electrical equipments and tools	06 Years
	– Mobile handsets	02 Years
	– Barcode system & equipment	05 Years
(ii)	Furniture and fittings – movable in nature	06 Years
(iii)	Vehicles	06 Years and 8 months

Leasehold improvements on premises and furniture and fixtures (Immovable in nature) are amortised over the duration of lease.

Assets costing less than Rs. 5,000/- are depreciated at the rate of 100% per annum.

Electronic data processing software are amortised over a period of three years on Straight line Method.

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation method is revised to reflect the changed pattern.

#### e) Inventories:

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Cost is arrived at on weighted average basis.

#### f) Unbilled Revenue:

Unbilled revenue is recognised at the cost of material issued on the job card opened, pending completion of service and hence not billed at the year end.

#### g) Revenue Recognition:

Revenue (income) is recognised when no significant uncertainty as to its measurability and collectability exists.

#### Sale of Goods:

Revenue from sale of spare parts is recognised when spare parts are dispatched or fitted to the vehicle and all significant risks and rewards of ownership of the spare parts are transferred to the customers. Sales are stated net of taxes on sales, sales returns and applicable trade discounts.

#### Income from Services:

Income from services is recognised when services are rendered and related costs are incurred.

#### Franchise Income:

(i) One-time fees is recognised when services are rendered and related costs are incurred prior to the commencement of operations by Franchise.

(ii) Monthly fees are recognised when services are rendered and related costs are incurred after the commencement of operations by Franchise.

#### h) Other Income:

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive is established.

#### i) Employee Benefits:

Employee benefits include provident fund, superannuation fund, employee state insurance scheme, gratuity fund, compensated absences, long service awards and post-employment medical benefits.

##### 1. Short Term Employee Benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

### 2. Long Term Benefits:

#### a. Defined Contribution Plan

The Company's contribution to provident fund, superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

##### i. Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post-employment benefits in respect of provident and family pension fund, in which both employees and the Company makes monthly contribution at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to Regional Provident Fund Commissioner. Provident Fund and Family Pension Fund are classified as Defined Contribution Plans as the Company has no further obligations beyond making the contribution. The Company's contribution to Defined Contribution Plans is charged to the Statement of Profit and Loss as incurred.

##### ii. Superannuation

The eligible employees of the Company are entitled to receive post-employment benefits in respect of superannuation fund in which the Company makes yearly contribution at a specified percentage of the employees' eligible salary (currently 15% of employees' eligible salary). The contributions are made to the Life Insurance Corporation of India. Superannuation is classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution to Defined Contribution Plans are charged to the Statement of Profit and Loss as incurred.

#### b. Defined Benefit Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

##### i. Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible

employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The Company has obtained insurance policies with the Life Insurance Corporation of India (LIC) and makes an annual contribution to LIC. The Company accounts for gratuity benefits payable in future based on an independent actuarial valuation. Actuarial gains and losses are recognised in the Statement of Profit and Loss.

##### ii. Compensated absences

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment/availment. The liability is provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation.

##### j) Taxes on Income:

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

##### k) Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Impairment loss is provided to the extent the carrying amounts of assets exceed their recoverable amount. The impairment loss is recognised as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

##### l) Provisions and Contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

in the Notes. Contingent assets are not recognised in the financial statements.

**m) Leases:**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**n) Earnings per Share:**

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

**o) Employee Share Based Payments:**

The Company has constituted an Employee Stock Option Plan by way of Stock Appreciation Rights. Employee Stock Options granted on or after 1st April, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>3) Share capital</b>		
<b>Authorised</b>		
250,000,000 (previous year: 200,000,000) equity shares of face value of Rs. 10/- each	<u>2,500,000,000</u>	2,000,000,000
	<u>2,500,000,000</u>	<u>2,000,000,000</u>
<b>Issued, subscribed and fully paid up</b>		
234,300,000 (previous year: 191,900,000) equity shares of face value of Rs. 10/- each	<u>2,343,000,000</u>	1,919,000,000
	<u>2,343,000,000</u>	<u>1,919,000,000</u>

**Notes:**

- (a) Rights, preferences and restrictions attached to equity shares  
The Ordinary (Equity) shares of the Company rank pari-passu in all respects including voting rights and entitlement to dividend.
- (b) The entire equity shares are held by Mahindra & Mahindra Limited, the holding company, and its nominees.

(c) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	31st March, 2016 Equity Shares		31st March, 2015 Equity Shares	
	Number	Rupees	Number	Rupees
<b>Equity shares with voting rights</b>				
Shares outstanding at the beginning of the year	191,900,000	1,919,000,000	138,770,000	1,387,700,000
Add : Issued at par during the year	<u>42,400,000</u>	<u>424,000,000</u>	<u>53,130,000</u>	<u>531,300,000</u>
<b>Shares outstanding at the end of the year</b>	<u>234,300,000</u>	<u>2,343,000,000</u>	<u>191,900,000</u>	<u>1,919,000,000</u>

	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>4) Reserves and surplus</b>		
<b>Deficit in the statement of profit and loss</b>		
Balance as per last balance sheet	(1,585,513,995)	(1,044,145,145)
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life.	-	(844,484)
	<u>(1,585,513,995)</u>	<u>(1,044,989,629)</u>
Loss for the year	<u>(671,503,712)</u>	<u>(540,524,366)</u>
<b>Closing balance</b>	<u>(2,257,017,707)</u>	<u>(1,585,513,995)</u>
<b>Total</b>	<u>(2,257,017,707)</u>	<u>(1,585,513,995)</u>
<b>5) Other long-term liabilities</b>		
Deposits received from franchises	<u>32,320,000</u>	9,430,000
<b>Total</b>	<u>32,320,000</u>	<u>9,430,000</u>
<b>6) Long-term provisions</b>		
Provision for compensated absences	<u>9,166,222</u>	6,004,618
<b>Total</b>	<u>9,166,222</u>	<u>6,004,618</u>
<b>7) Trade Payables</b>		
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 31 for MSME disclosure)	541,313	98,149
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	<u>194,134,554</u>	99,466,338
<b>Total</b>	<u>194,675,867</u>	<u>99,564,487</u>
<b>8) Other current liabilities</b>		
Other Payables:		
Advances from customers	19,761,313	7,574,049
Earnest money and other deposits	25,300,006	7,310,850
Deposits received from distributors	1,085,000	-
Deposits received from franchises	840,000	-
Payables on purchase of fixed assets	4,455,732	2,382,962
Payables towards Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	<u>11,015,895</u>	8,656,262
<b>Total</b>	<u>62,457,946</u>	<u>25,924,123</u>
<b>9) Short-term provisions</b>		
Provision for compensated absences	<u>4,699,593</u>	2,936,042
Provision for gratuity	<u>842,368</u>	-
<b>Total</b>	<u>5,541,961</u>	<u>2,936,042</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**10) Fixed assets**

Rupees

Particulars	Gross block						Depreciation & Amortisation/Impairment						Net block		
	As at 1st April, 2015	Additions	Disposals	Adjustment	Reclassified as held for sale*	Balance as at 31st March, 2016	As at 1st April, 2015	For the year	On Disposals	Adjustment	Impairment Provision	Reclassified as held for sale*	Balance as at 31st March, 2016	As at 31st March, 2016	As at 31st March, 2015
<b>A Tangible assets</b>															
Plant and equipment	166,895,144	1,487,138	57,519,866	1,481,872	29,314,696	83,029,592	40,736,163	14,684,777	17,906,389	314,677	12,864,381	21,604,294	29,089,315	53,940,277	(126,158,981)
	(167,210,788)	(13,511,555)	(3,310,065)	-	(10,517,134)	(166,895,144)	(24,741,396)	(19,958,032)	(1,243,545)	(9,025)	(3,873,261)	(6,602,005)	(40,736,163)	(126,158,981)	
Furniture and fixtures	26,886,819	3,960,104	6,877,866	291,063	3,941,411	20,318,709	10,785,399	3,572,945	3,745,735	139,251	1,237,243	3,052,721	8,936,382	11,382,327	(16,101,420)
	(25,529,791)	(2,966,287)	(746,130)	-	(863,129)	(26,886,819)	(6,754,886)	(4,981,509)	(522,581)	(29,966)	(228,010)	(686,392)	(10,785,399)	(16,101,420)	
Vehicles	8,617,042	8,230,785	2,333,965	-	147,170	14,366,692	2,950,688	1,663,902	1,557,446	-	31,941	132,452	2,956,633	11,410,059	(5,666,353)
	(10,523,970)	(2,866,021)	(4,772,949)	-	-	(8,617,042)	(2,859,553)	(1,489,406)	(1,398,270)	-	-	-	(2,950,688)	(5,666,353)	
Office equipment	13,836,868	1,369,236	2,874,834	678,860	1,864,519	11,145,611	5,816,363	2,190,020	1,861,546	220,951	334,851	1,318,408	5,382,231	5,763,380	(8,020,505)
	(12,987,257)	(3,557,963)	(1,936,341)	-	(772,011)	(13,836,868)	(4,231,238)	(2,950,742)	(1,109,829)	-	(321,191)	(576,979)	(5,816,363)	(8,020,505)	
Improvement to leasehold premises	128,721,654	1,795,630	62,407,872	128,640	22,322,394	45,915,658	47,456,643	11,137,233	33,718,528	22,842	12,563,598	19,531,912	17,929,876	27,985,782	(81,265,011)
	(126,834,634)	(10,292,654)	(1,592,332)	-	(6,813,302)	(128,721,654)	(30,571,893)	(20,511,545)	(744,877)	-	(3,137,829)	(6,019,746)	(47,456,643)	(81,265,011)	
Computers	32,558,600	6,349,422	3,480,976	597,453	662,501	35,361,998	17,440,992	8,566,690	2,633,284	268,812	37,785	591,722	23,089,273	12,272,725	(15,117,609)
	(28,485,855)	(5,006,850)	(336,652)	-	(597,453)	(32,558,600)	(7,664,127)	(9,411,503)	(171,318)	(805,492)	(115,640)	(384,453)	(17,440,992)	(15,117,609)	
<b>Total</b>	<b>377,516,127</b>	<b>23,192,315</b>	<b>135,495,379</b>	<b>3,177,888</b>	<b>58,252,691</b>	<b>210,138,260</b>	<b>125,186,248</b>	<b>41,815,567</b>	<b>61,422,928</b>	<b>966,533</b>	<b>27,069,799</b>	<b>46,231,509</b>	<b>87,383,710</b>	<b>122,754,550</b>	<b>(252,329,878)</b>
	(371,572,294)	(38,201,330)	(12,694,469)	-	(19,563,028)	(377,516,127)	(76,823,093)	(59,302,737)	(5,190,421)	(844,484)	(7,675,931)	(14,269,574)	(125,186,248)	(252,329,878)	-
<b>B Intangible assets</b>															
Computer software	23,712,106	21,179,227	519,281	-	-	44,372,052	16,237,897	8,858,632	45,624	-	-	-	25,050,905	19,321,147	(7,474,209)
	(18,076,532)	(5,635,574)	-	-	-	(23,712,106)	(9,757,067)	(6,480,830)	-	-	-	-	(16,237,897)	(7,474,209)	
<b>Total</b>	<b>23,712,106</b>	<b>21,179,227</b>	<b>519,281</b>	<b>-</b>	<b>-</b>	<b>44,372,052</b>	<b>16,237,897</b>	<b>8,858,632</b>	<b>45,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,050,905</b>	<b>19,321,147</b>	<b>(7,474,209)</b>
	(18,076,532)	(5,635,574)	-	-	-	(23,712,106)	(9,757,067)	(6,480,830)	-	-	-	-	(16,237,897)	(7,474,209)	-
<b>C Capital work in progress</b>														30,450	(275,599)
														(275,599)	
<b>D Intangible assets under development</b>														13,368,415	(1,118,204)
														(1,118,204)	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,398,865</b>	<b>(1,393,803)</b>
														(1,393,803)	-
<b>Total</b>	<b>401,228,233</b>	<b>44,371,542</b>	<b>136,014,660</b>	<b>3,177,888</b>	<b>58,252,691</b>	<b>254,510,312</b>	<b>141,424,145</b>	<b>50,674,199</b>	<b>61,468,552</b>	<b>966,533</b>	<b>27,069,799</b>	<b>46,231,509</b>	<b>112,434,615</b>	<b>155,474,562</b>	<b>(261,197,890)</b>
Previous year	(389,648,826)	(43,836,904)	(12,694,469)	-	(19,563,028)	(401,228,233)	(86,580,160)	(65,783,566)	(5,190,421)	(844,484)	(7,675,931)	(14,269,574)	(141,424,145)	(261,197,890)	-

Notes:

<b>1 Depreciation and Amortisation</b>		
<b>Particulars</b>		
		<b>For the year ended</b>
		<b>31-Mar-16</b> 31-Mar-15
Depreciation and amortisation for the year as shown above	<b>50,674,199</b>	65,783,566
Less: Transferred to Intangible assets under development	<b>(35,866)</b>	-
<b>Depreciation and amortization for the year (net)</b>	<b>50,638,333</b>	65,783,566
<b>2 Accumulated Provision for Impairment and netted off in Assets Held for Sale as disclosed in note 35 and included in Other Current Assets in note 17</b>		
	<b>Balance as at 31st March, 2016</b>	Balance as at 31st March, 2015
Provision for impairment made during the year	<b>27,069,799</b>	7,675,931
Provision for impairment on assets made during the previous year in respect of assets remaining to be disposed as at the end of the year	<b>347,384</b>	-
	<b>27,417,183</b>	7,675,931
<b>3</b>	<b>Year ended 31st March, 2016</b>	Year ended 31st March, 2015
<b>Provision for impairment on assets made during the previous year in respect of assets disposed during the year (see note 19(j))</b>	<b>7,328,547</b>	-

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	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees		As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>11) Long-term loans and advances</b>			<b>15) Cash and cash equivalents</b>		
<b>Unsecured</b>			<b>(a) Balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements</b>		
(a) Capital advances			– Cash on hand	2,348,794	2,618,438
Considered good	8,689,090	983,354	– Balances with banks		
Considered doubtful	1,000,940	1,000,940	– in current accounts	65,652,448	53,480,260
Less: Provision for doubtful advances	(1,000,940)	(1,000,940)	– in deposit account (Less than 3 months maturity)	527,026	50,000
	<u>8,689,090</u>	<u>983,354</u>		<u>68,528,268</u>	<u>56,148,698</u>
(b) Security deposits – considered good			<b>(b) Other bank balances</b>		
– for rented premises	37,281,810	54,906,360	– In deposits accounts with maturity more than 3 months but less than 12 months (Refer Note below)	325,000	25,000
– for others	873,991	1,717,905	<b>Total</b>	<u>68,853,268</u>	<u>56,173,698</u>
(c) Advance income tax – considered good	7,912,976	6,184,860			
(d) Balances with government authorities – considered good			<b>Note:</b>		
(i) VAT credit receivable	2,095,723	2,620,856	Lien on fixed deposits of Rs. 325,000 (previous year Rs. 25,000) in favour of banks, as a security for their guarantees.		
(ii) Service tax credit receivable	8,047,713	10,910,381			
<b>Total</b>	<u>64,901,303</u>	<u>77,323,716</u>	<b>16) Short-term loans and advances</b>		
			<b>Unsecured</b>		
<b>12) Other non-current assets</b>			(a) Advances for supply of goods and services		
Bank deposits for more than 12 months maturity	47,028	495,000	– to related parties (Refer Note 32)		
(Lien on fixed deposits of Rs. 47,028 (previous year Rs. 495,000) in favour of banks, as a security for the guarantees)			– considered good	770,802	257,175
<b>Total</b>	<u>47,028</u>	<u>495,000</u>	– to others		
			Considered good	4,958,386	7,050,418
			Considered doubtful	1,457,634	596,947
			Less: Provision for doubtful advances	(1,457,634)	(596,947)
				<u>5,729,188</u>	<u>7,307,593</u>
<b>13) Inventories</b>			(b) Advances to employees – considered good	1,431,839	954,380
(valued at lower of cost and net realisable value)			(c) Security deposits – considered good		
Traded goods	30,774,528	31,816,772	– for rented premises	9,360,000	2,520,000
Goods-in-transit (traded goods)	52,115	–	– for others	441,900	174,000
<b>Total</b>	<u>30,826,643</u>	<u>31,816,772</u>	(d) Prepaid expenses – considered good	3,190,678	2,190,014
			<b>Total</b>	<u>20,153,605</u>	<u>13,145,987</u>
<b>14) Trade receivables</b>					
(Unsecured)			<b>17) Other current assets</b>		
(a) Outstanding for a period exceeding six months from the date they were due for payment			Interest accrued on bank deposits	13,120	7,961
Considered good	2,655,680	1,068,458	Advance to the credit of gratuity trust	–	1,540,132
Considered doubtful	2,630,518	590,438	Fixed assets held for sale (Refer Note 35)	12,043,405	5,293,454
Less: Provision for doubtful trade receivables	(2,630,518)	(590,438)	Unbilled revenue	9,807,965	5,855,658
	<u>2,655,680</u>	<u>1,068,458</u>	<b>Total</b>	<u>21,864,490</u>	<u>12,697,205</u>
(b) Others					
Considered good	25,367,710	23,426,549	<b>18) Revenue from operations</b>		
Considered doubtful	63,659	689,825	(a) Sale of traded goods (Refer Note 33)	339,600,836	287,547,851
Less: Provision for doubtful trade receivables	(63,659)	(689,825)	(b) Sale of services	137,229,981	170,318,087
	<u>25,367,710</u>	<u>23,426,549</u>	(c) Franchise fees	121,648,683	34,438,994
<b>Total</b>	<u>28,023,390</u>	<u>24,495,007</u>	(d) Other operating revenues		
			Sale of scrap	1,893,314	3,457,804
			INX Income	5,263	233,625
			Discounts received	1,020,963	4,416,467
			<b>Total</b>	<u>601,399,040</u>	<u>500,412,828</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	Year ended 31st March, 2016		Year ended 31st March, 2015		Year ended 31st March, 2016		Year ended 31st March, 2015
	Rupees	Rupees	Rupees		Rupees	Rupees	
<b>19) Other income</b>				<b>22) Other expenses</b>			
(a) Interest on deposits		72,409	59,796	Stores consumed	3,276,820		5,805,237
(b) Provision for doubtful receivables no longer required		741,274	177,472	Power and fuel	12,797,163		13,788,539
(c) Interest on income tax refund		5,766	–	Lease rent (Refer Note 28)	115,671,219		117,688,763
(d) Advances from customers written back		8,681	95,252	Hire and service charges	84,489,246		85,385,620
(e) Insurance Claim Received		–	177,695	Repairs and maintenance to premises	494,480		153,529
(f) Recovery against assets written off in earlier years		–	92,150	Repairs and maintenance to machinery	4,443,838		5,678,176
(g) Income from shared facilities		1,212,000	238,710	Repairs and maintenance to others	12,727,193		12,306,280
(h) Credit balances written back		545,881	433,423	Insurance	5,077,915		5,262,190
(i) Service Tax, VAT Set/off reversal		813,091	861,029	Rates and taxes	3,238,627		1,854,812
(j) Provision for impairment on assets held for sale and disposed during the year		7,328,547	–	IT support costs	22,885,590		21,465,759
Less: Loss on disposal of assets held for sale		(6,363,120)	–	Books, periodicals and subscription fees	203,833		438,051
Provision for impairment no longer required		965,427	–	Recruitment and related expenses	7,015,162		6,274,427
(k) Recovery of security deposit/advances written off earlier now recovered		62,943	–	Communication expenses	15,052,986		13,222,969
(l) Miscellaneous Income		183,382	4,000	Travelling and conveyance	46,020,055		33,542,764
<b>Total</b>		<b>4,610,854</b>	<b>2,139,527</b>	Commission and brokerage	362,850		264,356
				Printing and stationary	3,650,079		4,293,798
				Discount	546,069		642,464
				Marketing, promotional and related expenses	149,015,052		66,634,009
				Legal and professional charges (including Payment to Auditors – Refer Note No. 25)	28,622,683		26,218,104
				Deputation charges	10,536,082		10,104,389
				Training expenses	3,092,278		1,862,169
				Bank charges	3,182,377		3,295,489
				Loss on sale/write off of fixed assets	44,965,048		2,569,638
				Provision for impairment on fixed assets held for sale	27,069,799		7,675,931
				Bad trade receivables written off	1,484,218		–
				Less: Provision held	(72,168)	1,412,050	502,530
				Provision for doubtful trade receivables	2,227,356		1,118,195
				Provision for doubtful advances	860,687		1,597,887
				Expenses for increase in Share capital	5,196,000		4,872,200
				Miscellaneous expenses	2,390,945		1,728,893
				<b>Total</b>	<b>616,523,481</b>		<b>456,247,168</b>
<b>20) Changes in inventories of traded goods</b>				Note: Other expenses are net of amounts included in Intangible assets under development:			
Opening stock		31,816,772	18,238,793	Communication expenses	56,594		–
Less: Closing stock		(30,826,643)	(31,816,772)	Travelling and conveyance	195,288		–
<b>Total</b>		<b>990,129</b>	<b>(13,577,979)</b>	Legal and professional charges	3,033,802		–
				Miscellaneous expenses	37,081		–
<b>21) Employee benefits expense</b>				<b>23) The Company has accumulated losses of Rs. 2,257,017,707/- and its net worth has been substantially eroded. The Company as per its strategy is expanding its network rapidly through the franchise route and the appointment of franchisees is on track. Also there is a major thrust on MFCS branded spares business where the spares would be sold directly to the distributors. As the result of all these efforts/plans, the Company expects to grow further in the coming years in volume, income and profitability. The company has received during the year an amount of Rs. 424,000,000/- from the holding Company as equity share capital. Further, the funding requirement of the Company as per the revised business plan has been approved by the holding Company. Accordingly, the financial statements of the Company have been prepared on a going concern basis.</b>			
(a) Salaries and wages*		259,752,523	238,913,189	<b>24) The estimated amount of contracts remaining to be executed on capital account and not provided for as at 31st March, 2016 is Rs. 4,753,666/- (Previous year Rs. 4,749,850/-).</b>			
(b) Contribution to provident and other funds (Refer Note 27)		17,260,589	17,075,502				
(c) Employee compensation expenses		16,681,974	–				
(d) Staff welfare expenses		10,147,562	10,546,108				
<b>Total</b>		<b>303,842,648</b>	<b>266,534,799</b>				
* Net of amounts included in Intangible assets under development		7,110,170	–				

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**25) Payment to Auditors (excluding Service Tax):**

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
i Audit fees	1,215,000	840,000
ii Other services	200,000	60,000
iii Reimbursement of expenses	29,957	25,228
<b>Total</b>	<b>1,444,957</b>	<b>925,228</b>

**26) Earnings Per Share:**

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
Loss for the year (Rupees)	(671,503,712)	(540,524,366)
Weighted average number of equity shares	208,886,339	160,928,986
Nominal value per equity share (Rupees)	10	10
Basic and Dilutive Earnings per share (Rupees)	(3.21)	(3.36)

**27) Employee Defined Benefits:**

The disclosures as required under Accounting Standard 15 on "Employee Benefits" (AS-15 Revised) are as follows:

**i. Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognised in the Statement of Profit and Loss under Employee benefits expense, Contribution to provident and other funds, in Note 21 for the year are as under:

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
i. Employer's Contribution to Provident Fund	7,315,472	7,278,288
ii. Employer's Contribution to Family Pension Fund	6,146,087	5,574,375
iii. Employer's Contribution to Superannuation Fund	293,276	402,673
iv. Employer's Contribution to LWF	39,997	45,627
v. Employer's Contribution to ESIS	998,373	1,611,317
vi. Gratuity Expense	2,467,384	2,163,222
<b>Total expense</b>	<b>17,260,589</b>	<b>17,075,502</b>

**I. Expense recognised in the Statement of Profit and Loss for the year**

1. Current Service Cost	2,269,765	2,085,278
2. Interest	584,250	528,220
3. Expected Return on Plan Assets	(499,945)	(525,105)
4. Actuarial Losses/(Gains)	113,314	190,165
5. Effect of the limit in Para 59(b)	-	(115,336)
<b>Total expense</b>	<b>2,467,384</b>	<b>2,163,222</b>

**II. Reconciliation of opening and closing balances of Defined Benefit Obligation**

1. Present value of Defined Benefit Obligation as at the beginning of the year	5,516,061	3,851,859
2. Service cost	2,269,765	2,085,278
3. Interest cost	584,250	528,220
4. Actuarial Losses/(Gain)	241,483	342,949
5. Liabilities Assumed on Acquisition/(Settled on Divestiture)	-	(249,486)
6. Benefits paid	(530,227)	(1,042,759)
7. Present value of Defined Benefit Obligation as at the end of the year	<b>8,081,332</b>	<b>5,516,061</b>

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015

**III. Change in Fair Value of Assets during the year**

1. Fair value of Plan Assets at the beginning of the year	7,056,193	7,289,127
2. Expected return on plan asset	499,945	525,105
3. Actuarial Gain/(Losses)	128,169	152,784
4. Contributions by employer	84,884	131,936
5. Actual benefits paid	(530,227)	(1,042,759)
6. Fair value of Plan assets at the end of the year	<b>7,238,964</b>	<b>7,056,193</b>
Actual return on plan assets	<b>628,114</b>	<b>677,889</b>

**IV. Net Liability recognised in the Balance Sheet**

1. Present value of Defined Benefit Obligation at the end of the year	8,081,332	5,516,061
2. Fair value of Plan Assets as at the end of the year	(7,238,964)	(7,056,193)
Net liability as at the end of the year	<b>842,368</b>	<b>(1,540,132)</b>

**V. Actuarial Assumptions**

1. Discount Rate	7.5%	7.9%
2. Expected rate of return on plan assets	7.5%	7.5%
3. Employee Turnover Rate	Age 21 to 30-29% Age 31 to 40-30% Age 41 to 59-10%	Age 21 to 30-29% Age 31 to 40-30% Age 41 to 59-10%
4. Salary Escalation Rate	8.0%	8.0%

The discounting rate is considered based on market yields of Indian government securities for the estimated term of the obligations.

The estimates of rate of escalation in salary considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors. Funds are maintained with Life Insurance Corporation of India. The information is certified by the actuary.

VI. Experience Adjustments	(Rupees)				
	2012	2013	2014	2015	2016
Defined Benefit Obligation	3,794,805	2,550,169	3,851,859	5,516,061	<b>8,081,332</b>
Plan Assets	3,028,215	4,421,384	7,289,127	7,056,193	<b>7,238,964</b>
Surplus/(Deficit)	(766,590)	1,871,215	3,437,268	1,540,132	<b>(842,368)</b>
Exp. Adj. On Plan Liabilities	92,590	(2,383,913)	100,523	(76,649)	<b>64,248</b>
Exp. Adj. On Plan Assets	133,363	31,081	68,166	152,784	<b>128,169</b>

**28)** The Company has taken office premises/service centres on operating lease. The lease term is on the basis of individual agreements entered into with the landlord, which ranges between 1 to 9 years. Certain agreements provide for increase in rent. There are no restrictions imposed by the lease arrangements. The lease rental expense recognised in the Statement of Profit and Loss for the year is Rs. 115,671,219/- (Previous Year: Rs. 117,688,763/-).

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The future minimum lease payments under non-cancellable operating leases for each of the following periods:

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
Not later than one year	15,511,756	67,993,708
Later than one year but not later than five years	-	23,455,945
Later than five years	-	-
<b>Total</b>	<b>15,511,756</b>	<b>91,449,653</b>

29) As the Company's business activity falls within a single business segment viz. 'providing/facilitating multi-brand car services', and the services being provided in the domestic market, the disclosure requirements of Accounting Standard - 17 "Segment Reporting", notified under the Companies Act, 2013 are not applicable.

30) The net deferred tax assets as at 31st March, 2016 has not been accounted in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax asset on unabsorbed depreciation and carry forward of losses can be realised, the deferred tax asset (net) has not been recognised in the financial statements.

31) Micro & small Enterprises under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED) have been determined based on the information available with the Company and the required disclosures are given below:

Particulars	(Rupees)	
	Year ended 31st March, 2016	Year ended 31st March, 2015
a. Principal amount remaining unpaid to any supplier as at the end of the accounting year	541,313	98,149
b. Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
c. The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	17,725	14,279
d. The amount of interest due and payable for the year	-	-
e. The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
f. The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

32) Related Party Transactions:

As required under Accounting Standard 18 on "Related Party Disclosures" (AS-18), following are details of transactions during the year with the related parties of the Company as defined in AS-18:

i) List of Related Parties with whom transacted during the year and Relationships:

Name of the Related Party	Relation
Mahindra & Mahindra Limited	Holding Company
Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary Company
Mahindra First Choice Wheels Limited	Fellow Subsidiary Company
Bristlecone India Limited	Fellow Subsidiary Company
Mahindra Logistics Limited	Fellow Subsidiary Company
Mahindra Automobile Distributor Private Limited	Fellow Subsidiary Company
NBS International Limited	Fellow Subsidiary Company
Mahindra Namaste Private Limited	Fellow Subsidiary Company
Mahindra Susten Private Limited	Fellow Subsidiary Company
Mahindra Defence Systems Private Limited	Fellow Subsidiary Company
Mahindra Rural Housing Finance Limited	Fellow Subsidiary Company
Mahindra Integrated Business Solutions Private Limited	Fellow Subsidiary Company
Mahindra Holiday & Resorts India Limited	Fellow Subsidiary Company
Mahindra & Mahindra Ltd-Swaraj Division	Fellow Subsidiary Company
Mahindra Vehicle Manufactures Ltd	Fellow Subsidiary Company
Mahindra HZPC Private Limited	Fellow Subsidiary Company
Mahindra Auto Steel Private Limited	Fellow Subsidiary Company
Mahindra Steel Service Centre Limited	Fellow Subsidiary Company
Mahindra Trucks and Buses Ltd	Fellow Subsidiary Company
Mahindra Two Wheelers Limited	Fellow Subsidiary Company
Mr. YVS Vijaykumar (CEO & Whole time Director)	Key Managerial Personnel
Mr. Ramesh S Vaigalathur (Company Secretary)	Key Managerial Personnel

ii) The related party transactions are as under:

- With Key Management personnel Mr. YVS Vijaykumar Rs. 8,400,000 (Previous year Rs. 8,400,000), paid to Mahindra & Mahindra Limited as Deputation charges.
- With Key Managerial Personnel – Company Secretary, Ramesh Subramanian Vaigalathur Rs. 331,895 (previous year Rs. 355,192), paid to Mahindra & Mahindra Limited as Secretarial support services.
- With holding/fellow subsidiaries:

(Amount in Rupees)	
<b>a) Issue of Share Capital:</b>	
- Mahindra & Mahindra Limited	424,000,000 (531,300,000)
<b>b) Outstanding:</b>	
<b>Trade Receivables</b>	
- Mahindra & Mahindra Limited	204,641 (171,018)
- Mahindra & Mahindra Ltd-Swaraj Division	101,626 (-)
- Mahindra & Mahindra Financial services Limited	- (10,894)
- Mahindra Rural Housing Finance Limited	65,014 (-)
<b>Advances for supply of goods and services</b>	
- Mahindra Automobile Distributor Private Limited	186,031 (257,175)
- Mahindra & Mahindra Limited	584,771 (-)
<b>Trade Payables</b>	
- Mahindra & Mahindra Limited	8,131,628 (15,811,982)
- Mahindra First Choice Wheels Limited	538,875 (746,518)
- Mahindra Integrated Business Solutions Private Limited	45,792 (55,286)
- Bristlecone India Limited	- (554,850)
- Mahindra Namaste Private Limited	- (12,734)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(Amount in Rupees)	
- Mahindra Logistics Limited	-
	(599,547)
- Mahindra Susten Private Limited	-
	(166,934)
- Mahindra Holiday & Resorts India Limited	38,859
	(38,859)
- NBS International	20,719
	(-)
<b>c) Purchase of Fixed Assets/Capital work in Progress:</b>	
- Mahindra & Mahindra Limited	992,843
	(1,443,708)
- Bristlecone India Limited	1,233,000
	(554,850)
<b>d) Sale of Fixed Assets:</b>	
- Mahindra Namaste India Private Limited	-
	(1,809,240)
<b>e) Closing balance of deposit paid:</b>	
- Mahindra First Choice Wheels Limited	2,639,740
	(6,239,740)
- Mahindra Automobile Distributor Private Limited	200,000
	(200,000)
<b>f) Income:</b>	
- Mahindra & Mahindra Limited	
Sale of Spare parts	1,068,815
	(336,739)
Service Income	466,924
	(237,601)
- Mahindra First Choice Wheels Limited	
Sale of Spare parts	-
	(1,480)
Service Income	-
	(837)
Other Income	-
	(98,140)
- Mahindra & Mahindra Financial Services Limited	
Sale of Spare parts	7,894
	(87,552)
Service Income	3,808
	(49,666)
- Mahindra Logistics Limited	
Sale of Spare parts	-
	(18,521)
Service Income	-
	(6,803)
- Mahindra Rural Housing Finance Limited	
Sale of Spare parts	56,244
	(76,017)
Service Income	16,917
	(56,425)
- Mahindra Namaste Private Limited	
Rent Income	1,000,000
	(238,710)
- Mahindra Automobile Distributor Private Limited	
Interest on Security Deposit	14,000
	(14,000)
- Mahindra Vehicle Manufactures Ltd	
Sale of Spare parts	16,552
	(-)
Service Income	34,148
	(-)
- Mahindra Trucks and Buses Ltd	
Sale of Spare parts	106,216
	(-)
Service Income	35,274
	(-)
- Mahindra HZPC Private Limited	
Sale of Spare parts	3,476
	(-)

(Amount in Rupees)	
Service Income	4,817
	(-)
- Mahindra & Mahindra Ltd-Swaraj Division	
Sale of Spare parts	85,031
	(-)
Service Income	56,265
	(-)
- Mahindra Auto Steel Private Limited	
Sale of Spare parts	6,521
	(-)
Service Income	5,288
	(-)
- Mahindra Steel Service Centre Limited	
Sale of Spare parts	39,182
	(-)
Service Income	62,625
	(-)
- Mahindra Two Wheelers Limited	
Sale of Spare parts	29,807
	(-)
Service Income	22,644
	(-)
<b>g) Expenses:</b>	
- Mahindra & Mahindra Limited	
Rent	1,939,467
	(1,536,000)
Professional Charges	615,126
	(296,500)
Professional Charges (IT/Training/Internal Audit fees)	19,280,459
	(22,676,634)
Other Expenses (Guest House, Vehicle Insurance/Staff Welfare)	457,553
	(563,982)
Purchase of Spare parts	89,091
	(-)
- Bristlecone India Limited	
Professional Charges	2,776,032
	(-)
- Mahindra Logistics Limited	
Hire Charges	3,466,517
	(3,470,825)
Reimbursement of Salary (Employee Transfer)	-
	(112,508)
- Mahindra Integrated Business Solutions Private Limited	
Professional Charges	511,020
	(624,239)
- Mahindra First Choice Wheels Limited	
Rent	6,347,161
	(9,611,688)
Promotional & Synergy Activities	479,000
	(-)
- Mahindra Automobile Distributor Private Limited	
Purchase of Spare parts	786,446
	(1,709,490)
- NBS International Limited	
Purchase of Spare parts	56,779
	(46,699)
Registration Expenses	359,463
	(318,050)
- Mahindra Holidays & Resorts India Limited	
Travelling Expenses	-
	(1,949,943)
- Mahindra Defence Systems Limited	
Professional Charges	-
	(67,500)

Notes: Figures in brackets are the corresponding figures in respect of the previous year.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

**33) Details of the purchases and sales of traded goods:**

Class of goods	Purchase (Rs.)	Sales (Rs.)
Spare Parts*	305,519,015 (268,089,167)	339,600,836 (287,547,851)

Notes:

- \*Includes numerous items of diverse nature.
- Figures in brackets are the corresponding figures in respect of the previous year.

**34) The company has framed an Employee Benefit scheme which contains "Stock Appreciation Rights" (SAR) for its employees and directors. It is cash-settled scheme. The Board of Director's of the Company has constituted a Remuneration Committee which inter alia will be responsible for the effective implementation and monitoring of SAR.**

During the year, the Company has issued 5,579,048 SARs at an exercise price of Rs. 13/- on 1st August, 2015. The SARs granted shall vest in full after 4 years (1st August, 2019) with an exercise period of 2 years from the date of vesting.

The details of the SARs are as under:

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
SARs outstanding at the beginning of the year	22,230,639	19,888,475
SARs granted during the year	5,579,048	4,713,372
SARs lapsed during the year	1,359,355	2,371,208
SARs surrendered & cancelled during the year	-	-
SARs exercised during the year	-	-
SARs vested but not exercised at the end of the year	-	-

The compensation cost of SARs granted to employees is accounted by the Company using the intrinsic value method as below-

Number of SARs	Grant Date	Vesting Date	Reporting date	Intrinsic Value	Exercise Value	Employee compensation cost
14,998,421	1-Aug-12	1-Aug-16	31-Mar-16	11	10	13,735,720
2,010,343	1-Aug-13	1-Aug-17	31-Mar-16	11	10	1,338,853
3,862,520	1-Aug-14	1-Aug-18	31-Mar-16	11	10	1,607,401
5,579,048	1-Aug-15	1-Aug-19	31-Mar-16	11	13	-*
<b>Total</b>						<b>16,681,974</b>

\* The Intrinsic price of the SARs granted on 1st August, 2015, being lower than exercise price, employee compensation cost of SARs granted is NIL.

Had the Company adopted the fair value method of valuing SARs, the employee compensation cost till 31st March 2016 would have been Rs. 65,683,989 (previous year Rs. 5,258,015) and loss for the year would have been higher by Rs. 60,425,973 (previous year Rs. 4,454,942).

The fair value has been calculated using the Black Scholes Merton Model and the significant assumption made in this regards are :

Particulars	Relation
Current Value of Shares	Rs. 11
Exercise Price for SARs granted on 1st August, 2012	Rs. 10
Exercise Price for SARs granted on 1st August, 2013	Rs. 10
Exercise Price for SARs granted on 1st August, 2014	Rs. 10
Exercise Price for SARs granted on 1st August, 2015	Rs. 13
Expected Volatility	0.5
Risk Free Interest Rate	8%
Expected Dividend Yield	Nil

**35) During the year the company has closed operations at 14 (Previous year 2) of its COCO outlets. The fixed assets at the closed outlets have been sold/held for sale. The fixed assets held for sale as at the year end has been impaired and written down to their recoverable amount based on independent valuation report/net value realised subsequently. The aggregate net written down value of these assets are shown below and have been eliminated from the respective class of assets in Note 10.**

Particulars	Asset held for sale as on	
	31st March, 2016	31st March, 2015
Plant and equipment	7,731,004	3,915,129
Furniture and fixtures	888,849	176,737
Vehicles	14,717	-
Office Equipment	547,574	195,032

(Rupees)

Particulars	Asset held for sale as on	
	31st March, 2016	31st March, 2015
Improvement to leasehold premises	2,790,482	793,556
Computers	70,779	213,000
<b>Total</b>	<b>12,043,405</b>	<b>5,293,454</b>

**36) Contingent Liabilities**

The Company had filed an appeal against demand notice issued by Maharashtra VAT authorities for the year 2008-09. The appeal is pending as on 31st March, 2016. The details of tax dues which have not been deposited as on 31st March, 2016, on account of disputes are given below-

Name of Statute	Forum where dispute is pending	Year	Amount in Rs.
MVAT Act, 2002	Dy. Commissioner of Sales Tax – Appeals	2008-09	522,564

**37) Previous year's figures have been regrouped/reclassified where ever necessary to correspond with the current year's classification/disclosure.**

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

**Rajeev Dubey**  
Chairman  
DIN - 00104817

**YVS Vijay Kumar**  
CEO and Whole Time Director  
DIN - 03588223

**V. Rajan**  
Chief Financial Officer

**V S Ramesh**  
Company Secretary

Mumbai: 29<sup>th</sup> April, 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Twenty Second Report together with the audited accounts of your Company for the year ended 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS

Particulars	(Rs. in lakhs)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
Revenue	6,244.20	4,402.66
(Loss)/Profit before Interest, Depreciation and Tax	(1,482.40)	172.22
Less : Depreciation	236.34	150.99
(Loss)/Profit before Interest and Tax	(1,718.74)	21.23
Add : Interest Income (Net)	660.98	171.08
(Loss)/Profit before Tax	(1,057.76)	192.31
Provision for Tax	-	-
(Loss)/Profit for the year	(1,057.76)	192.31
(Loss) brought forward from earlier years	(10,466.10)	(10,628.80)
Less: Adjustment of WDV of Fixed Assets whose useful life is NIL (as at start of year) based on the revised depreciation requirements of the Companies Act, 2013	-	(29.61)
(Loss) carried to Balance Sheet	(11,523.87)	(10,466.10)
Net Worth	7,252.86	8,310.62

No material changes and commitments have occurred after the closure of current financial year till the date of this report which would affect the financial position of the Company.

### OPERATIONS

During the year under review, the Company registered a growth in Revenue of 42% over the previous year. This growth was driven mainly by Franchise business which grew by about 17% by increasing penetration in smaller cities and towns. The channel continues to exhibit a healthy growth in revenues through its offerings like warranty, road side assistance, vehicle procurement assistance services etc. However, planned spends in marketing and sales promotion with an eye on the future have resulted in the Company incurring a loss of Rs. 1,057.76 lakhs during the year.

The Company's online business also witnessed growth during the financial year. While the used vehicle valuation services have been well received by the market, the online price guide too has gained significant acceptance from leading market players. New technology driven products like YMS have added momentum to revenue growth. During the year the Company acquired the Contracts, Intellectual Property and Trade marks of a Delhi based Company engaged in vehicle insurance pre-inspection space.

The IBB website continues to receive tremendous traction and the Company is focused on improving customer experience on the website through calibrated marketing spends.

The Company continues to focus on driving synergies between its online and physical business for long term sustainable growth through hybrid business model.

### DIVIDEND

In view of the accumulated losses and need to conserve resources, your Directors do not recommend dividend for the year under review.

### OUTLOOK FOR THE CURRENT YEAR

In the current year, the Company plans to continue expanding its franchisee network while strengthening its service offerings. The online business would continue to innovate on technology based products to drive growth. The pre-inspection business network would also be leveraged to maximize reach.

### SHARE CAPITAL

The Authorised Share Capital of the Company is Rs. 90 crore and the paid up share Capital of the Company is Rs. 76.87 crore comprising of 7,68,72,920 Equity Shares of Rs. 10/- each. During the year under review, there has been no change in the Capital Structure of the Company.

### BOARD OF DIRECTORS

#### Composition:

Sr. No.	Name of Director & DIN	Designation	Executive/ Non-Executive	Independent/ Non Independent
1.	Anand Mahindra (DIN: 00004695)	Chairman	Non-Executive	Non Independent
2.	Sanjay Labroo (DIN: 00009629)	Director	Non-Executive	Non Independent
3.	Rajeev Dubey (DIN: 00104817)	Director	Non-Executive	Non Independent

Sr. No.	Name of Director & DIN	Designation	Executive/ Non-Executive	Independent/ Non Independent
4.	Sangeeta Talwar (DIN: 00062478)	Director	Non-Executive	Independent
5.	Ramesh Iyer (DIN: 00220759)	Director	Non-Executive	Non Independent
6.	Anupam Thareja (DIN: 01091533)	Director	Non-Executive	Non Independent
7.	Padmanabhan Sivaram (DIN: 00066864)	Director	Non-Executive	Non Independent
8.	Pawan Kumar Goenka (DIN: 00254502)	Director	Non-Executive	Non Independent
9.	Narendra Mairpady (DIN: 00536905)	Director	Non-Executive	Independent
10.	Nagendra Palle (DIN: 06964686)	Managing Director	Executive	Non Independent
11.	Joseph Luppino (DIN: 07354949)	Director	Non-Executive	Non Independent
12.	Rajesh Jejurikar (DIN: 00046823)	Director	Non-Executive	Non Independent
13.	Christopher Hansen (DIN: 07189662)	Director	Non-Executive	Non Independent

Mr. Christopher Hansen was Appointed as an Additional Director with effect from 13<sup>th</sup> July, 2015. The members of the Company had at the Extra-ordinary General Meeting held on 19<sup>th</sup> August, 2015 approved the said appointment.

Mr. Diwakar Gupta (DIN: 01274552) resigned from the board with effect from 31<sup>st</sup> July, 2015.

Mr. Narendra Mairpady who, in the opinion of the Board, is a person with integrity, possessing the relevant expertise and experience, and who has given declaration to the effect that he meets the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013, was appointed as Independent Director with effect from 18<sup>th</sup> September, 2015 at the Extra-ordinary General Meeting of the Company held on the same day, for a period of five consecutive years and he shall not be liable to retire by rotation.

The Board of Directors on the recommendation of Nomination and Remuneration Committee appointed Mr. Joseph Luppino (DIN: 07354949) and Mr. Rajesh Jejurikar (DIN: 00046823) as Additional Directors of the Company with effect from 27<sup>th</sup> January, 2016.

The members of the Company had at the Extra-ordinary General Meeting held on 23<sup>rd</sup> March, 2016 approved the appointments of Mr. Joseph Luppino (DIN: 07354949) and Mr. Rajesh Jejurikar (DIN: 00046823) as Directors not liable to retire by rotation.

Mr. Anand Mahindra, Mr. Sanjay Labroo and Mr. Ramesh Iyer, would retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

It is also recommended to the members of the Company to consider Mr. Rajesh Jejurikar, as a Director, whose period of office shall be liable to retire by rotation.

It is also recommended to the members of the Company to consider Mr. Joseph Luppino, as a Director, whose period of office shall be liable to retire by rotation.

Mr. Narendra Mairpady and Ms. Sangeeta Talwar, Independent Directors of your Company have furnished declarations confirming that they meet the criteria of independence as provided under Section 149 of the Companies Act, 2013.

## MEETINGS

The Board of Directors met five times during the year under review viz., on 28<sup>th</sup> April, 2015, 30<sup>th</sup> July, 2015, 29<sup>th</sup> October, 2015, 27<sup>th</sup> January, 2016 and 30<sup>th</sup> March, 2016. The maximum interval between any two meetings did not exceed 120 days.

The attendance at the Meetings of the Board was as follows:

Name of Director	Number of Board Meetings Attended during the year
Anand Mahindra	4
Sanjay Labroo	2
Rajeev Dubey	5
Sangeeta Talwar	4
Ramesh Iyer	5
Anupam Thareja	4
Padmanabhan Sivaram	3
Pawan Kumar Goenka	3
Narendra Mairpady	2
Nagendra Palle	5
Joseph Luppino*	0
Rajesh Jejurikar*	1
Christopher Hansen <sup>§</sup>	0
Diwakar Gupta <sup>#</sup>	2

\* Mr. Joseph Luppino and Mr. Rajesh Jejurikar were appointed as Directors with effect from 27<sup>th</sup> January, 2016.

§ Mr. Christopher Hansen was appointed as Director with effect from 13<sup>th</sup> July, 2015

# Mr. Diwakar Gupta resigned from the Board with effect from 31<sup>st</sup> July, 2015.

## DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors based on the representation received from the Operating Management and after due enquiry, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed;
- that such accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at 31<sup>st</sup> March, 2016 and of the loss of the Company for the financial year ended on that date;

- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual accounts have been prepared on a going concern basis; and
- (e) that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**EVALUATION OF PERFORMANCE**

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual evaluation of its own performance and that of its Committees, performance of the Directors individually (including Independent Directors). Feedback was sought by way of a structured questionnaire covering various aspects of the Board’s functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

**MEETING OF INDEPENDENT DIRECTORS**

The Independent Directors of the Company met once during the year without the presence of the Chairman or Managing Director or other Non-Independent Directors or Chief Financial Officer or any other Management Personnel. The meeting was conducted in an informal and flexible manner to enable to Independent Director’s to discuss matters pertaining to inter alia review of performance of Non-Independent Director’s and the Board as a whole, assess the quality and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**CODES OF CONDUCT**

Your Company has in place Codes of Conduct for Corporate Governance (“the Codes”) for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of your Company’s business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of Company’s ethos.

Your Company has for the year under review, received declarations under the Codes from the Directors, Senior Management Personnel and Employees affirming compliance with the respective Codes.

**AUDIT COMMITTEE**

The Audit Committee comprises of Mr. Narendra Mairpady (Chairman), Ms. Sangeeta Talwar & Mr. Ramesh Iyer as its Members. Pursuant to Section 177 of Companies Act, 2013, read with Companies (Meetings of Board and its Powers) Rules, 2014. The Audit Committee was re-constituted with

the induction of Mr. Narendra Mairpady and resignation of Mr. Diwakar Gupta as Member of the Committee with effect from 29<sup>th</sup> October, 2015.

The Audit Committee met once during the financial year under review viz.; on 28<sup>th</sup> April, 2015.

The attendance at the meetings of Audit Committee was as follows:

Director	Designation	No. of meetings attended
Mr. Narendra Mairpady*	Chairman	Nil
Ms. Sangeeta Talwar	Member	1
Mr. Ramesh Iyer	Member	1
Mr. Diwakar Gupta**	Chairman	1

\* Mr. Narendra Mairpady was appointed as Chairman of the Committee with effect from 29<sup>th</sup> October, 2015.

\*\* Mr. Diwakar Gupta resigned as the Chairman and Member of the Committee with effect from 31<sup>st</sup> July, 2015.

**NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee comprises of Mr. Rajeev Dubey (Chairman), Mr. Narendra Mairpady and Ms. Sangeeta Talwar as its Members. Pursuant to Section 178 of Companies Act, 2013, read with Companies (Meetings of Board and its Powers) Rules, 2014, the Nomination and Remuneration Committee of your Company was re-constituted with effect from 29<sup>th</sup> October, 2015 with the induction of Mr. Narendra Mairpady and resignation of Mr. Diwakar Gupta as Member of the Committee. The Nomination and Remuneration Committee carried out an evaluation of the performance of individual Directors through a structured questionnaire process covering various aspects such as skills, performance, attendance, knowledge etc.

The Nomination and Remuneration Committee met thrice viz.; on 28<sup>th</sup> April, 2015, 30<sup>th</sup> July, 2015 and 27<sup>th</sup> January, 2016 during the year under review.

The attendance at the meetings of Nomination and Remuneration Committee was as follows:

Director	Designation	No. of meetings attended
Mr. Rajeev Dubey	Chairman	3
Mr. Narendra Mairpady*	Member	1
Ms. Sangeeta Talwar	Member	3
Mr. Diwakar Gupta**	Member	2

\* Mr. Narendra Mairpady was appointed with effect from 29<sup>th</sup> October, 2015

\*\* Mr. Diwakar Gupta resigned with effect from 31<sup>st</sup> July, 2015

**RISK MANAGEMENT POLICY**

Your Company has formulated a Risk Management Policy including identification therein of the elements of risk which in the opinion of Board may threaten the existence of the Company. Your Company’s risk management policy sets out

the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture.

Implementation of the Risk Management Policy is expected to be helpful in managing the risks associated with the business of the Company.

#### **POLICY FOR REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT/REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

In line with the principles of transparency and consistency and upon recommendation of the Nomination and Remuneration Committee, your Board has approved:

- Policy on the appointment/removal of Directors and senior management personnel, together with the criteria for determining qualifications, positive attributes and independence of Directors.
- Policy on the remuneration of Directors, key managerial personnel and other employees.

These policies are provided as Annexure I and forms part of this report.

#### **CORPORATE SOCIAL RESPONSIBILITY (CRS)**

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your company and accordingly, your company does not have a CSR policy.

#### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review there were no complaints received under the The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

#### **KEY MANAGERIAL PERSONNEL**

During the year under review, Mr. Percy Mahernosh ceased to be the Chief financial Officer of the Company with effect from 1<sup>st</sup> August, 2015 and Mr. V. Janakiraman was subsequently appointed as Chief financial Officer and Key Managerial Personnel of the Company with effect from 1<sup>st</sup> August, 2015 pursuant to provisions of Section 2(51) and Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Mr. Deeraj Nair, Company Secretary and Key Managerial Personnel resigned with effect from 19<sup>th</sup> February, 2016 and subsequently Mr. Raju Bamane was appointed as a Company Secretary and Key Managerial Personnel of the Company with effect from 30<sup>th</sup> March, 2016.

#### **STATUTORY AUDITORS**

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Mumbai (ICAI Registration Number: 117366W/W-100018) retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting (AGM).

As required by the provisions of Section 139 read with Section 141 of the Companies Act, 2013, your Company has received a written consent and certificate from M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, to the effect that their reappointment, if made, would be in conformity with the conditions and criteria specified in the said sections.

The members are requested to appoint Auditors to hold office from the conclusion of forthcoming AGM till the conclusion of next AGM and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **SECRETARIAL AUDITORS**

Your Company had appointed M/s. Makarand M. Joshi & Co., a firm of practising Company Secretaries as Secretarial Auditor of the Company in accordance with Section 204 of Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

In terms of provisions of Sub-section 1 of Section 204 of Companies Act, 2013, the Company has annexed with this Report as Annexure II, a Secretarial Audit Report in prescribed Form MR 3 given by the Secretarial Auditor.

The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **FRAUDS REPORTED BY AUDITORS**

During the year under review, the Statutory Auditors, and Secretarial 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.

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

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Account) Rules, 2014 is furnished in Annexure III to this Report.

#### **PARTICULARS OF PUBLIC DEPOSITS, LOANS, GUARANTEES OR INVESTMENTS**

Your Company has not accepted any deposits from the public, or its employees, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 during the year under review.

The Company has not made any loans and advances of the nature which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

The details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in Annexure IV which forms part of this Report.

## **PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES**

All the contracts/arrangements/transactions entered, during the year under review, with related parties referred to in sub section 1 of Section 188 of Companies Act, 2013, and Rules made thereunder, were carried out in ordinary course of business and at arm's length.

Particulars of material contracts or arrangements or transactions with related parties, required to be furnished in terms of Section 134 of companies Act, 2013 are furnished in Form AOC – 2 as Annexure V which forms part of this Report.

## **EXTRACT OF ANNUAL RETURN**

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return in Form MGT 9 is provided as Annexure VI which forms part of this Report.

## **EMPLOYEES STOCK OPTION SCHEME (“ESOS”)**

Your Company has formulated two Employees Stock Option Scheme viz; Employees Stock Option Scheme 2010 and Employees Stock Option Scheme 2015 for the benefit of employees of the Company. During the year under review, the Company granted 17,92,059 Stock Options to the employees under the aforesaid Schemes.

Details of the shares vested, exercised and issued under the aforesaid Scheme, as also disclosures in compliance with Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014 are set out in the Annexure VII which forms part of this Report.

## **INTERNAL CONTROLS**

Your Company has an adequate system of internal controls and monitoring procedures as well as internal financial controls on financial statements commensurate with the size and the nature of its business. The internal control system is supplemented by documented policies, guidelines and procedures. Besides the Company regularly conducts reviews to assess the adequacy of financial and operating controls for various businesses of the Company. Significant issues, if any, are brought to the attention of the Audit Committee. The Internal Audit function submits detailed reports periodically to the management and the Audit Committee. The Audit Committee reviews these reports with the operating management with a view to provide oversight of the internal control systems.

## **SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE**

Your Company's commitment towards safety, health and environment is being continuously enhanced and persons working at all locations are given adequate training on safety

and health. The requirements relating to various environmental legislations and environment protection have been duly complied with by your Company.

## **SUSTAINABILITY**

Your Company continues with its journey on sustainable development with conscious efforts to minimize the environmental impact caused by its operations and simultaneously taking responsibility to enable communities to Rise without losing focus on economic performance.

## **GENERAL DISCLOSURES**

Your Directors state that no disclosure or reporting is required in respect of the following items as they were not applicable to your Company during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Details relating to deposits covered under Chapter V of the Companies Act, 2013.
3. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme save and except ESOS referred to in this Report.
4. There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.
5. Disclosure of remuneration of employees under Section 197(12) of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, since your Company is an unlisted Company.

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

## **ACKNOWLEDGEMENTS**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Dr. Nagendra Palle**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra First Choice Wheels Ltd.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means personnel of the Company who are members of its Core Management Team excluding Board of Directors comprising of all members of management one level below the executive directors including the functional heads.

#### I. APPOINTMENT OF DIRECTORS

- The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of Director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making

3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors

- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman or the Managing Director or any other Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become Directors and who may be appointed in senior management team in accordance with the criteria as enumerated above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman or Managing Director based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

#### II. SUCCESSION PLANNING

##### Purpose

The Talent Management Policy sets out the approach to the development and management of talent in the Mahindra Group to ensure the implementation of the strategic business plans of the Group and the Group Aspiration of being among the Top 50 globally most-admired brands by 2021.

##### Board:

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later

than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

**Senior Management Personnel:**

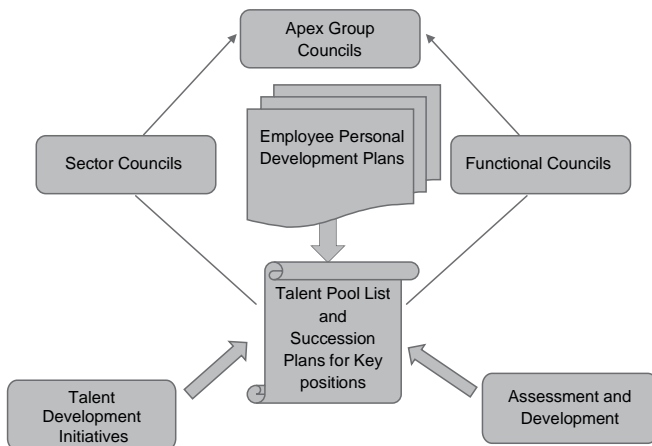
A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

Significantly, we have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

1. Emergency successor
2. Ready now
3. Ready in 1 to 2 years
4. Ready in 2 to 5 years
5. Ready in more than 5 years

in order to ensure talent readiness as per a laddered approach.

The Talent Management process can be represented pictorially as under:



The talent pipeline is maintained and developed so as to ensure that there is a seamless flow of talent. An important part of this exercise is drawing up and implementing IDAPs (Individual Development Action Plans) for every Executive concerned using the 3E approach mentioned above.

**POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

**Purpose**

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra First Choice Wheels Ltd.

**Policy Statement**

We have a well-defined Compensation policy which is in line with our parent Company Mahindra & Mahindra Ltd. for Managing Director, Manager, Key Managerial Personnel and all employees, of the Company. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the median of the comparator basket while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by a regular annual benchmarking over the years with relevant players across the industry we operate in.

**NON-EXECUTIVE INCLUDING INDEPENDENT DIRECTORS**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as Director’s participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

**Executive Directors**

The remuneration to Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

**Key Managerial Personnel (KMPs)**

The terms of remuneration of Managing Director, Chief Financial Officer (CFO), Company Secretary (CS) & other Key Management personnel, if any, shall be finalised/revised either



by any Director or such other person as may be authorized by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to Directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

#### **Employees**

We follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level in the organization:

- a. For all employees from Operational to Executive Band, we benchmark with a set of comparators from the same industry.
- b. For Strategic band and above, we have a position-based approach and the comparator basket includes benchmarks from across relevant industries.

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and

influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

For and on behalf of the Board

**Dr. Nagendra Palle**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28<sup>th</sup> April, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT****FORM NO. MR. 3****SECRETARIAL AUDIT REPORT**For the Financial Year Ended 31<sup>st</sup> March, 2016

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

To,  
The Members,  
**MAHINDRA FIRST CHOICE WHEELS LIMITED**  
Gateway Bldg Apollo Bunder,  
Mumbai - 400 001

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 ("**Audit Period**") complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made there under
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under (**Not Applicable to the Company**)
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment (**Overseas Direct Investment and External Commercial Borrowings not applicable to the Company during the Audit Period**)
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers)

Regulations, 2011 (**Not Applicable to the Company**)

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992/2015 (**Not Applicable to the Company**)
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**Not Applicable to the Company**)
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28<sup>th</sup> October, 2014 and its amendments notified on 18<sup>th</sup> September, 2015 (**Not Applicable to the Company**)
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**Not Applicable to the Company**)
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (**Not Applicable to the Company**)
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not Applicable to the Company**) and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not Applicable to the Company**);

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (**Notified with effect from 1<sup>st</sup> July, 2015**).
- (ii) The Listing Agreements entered into by the Company with stock exchanges and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**Not Applicable to the Company**).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards made thereunder.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**For Makarand M. Joshi & Co**

**Makarand Joshi**

Partner

FCS No. 5533

CP No. 3662

Place: Mumbai

Date: 28/04/2016

**ANNEXURE III TO THE DIRECTORS' REPORT****PARTICULARS AS PER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO****(A) Conservation of energy:**

- (i) the steps taken or impact on conservation of energy:

Though the activities of the Company are not power intensive, various measures are taken to contain and bring about saving in power consumption through improved operational methods, better house-keeping and awareness programs.

- (ii) the steps taken by the company for utilizing alternate sources of energy: Not Applicable  
 (iii) the capital investment on energy conservation equipment: Nil

**(B) Technology absorption:**

- (i) the efforts made towards technology absorption: None  
 (ii) the benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable  
 (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year: Not Applicable  
 (iv) the expenditure incurred on Research and Development: Nil

**(C) Foreign exchange earnings and Outgo**

Foreign exchange earnings and outgo during the year under review are as follows:

	<b>For the year ended 31<sup>st</sup> March, 2016</b>	<i>(₹ in lakhs)</i> For the year ended 31 <sup>st</sup> March, 2015
Foreign Currency Earnings	<b>1.13</b>	18.32
Foreign Exchange Outgo	<b>5.70</b>	4.54

**For and on behalf of the Board**

**Dr. Nagendra Palle**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

### LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans, guarantees or investment under Section 186 of the Companies Act, 2013 is as under:

Details of Loans:

Sr. No.	Date of making loan	Details of Borrower	Amount (In Rs.)	Purpose for which the loan is to be utilized by the recipient	Time period for which it is given	Rate of Interest
Loans given						
1	29.04.2015	HDFC Ltd.	1,00,00,000	Working Capital	365 days	8.60%
2	31.03.2016	HDFC Ltd.	20,00,00,000	Working Capital	365 days	8.00%

**For and on behalf of the Board**

**Dr. Nagendra Palle**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28th April, 2016

**ANNEXURE V TO THE DIRECTORS' REPORT****FORM NO. AOC. 2**

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

**(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL
2. Details of material contracts or arrangement or transactions at arm's length basis:

Sr. No.	Nature of contracts/ transactions	Name of the related party	Nature of relationship	Duration of contracts	Salient terms of contracts/ transactions	Amount
1.	Commission for facilitating sale of used car on e-platform and fees for used vehicle Valuation Services	Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary	Continuing	Facilitating sale of used cars on e-platform and providing used vehicle valuation service at prevailing market rates	4,67,92,182/-

Note: for the purpose of materiality, the following criteria have been considered.

- 10% of the Turnover of the Company or Rs. One hundred crore, whichever is lower, is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for sale, purchase, or supply of goods or materials.
- 10% of the Net worth of the Company or Rs. One hundred crore, whichever is lower, is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for selling or otherwise disposing off or buying property of any kind.
- 10% of the Net worth of the Company or 10% of the turnover of the Company, whichever is lower, is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for leasing of property of any kind.
- 10% of the Turnover of the Company or Rs. Fifty crores, whichever is lower, is considered as material for the purpose of disclosure in respect of Contracts/transactions/arrangements for rendering of Services.

**For and on behalf of the Board**

**Dr. Nagendra Pale**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE VI TO THE DIRECTORS' REPORT

Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March, 2016

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

#### I. REGISTRATION AND OTHER DETAILS

i)	CIN:-	U64200MH1994PLC083996
ii)	Registration Date	22/12/1994
iii)	Name of the Company	MAHINDRA FIRST CHOICE WHEELS LIMITED
iv)	Category/Sub-Category of the Company	Company Limited by Shares (Indian Non-Government Company)
v)	Address of the Registered office and contact details	Gateway Building, Apollo Bunder, Mumbai, Maharashtra. Tel: +9122 24905633   Fax: +9122 24900833
vi)	Whether listed Company (Yes/No)	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of main product/services	NIC Code of the Product/service	% to total turnover of the company
1	Franchise business	77400	41.24%
2	Facilitating Sale of used vehicles on commission basis.	45102	13.10%
3	Vehicle Pre-inspection Services	71200	11.55%

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

Sr. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1.	Mahindra and Mahindra Ltd. Gateway Building, Apollo Bunder, Mumbai 400 001 Tel: +91 22 24901441 Fax: +91 22 24900833	L65990MH1945PLC004558	Holding	43.70%	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				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
(a) Individual/HUF									
(b) Central Govt.									
(c) State Govt.									

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(d) Bodies Corp.	–	3,35,96,424**	3,35,96,424**	43.70%	–	3,35,96,424**	3,35,96,424**	43.70%	–
(e) Any other...									
<b>Sub-Total (A)(1):-</b>	<b>–</b>	<b>3,35,96,424**</b>	<b>3,35,96,424**</b>	<b>43.70%</b>	<b>–</b>	<b>3,35,96,424**</b>	<b>3,35,96,424**</b>	<b>43.70%</b>	<b>–</b>
<b>(2) Foreign</b>									
(a) NRIs-Individuals									
(b) Other-Individuals									
(c) Bodies Corp.									
(d) Banks/FI									
(e) Any other...									
<b>Sub-Total (A)(2):-</b>									
<b>Total shareholding of Promoter (A)=(A)(1) + (A)(2)</b>	<b>–</b>	<b>3,35,96,424**</b>	<b>3,35,96,424**</b>	<b>43.70%</b>	<b>–</b>	<b>3,35,96,424**</b>	<b>3,35,96,424**</b>	<b>43.70%</b>	<b>–</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
(a) Mutual Funds									
(b) Banks/FI									
(c) Central Govt									
(d) State Govt(s)									
(e) Venture Capital Funds									
(f) Insurance Companies									
(g) FIs									
(h) Foreign Venture Capital Funds									
(i) Others (Trust)	–	30,28,067	30,28,067	3.94%	–	30,28,067	30,28,067	3.94%	–
<b>Sub-total (B)(1):-</b>	<b>–</b>	<b>30,28,067</b>	<b>30,28,067</b>	<b>3.94%</b>	<b>–</b>	<b>30,28,067</b>	<b>30,28,067</b>	<b>3.94%</b>	<b>–</b>
<b>2. Non-Institutions</b>									
(a) Bodies corp.									
(i) Indian	–	2,61,12,151	2,61,12,151	33.97%	–	1,99,66,753	1,99,66,753	25.97%	8%
(ii) Overseas	–	1,02,68,329	1,02,68,329	13.36%	–	1,71,13,727	1,71,13,727	22.26%	8.9%
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh									
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	–	38,67,949	38,67,949	5.03%	–	31,67,949	31,67,949	4.12%	0.91%
<b>Sub-total (B)(2):-</b>	<b>–</b>	<b>4,02,48,429</b>	<b>4,02,48,429</b>	<b>52.36%</b>	<b>–</b>	<b>4,02,48,429</b>	<b>4,02,48,429</b>	<b>52.36%</b>	<b>–</b>
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	<b>–</b>	<b>4,32,76,496</b>	<b>4,32,76,496</b>	<b>56.30%</b>	<b>–</b>	<b>4,32,76,496</b>	<b>4,32,76,496</b>	<b>56.30%</b>	<b>–</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>–</b>	<b>7,68,72,920</b>	<b>7,68,72,920</b>	<b>100%</b>	<b>–</b>	<b>7,68,72,920</b>	<b>7,68,72,920</b>	<b>100%</b>	<b>–</b>



**(ii) Shareholding of Promoters:**

Sr. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
1	Mahindra & Mahindra Ltd.	3,35,96,418	43.70%	–	3,35,96,418	43.70%	–	0.00%
2	Mahindra & Mahindra Limited jointly with M.A. Nazareth***	1	0.00%	–	1	0.00%	–	0.00%
3	Mahindra & Mahindra Limited jointly with Ulhas N. Yargop***	1	0.00%	–	1	0.00%	–	0.00%
4	Mahindra & Mahindra Limited jointly with Bharat N. Doshi***	1	0.00%	–	1	0.00%	–	0.00%
5	Mahindra & Mahindra Limited jointly with Bakul P. Sheth***	1	0.00%	–	1	0.00%	–	0.00%
6	Mahindra & Mahindra Limited jointly with Angarika Baviskar***	1	0.00%	–	1	0.00%	–	0.00%
7	Mahindra & Mahindra Limited jointly with C. Krishnadas***	1	0.00%	–	1	0.00%	–	0.00%
	Total	3,35,96,424	43.70%	–	3,35,96,424	43.70%	–	0.00%

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Mahindra & Mahindra Ltd.	3,35,96,424	43.70%	3,35,96,424	43.70%
		No Change	–	No Change	–
	At the end of the year	3,35,96,424	43.70%	3,35,96,424	43.70%

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

Sr. No.	Top 10 Shareholders	Shareholding at the beginning of the year		Change in Shareholding		Shareholding 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
1	PHI Management Solutions Private Limited	1,91,47,452	24.91%	0	29,63,398	1,61,84,054	21.05%
2	Valiant Mauritius Partners FDI Limited	1,02,68,329	13.36%	0	0	1,02,68,329	13.36%
3	Manheim Export, Sarl	–	–	68,45,398	0	68,45,398	8.90%
4	Phi Capital Services LLP	33,34,633	4.34%	0	0	33,34,633	4.34%

Sr. No.	Top 10 Shareholders	Shareholding at the beginning of the year		Change in Shareholding		Shareholding 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
5	Housing Development Finance Corporation Limited	31,82,000	4.14%	0	31,82,000	0	0%
6	Mr. Rajeev Dubey, Mr. Ramesh Iyer & Mr. Percy Mahernosh (Trustees-Mahindra First Choice Wheels Limited Employees Stock Option Trust.)	30,28,067	3.94%	0	0	30,28,067	3.94%
7	Arun Sanghi jtly. with Arti Sanghi	7,72,817	1.01%	0	49,722	7,23,095	0.94%
8	Ranjan Sanghi jtly. with Jayshree Sanghi	4,46,474	0.58%	0	0	4,46,474	0.58%
9	Project Automobiles (Bombay) Private Limited	3,98,733	0.52%	0	0	3,98,733	0.52%
10	Bina Sanghi jtly. with Vinay Sanghi	3,34,445	0.44%	0	0	3,34,445	0.44%
11	Jayashree Sanghi jtly with Ranjan Sanghi	3,33,096	0.43%	0	82,313	2,50,783	0.33%

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

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year				
	<b>Directors</b>				
1	Anand G. Mahindra	1,27,265#	0.16%	1,27,265#	0.16%
	Datewise increase/decrease in shareholding during the year specifying the reasons for increase/decrease.	-	-	-	-
	At the end of the year	1,27,265#	0.16%	1,27,265#	0.16%
2	Sanjay Labroo jtly. With Leena Labroo	6,02,087	0.78%	6,02,087	0.78%
	Datewise increase/decrease in shareholding during the year specifying the reasons for increase/decrease.	-	-	-	-
	At the end of the year	6,02,087	0.78%	6,02,087	0.78%

\*\* Includes 6 shares held by nominees of Mahindra & Mahindra Limited jointly with Mahindra & Mahindra Limited

# Includes 22,343 Shares held by Anand Mahindra jointly with Anuradha Mahindra

\*\*\* Jointly held with Mahindra & Mahindra Limited to comply with the statutory provisions of Companies Act, 2013 with regard to minimum number of members.

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment:**

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total indebtedness
<b>Indebtedness at the beginning of the financial year</b>	Nil	Nil	Nil	Nil
i) Principal Amount		Nil		
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	Nil	Nil
<b>Total (i + ii + iii)</b>	Nil	Nil	Nil	Nil
<b>Change in Indebtedness during the financial year</b>	Nil	Nil	Nil	Nil
• Addition		Nil		
• Reduction	Nil	Nil	Nil	Nil

PARTICULARS	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total indebtedness
<b>Net Change</b>	Nil	Nil	Nil	Nil
<b>Indebtedness at the end of the financial year</b>	Nil	Nil	Nil	Nil
i) Principal Amount		Nil		
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	Nil	Nil
<b>Total (i + ii + iii)</b>	Nil	Nil	Nil	Nil

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

*A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:*

Sr. No.	Particulars of Remuneration	Name of Managing Director Dr. Nagendra Palle	Total Amount
1.	Gross Salary	-	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	84,00,000	84,00,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission	-	-
	- As % of Profit	-	-
	- Others, specify...		
5.	Others		
	<b>Total (A)</b>	<b>84,00,000</b>	<b>84,00,000</b>
	Ceiling as per the Act	In accordance with Schedule V of Companies Act, 2013	

*B. Remuneration of other directors:*

Particulars of Remuneration	Name of Directors					
	Mr. Anand Mahindra	Mr. Sanjay Labroo	Ms. Sangeeta Talwar	Mr. P. Sivaram	Mr. Rajeev Dubey	Mr. Ramesh Iyer
1. Independent Directors						
• Fee for attending board/committee meetings	-	-	-	100,000	-	-
• Commission	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-
2. Other Non-Executive Directors						
• Fee for attending board/committee meetings	-	-	-	-	-	-
• Commission	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-
Overall Ceiling as per the Act	In accordance with Schedule V of Companies Act, 2013					

**In continuation**

Particulars of Remuneration	Name of Directors							Total Amount
	Dr. Pawan Goenka	Mr. Anupam Thareja	Mr. Christopher Hansen (w.e.f. 13 <sup>th</sup> July, 2015)	Mr. Diwakar Gupta (upto 31 <sup>st</sup> July, 2015)	Mr. Narendra Mairpady (w.e.f. 18 <sup>th</sup> September, 2015)	Mr. Rajesh Jejurikar (w.e.f. 27 <sup>th</sup> January, 2016)	Mr. Joseph Luppino (w.e.f. 27 <sup>th</sup> January, 2016)	
1. Independent Directors								
• Fee for attending board/committee meetings	-	-	-	70,000	30,000	-	-	200,000
• Commission	-	-	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-	-	200,000

Particulars of Remuneration	Name of Directors							Total Amount
	Dr. Pawan Goenka	Mr. Anupam Thareja	Mr. Christopher Hansen (w.e.f. 13 <sup>th</sup> July, 2015)	Mr. Diwakar Gupta (upto 31 <sup>st</sup> July, 2015)	Mr. Narendra Mairpady (w.e.f. 18 <sup>th</sup> September, 2015)	Mr. Rajesh Jejurikar (w.e.f. 27 <sup>th</sup> January, 2016)	Mr. Joseph Luppino (w.e.f. 27 <sup>th</sup> January, 2016)	
2. Other Non-Executive Directors	-	-	-	-	-	-	-	-
• Fee for attending board/committee meetings	-	-	-	-	-	-	-	-
• Commission	-	-	-	-	-	-	-	-
• Others, please specify	-	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>	-	-	-	-	-	-	-	<b>2,00,000</b>
Overall Ceiling as per the Act	In accordance with Schedule V of Companies Act, 2013							

Mr. Diwakar Gupta resigned with effect from – 31<sup>st</sup> July, 2015

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Mr Percy Mahernosh (upto 31 <sup>st</sup> July, 2015) Chief Financial Officer	V. Janakiraman- Chief Financial Officer (w.e.f. 1 <sup>st</sup> August, 2015)	Company Secretary	
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	11,82,672.12	26,26,879.09		<b>38,09,551.21</b>
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5,52,017	8,100		<b>5,60,117</b>
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961				
2.	Stock option	5,22,783.10	3,82,635		9,05,418.1
3.	Sweat Equity				
4.	Commission				
	– As % of profit				
	– Others, specify...				
5.	Others, please specify			1,30,770	1,30,770
	Contribution to PF	94,020	1,53,144		<b>2,47,164</b>
	Bonus/Variable Pay	19,71,098	0		<b>19,71,098</b>
	<b>Total</b>	<b>43,22,590.22</b>	<b>31,70,758.09</b>	<b>1,30,770</b>	<b>76,24,118.31</b>

**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	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	Not applicable	Not applicable	Not applicable	Not applicable
<b>B. DIRECTORS</b>					
Penalty	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	Not applicable	Not applicable	Not applicable	Not applicable
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	Not applicable	Not applicable	Not applicable	Not applicable

For and on behalf of the Board

Dr. Nagendra Palle  
Managing Director

Rajeev Dubey  
Director

Mumbai, 28<sup>th</sup> April, 2016

**ANNEXURE VII TO THE DIRECTORS' REPORT**

Details of the Employees Stock Option Scheme pursuant to Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014:

<b>Sr. No.</b>	<b>Particulars</b>	<b>ESOS 2010</b>	<b>ESOS 2015</b>
(a)	options granted	9,47,266	8,44,793
(b)	options vested	3,42,325	–
(c)	options exercised	–	–
(d)	the total number of shares arising as a result of exercise of option	–	–
(e)	options lapsed	24,571	–
(f)	the exercise price	10/-	10/-
(g)	variation of terms of options	–	–
(h)	money realized by exercise of options	–	–
(i)	total number of options in force as at 31st March 2016	22,25,040	18,49,162
(j)	employee wise details of options granted to		
	(i) key managerial personnel		
	Nagendra Palle	–	5,62,869
	V. Janakiraman	61,171	–
	(ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year		
	Praveen Kumar	52,758	–
	B. Ganeshkumar	1,40,351	–
	Sanjay Jha	52,941	–
	Shiv Kiran	1,09,685	–
	Rajeev Dubey	–	2,28,034
	(iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding out-standing warrants and conversions) of the Company at the time of grant	NIL	NIL

**For and on behalf of the Board**

**Dr. Nagendra Palle**  
Managing Director

**Rajeev Dubey**  
Director

Mumbai, 28<sup>th</sup> April, 2016

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
MAHINDRA FIRST CHOICE WHEELS LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **MAHINDRA FIRST CHOICE WHEELS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required

and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (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:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 of the financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the CARO 2016") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the CARO 2016.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Rajesh K. Hiranandani  
Partner  
(Membership No. 36920)

Mumbai, 28<sup>th</sup> April, 2016

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

**(Referred to in paragraph 1 under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting 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 Mahindra First Choice Wheels Limited (“the Company”) as of 31st March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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.

### **Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**  
*Chartered Accountants*  
(Firm’s Registration No. 117366W/W-100018)

Rajesh K. Hiranandani  
*Partner*  
(Membership No. 36920)

Mumbai, 28<sup>th</sup> April, 2016

**ANNEXURE B TO THE INDEPENDENT AUDITOR’S REPORT**

**(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties and hence reporting under clause (i) (c) of the CARO 2016 is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 186 of the Companies Act, 2013 in respect of making investments. According to the information and explanations given to us, the Company has not granted any loans or provided guarantees and hence reporting under clause 3 (iv) of CARO 2016, to the extent it relates to loans and guarantees under Sections 185 and 186 of the Companies Act, 2013, are not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit and the provisions of Sections 73 to 76 of the Companies Act, 2013 are not applicable and hence reporting under clause 3(v) of CARO 2016 is also not applicable.
- (vi) In respect of maintenance of Cost records under Section 148(1) of the Companies Act, 2013, having regard to the nature of the Company’s business/activities, reporting under clause (vi) of the CARO 2016 is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. Duty of customs and duty of excise are not applicable to the Company.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax, cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Service Tax, and Value Added Tax which have not been deposited as on 31<sup>st</sup> March, 2016 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹)	Amount Unpaid (₹)
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	2006-07 and 2008-09	51,85,718	Nil *
Value Added Tax, Maharashtra	Value Added Tax	Joint Commissioner (Appeals)	2005-06, 2006-07, 2008-09, 2009-10 and 2010-11	1,93,97,390	1,73,37,432

\*adjusted by Income Tax authorities against refunds due.

- (viii) The Company has neither taken any loans or borrowings from financial institutions, banks and government nor has issued any debentures and hence reporting under clause (viii) of the CARO 2016 is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
*Chartered Accountants*  
 (Firm’s Registration No. 117366W/W-100018)

Rajesh K. Hiranandani  
*Partner*  
 (Membership No. 36920)  
 Mumbai, 28<sup>th</sup> April, 2016



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

		(In ₹)		
		Note No.	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>I EQUITY AND LIABILITIES</b>				
<b>1 Shareholders' Funds</b>				
(a)	Share capital .....	3	738,448,530	738,448,530
(b)	Reserves and surplus .....	4	(13,162,592)	92,613,766
			<u>725,285,938</u>	<u>831,062,296</u>
<b>2 Non-Current Liabilities</b>				
(a)	Other long-term liabilities.....	5	195,027,008	152,247,576
(b)	Long-term provisions .....	6	34,000,614	29,003,207
			<u>229,027,622</u>	<u>181,250,783</u>
<b>3 Current Liabilities</b>				
(a)	Trade payables			
(A)	Total outstanding dues of micro enterprises and small enterprises (Refer note 27) .....		-	-
(B)	Total outstanding dues of creditors other than micro enterprises and small enterprises.....	7	133,602,153	57,007,894
(b)	Other current liabilities.....	8	41,073,139	26,718,086
(c)	Short-term provisions.....	9	6,968,531	6,709,953
			<u>181,643,823</u>	<u>90,435,933</u>
	<b>TOTAL.....</b>		<u><u>1,135,957,383</u></u>	<u><u>1,102,749,012</u></u>
<b>II ASSETS</b>				
<b>1 Non-Current assets</b>				
(a)	Fixed assets .....	10		
(i)	Tangible assets .....		32,715,188	35,267,405
(ii)	Intangible assets.....		43,128,654	8,588,771
			<u>75,843,842</u>	<u>43,856,176</u>
(b)	Non-current investments.....	11	100,000	100,000
(c)	Long-term loans and advances.....	12	111,229,685	81,177,388
(d)	Other non-current assets .....	13	92,029	92,029
			<u>187,265,556</u>	<u>125,225,593</u>
<b>2 Current assets</b>				
(a)	Current investments.....	11	70,000,000	31,733,496
(b)	Trade receivables .....	14	147,029,825	85,566,646
(c)	Cash and cash equivalents .....	15	493,773,021	572,893,972
(d)	Short-term loans and advances .....	16	234,763,411	283,486,742
(e)	Other current assets .....	17	3,125,570	3,842,563
			<u>948,691,827</u>	<u>977,523,419</u>
	<b>TOTAL.....</b>		<u><u>1,135,957,383</u></u>	<u><u>1,102,749,012</u></u>
<b>Significant accounting policies</b>		2		
<b>See accompanying notes 1 to 35 forming part of the financial statements</b>				

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

For and on behalf of the Board

Rajesh Jejurikar  
DIN - 00046823

Dr. Nagendra Palle  
DIN - 06964686

V. Janakiraman

Raju Bamane

Director

CEO &  
Managing Director

Chief Financial Officer

Secretary

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

			(In ₹)
	Note No.	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
I Revenue from operations.....	18	541,325,174	412,518,878
II Other income.....	19	83,094,858	27,747,304
III <b>Total Revenue (I + II)</b> .....		<b>624,420,032</b>	<b>440,266,182</b>
<b>IV Expenses:</b>			
Employee benefits expense.....	20	256,848,417	192,978,411
Finance costs .....	21	484	94
Depreciation and amortization expense.....	10	23,634,025	15,099,401
Other expenses .....	22	449,713,464	212,957,550
<b>Total Expenses</b> .....		<b>730,196,390</b>	<b>421,035,456</b>
V <b>(Loss)/Profit before tax (III - IV)</b> .....		<b>(105,776,358)</b>	19,230,726
VI <b>Tax expense</b> .....		-	-
VII <b>(Loss)/Profit after tax for the year (V - VI)</b> .....		<b>(105,776,358)</b>	19,230,726
VIII <b>Earnings per equity share: (Face value ₹ 10 each)</b> .....			
Basic (In ₹).....	33	(1.43)	0.30
Diluted (In ₹).....	33	(1.43)	0.29
<b>Significant accounting policies</b>	2		
<b>See accompanying notes 1 to 35 forming part of the financial statements</b>			

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

For and on behalf of the Board

Rajesh Jejurikar  
DIN - 00046823

Dr. Nagendra Palle  
DIN - 06964686

V. Janakiraman

Raju Bamane

Director

CEO &  
Managing Director

Chief Financial Officer

Secretary

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	(In ₹)	
	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>A Cash Flow From Operating Activities:</b>		
Profit/(Loss) before tax .....	(105,776,358)	19,230,726
Adjustments for:		
Depreciation and amortization expense.....	23,634,025	15,099,401
Gain on sale of fixed assets (net).....	(381,452)	(38,076)
Dividend income.....	(136,588)	(899,524)
Finance costs .....	484	94
Provision for doubtful debts .....	19,657,872	1,954,511
Gain on sale of current investments.....	(2,167,906)	(3,512,982)
Interest income .....	(66,097,951)	(17,107,882)
	<b>(25,491,516)</b>	<b>(4,504,458)</b>
Operating loss before working capital changes.....	<b>(131,267,874)</b>	<b>14,726,268</b>
Changes in working capital:		
Trade receivables.....	(81,121,052)	(34,722,845)
Long-term loans and advances.....	(1,379,188)	(708,482)
Short-term loans and advances .....	(16,276,669)	1,054,428
Trade payables.....	76,594,259	642,279
Other long term liabilities.....	42,779,432	25,782,403
Other non current assets .....	-	(6,927)
Other current liabilities .....	21,766,698	(12,215,231)
Other current assets .....	-	2,795,800
Long-term provisions .....	4,997,407	10,096,101
Short-term provisions.....	258,578	3,031,272
<b>Cash generated/(used in) from Operations.....</b>	<b>47,619,467</b>	<b>(4,251,202)</b>
Direct taxes .....	<b>(28,673,109)</b>	<b>(11,114,104)</b>
<b>Net Cash used in Operating Activities .....</b>	<b>(112,321,516)</b>	<b>(639,038)</b>
<b>B Cash Flow From Investing Activities:</b>		
Purchase of fixed assets (including Capital Work in Progress).....	(56,117,841)	(13,012,959)
Bank balances not considered as Cash and cash equivalents (net) .....	(69,996,868)	(412,204,544)
Sale of fixed assets.....	877,610	75,939
Purchase of investments .....	(708,350,638)	(2,580,941,837)
Sale of investments.....	672,252,030	2,566,557,312
Intercompany deposits (net) .....	65,000,000	(112,500,000)
Interest received .....	66,814,944	14,514,466
Dividends received .....	136,588	899,524
<b>Net Cash from Investing Activities .....</b>	<b>(29,384,175)</b>	<b>(536,612,099)</b>
<b>C Cash Flow From Financing Activities:</b>		
Proceeds from the issue of share capital.....	-	659,185,163
Finance costs .....	(484)	(94)
<b>Net Cash used in Financing Activities .....</b>	<b>(484)</b>	<b>659,185,069</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents.....</b>	<b>(141,706,175)</b>	<b>121,933,932</b>
Cash and cash equivalents at the beginning of the year.....	<b>153,277,784</b>	<b>31,343,852</b>
Cash and cash equivalents at the end of the year.....	<b>11,571,609</b>	<b>153,277,784</b>
<b>Note 1:</b>		
Cash and cash equivalents include:		
Cash and cash equivalents *(Refer note 15) .....	<b>11,571,609</b>	160,689,428
Overdrawn bank balance in current accounts as per books (Refer note 8)....	-	(7,411,644)
	<b>11,571,609</b>	<b>153,277,784</b>

**Note 2:** The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statement".

**Note 3:** Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Rajesh K. Hiranandani**  
Partner

For and on behalf of the Board

Rajesh Jejurikar  
DIN - 00046823

Director

Dr. Nagendra Palle  
DIN - 06964686

CEO &  
Managing Director

V. Janakiraman

Chief Financial Officer

Raju Bamane

Secretary

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

Place : Mumbai  
Date :

## Notes forming part of the financial statements

### 1. Background of the company:

The Company, Mahindra First Choice Wheels Limited, incorporated in 1994, is a subsidiary of Mahindra & Mahindra Limited. It is currently engaged in the business of facilitating trading in used vehicles through its franchise network and electronic platform and providing allied products and services, including online pricing guidance and used vehicle inspection and valuation services.

### 2. Significant Accounting Policies:

#### a. Basis of accounting and preparation of financials statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the 2013 Act. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

#### b. Use of estimates:

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/ materialised.

#### c. Revenue Recognition:

Revenue from various services are recognised in following manner.

- (i) Franchise fee – On activation of the dealer's account.
- (ii) Commission Income – Recognised on receipt of seller's confirmation for auctions.
- (iii) Vehicle valuation fee – Recognised on release of valuation report.
- (iv) Inspection Fee – Recognised on release of inspection report.
- (v) Other Operating Income:
  - Warranty income – Warranty income is recognized on sale of warranty product of a third party warranty service provider, with no obligations to the company.
  - Other – Occurrence of relevant event or agreement.

#### d. Other Income:

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

#### e. Fixed Assets:

##### (i) Tangible Assets:

Tangible Assets are stated at cost less accumulated depreciation and impairment, if any. Costs comprise of purchase price and any directly attributable costs incurred for making the asset ready for its intended use.

##### (ii) Intangible Assets:

Intangible Assets are recognized as per criteria specified in Accounting Standard 26 – Intangible Assets.

##### (iii) Capital work-in-progress:

Capital work-in-progress, including projects under commissioning, are carried at cost comprising direct cost, related incidental expenses and attributable interest.

#### f. Operating Lease:

Assets taken on lease under which, all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

#### g. Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

#### h. Depreciation/Amortisation:

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes etc.

- (a) Vehicles which are depreciated over a period of 3 years.
- (b) Telephone and mobile instruments are depreciated over a period of two years based on the estimated useful life.
  - (i) Depreciation on leasehold improvements made in respect of premises taken on lease is provided over the period of the lease.
  - (ii) Cost of Website is amortised over a period of 3-5 years.
  - (iii) Cost of Software is amortised over a period of 5 years from the year of implementation.
  - (iv) Cost of Acquisitions of service contract, Intellectual Property and Non-compete fee amortised over a period of 3 years.

#### i. Investments:

Current investments are carried individually at lower of cost and fair value. Long Term investments (excluding investment property) are carried individually at cost less provision to recognise a decline, other than temporary, in the carrying amount of Long Term investments. Cost of investments includes acquisition charges such as brokerage, fees and duties.

#### j. Inventories:

Trading goods are valued at lower of cost and net realisable value. The cost is determined on a specific identification basis and includes purchase price and incidental expenses i.e. commission/ brokerage, refurbishment cost, etc.

#### k. Foreign Currency Transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of Monetary items at the end of the year, is recognised as income or expense, as the case may be.

#### l. Employee Benefits:

A) Short term employee benefits are recognised as an expense at the undiscounted amount in the Statement of profit and loss of the year in which the related service is rendered.

B) Post employment benefits:

- i) Defined Contribution Plan: Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). The contributions are made to Regional Provident Fund Commissioner. Provident Fund and Family Pension Fund are classified as Defined Contribution Plans as the Company has no further obligations beyond making the contribution. The Company's contributions to Defined Contribution Plan are charged to the statement of profit and loss as incurred.

- ii) Defined Benefit Plan: Gratuity (unfunded)

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The

Company accounts the gratuity benefits payable in future based on an independent external actuarial valuation carried out at the end of the year which is determined using the Projected Unit Credit method. Actuarial gains and losses are recognised in the statement of profit and loss. Past service cost is recognised immediately to the extent that the benefits are already vested.

C) Other long-term employment benefits – Compensated Absences

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an independent external actuarial valuation carried out at the end of the year. Actuarial gains and losses are recognised in the statement of profit and loss.

m. Employee share based payments:

The Company has constituted an Employee Stock Option Plan. Employee Stock Options granted on or after 1 April, 2005 are accounted under the 'Intrinsic Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India.

n. Earnings per share:

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

o. Income taxes:

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to/ recovered from the tax authorities, using the applicable tax rates, the provisions of income tax Act, 1961 and other applicable tax laws. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

p. Provisions and contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

	(In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>3. Share capital</b>		
<b>Authorised:</b>		
90,000,000 (Previous year: 70,000,000) Equity shares of Face value of ₹ 10/- each	<u>900,000,000</u>	<u>900,000,000</u>
<b>Issued, subscribed and fully paid up:</b>		
76,872,920 (Previous year: 76,872,920) Equity shares of Face value of ₹ 10/- each	<u>768,729,200</u>	<u>768,729,200</u>
Less :		
3,028,067 (Previous year: 3,028,067) equity shares of Face value of ₹ 10/- each fully paid-up issued to a Trust constituted under the Employees' Stock Option Scheme but not allotted to employees	<u>30,280,670</u>	<u>30,280,670</u>
<b>Adjusted : Issued, subscribed and paid up share capital</b>	<u><u>738,448,530</u></u>	<u><u>738,448,530</u></u>
(a) <b>Rights, preferences and restrictions attached to equity shares</b>		
The Ordinary (Equity) shares of the Company rank pari-passu in all respects including voting rights and entitlement to dividend.		
(b) Out of the above 33,34,633 Equity Shares have been issued by conversion of convertible debentures into equity shares.		
(c) <b>Equity shares held by Holding Company</b>		
33,596,424 (Previous year: 33,596,424) equity shares are held by Mahindra and Mahindra Limited		
(d) <b>Reconciliation of the number of shares outstanding at the beginning and at the end of the year.</b>		
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	No. of Shares	Amount
At the beginning of the year	73,844,853	738,448,530
Add: Issued during the year	-	-
Outstanding at the end of the year	<u>73,844,853</u>	<u>738,448,530</u>
(e) <b>Equity shares held by each shareholder holding more than five percent equity shares in the Company are as follows:</b>		
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	No. of Shares held	% holding
<b>Name of the Shareholder</b>		
Mahindra and Mahindra Limited, the Holding Company	33,596,424	43.70
PHI Management Solutions Private Limited	16,184,054	21.10
Valiant Mauritius Partners FDI Limited	10,268,329	13.36
Manheim Export Sarl	6,845,398	8.90
(f) <b>Shares reserved for issue under Stock options:</b>		
For details of the shares reserved for issue under the employee stock option scheme of the company, refer note 24.		
	(In ₹)	(In ₹)
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>4. Reserves and surplus</b>		
(a) <b>Securities Premium Account:</b>		
On Equity shares issued in earlier years.	1,140,811,310	585,767,487
Add: On issue of equity shares during the year	-	555,043,761
Add: On issue of equity shares during the year on conversion of convertible Debentures	-	62
<b>TOTAL</b>	<u>1,140,811,310</u>	<u>1,140,811,310</u>
Less: On issue in earlier years of 317,423 Equity shares issued to a Trust constituted under the Employees Stock Option Scheme but not allotted to employees.	<u>1,587,115</u>	<u>1,587,115</u>
	<u>1,139,224,195</u>	<u>1,139,224,195</u>
(b) <b>Deficit in the statement of profit and loss:</b>		
Balance as per last balance sheet	(1,046,610,429)	(1,062,880,442)
Add: Profit for the year	(105,776,358)	19,230,726
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life	-	(2,960,714)
<b>TOTAL</b>	<u>(1,152,386,787)</u>	<u>(1,046,610,429)</u>
	<u>(13,162,592)</u>	<u>92,613,766</u>

	(In ₹)		(In ₹)
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	As at 31 <sup>st</sup> March, 2015
<b>5. Other long-term liabilities</b>			
<b>Others</b>			
- Security Deposits	163,159,223	120,379,791	
- Shares held by ESOS trust (Refer Note 24)	31,867,785	31,867,785	
<b>TOTAL</b>	<u>195,027,008</u>	<u>152,247,576</u>	
	(In ₹)	(In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	
<b>6. Long-term provisions</b>			
<b>Provision for employee benefits</b>			
- Compensated absences	21,350,384	18,326,065	
- Gratuity	12,650,230	10,677,142	
<b>TOTAL</b>	<u>34,000,614</u>	<u>29,003,207</u>	
	(In ₹)	(In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	
<b>7. Trade payables</b>			
- Trade Payables-Other than acceptances (Refer note 27)	133,602,153	57,007,894	
<b>TOTAL</b>	<u>133,602,153</u>	<u>57,007,894</u>	
	(In ₹)	(In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	
<b>8. Other current liabilities</b>			
(a) Overdrawn bank balance in current accounts as per books	-	7,411,644	
(b) Statutory dues (Contributions to PF and ESIC, TDS, Vat, Service tax etc.)	7,994,259	8,899,147	
(c) Security deposits	1,159,702	2,098,327	
(d) Customers Credit Balances	7,063,066	8,308,968	
(e) Payables on Purchase of Fixed Assets	24,856,112	-	
<b>TOTAL</b>	<u>41,073,139</u>	<u>26,718,086</u>	
	(In ₹)	(In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	
<b>9. Short-term provisions</b>			
(a) <b>Provision for employee benefits</b>			
- Compensated absences	2,293,691	2,038,626	
- Gratuity	248,511	244,998	
(b) <b>Others</b>			
- Provision for value added tax (net)	4,426,329	4,426,329	
<b>TOTAL</b>	<u>6,968,531</u>	<u>6,709,953</u>	

**10. FIXED ASSETS**

Description of Assets	GROSS BLOCK (at cost)				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at 31 <sup>st</sup> March, 2015	Additions during the year	Deductions during the year	As at 31 <sup>st</sup> March, 2016	Up to 31 <sup>st</sup> March, 2015	For the year	On deduction during the year	Transition adjustment recorded against Surplus balance in Statement of Profit and Loss	Depreciation/Amortisation up to 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>(i) TANGIBLE ASSETS</b>											
- Improvements to Leasehold Property	48,822,982	-	-	48,822,982	30,894,883	5,539,083	-	-	36,433,966	12,389,016	(17,928,099)
	(48,822,982)	-	-	(48,822,982)	(25,355,800)	(5,539,083)	(-)	(-)	(30,894,883)		
- Computers	21,269,683	6,390,675	22,000	27,638,358	12,574,756	4,596,503	22,000	-	17,149,259	10,489,099	(8,694,927)
	(16,752,788)	(5,011,410)	(494,515)	(21,269,683)	(8,375,910)	(3,820,463)	(494,508)	(872,870)	(12,574,756)		
- Furniture and Fixtures	3,380,368	1,020,879	6,300	4,394,947	1,784,515	331,108	6,300	-	2,109,323	2,285,624	(1,595,853)
	(3,470,162)	(92,900)	(182,694)	(3,380,368)	(1,501,309)	(280,562)	-	(3,089)	(1,784,515)		
- Office Equipment	9,691,286	3,109,588	115,370	12,685,504	6,360,580	2,825,416	89,816	-	9,096,180	3,589,324	(3,330,706)
	(8,549,723)	(1,190,848)	(49,285)	(8,549,723)	(2,460,256)	(1,826,948)	(11,433)	(2,084,755)	(6,360,580)		
- Vehicles	6,772,858	3,073,031	1,885,526	7,960,363	3,055,038	2,358,130	1,414,930	-	3,998,238	3,962,125	(3,717,820)
	(4,007,157)	(924,147)	(705,994)	(6,772,858)	(2,614,128)	(1,200,910)	(759,999)	(-)	(3,055,039)		
<b>Sub Total (A)</b>	<b>89,937,177</b>	<b>13,594,173</b>	<b>2,029,196</b>	<b>101,502,154</b>	<b>54,669,772</b>	<b>15,650,240</b>	<b>1,533,046</b>	<b>-</b>	<b>68,786,966</b>	<b>32,715,188</b>	<b>(35,267,405)</b>
	<b>(81,513,018)</b>	<b>(9,727,959)</b>	<b>(1,303,800)</b>	<b>(89,937,177)</b>	<b>(32,232,856)</b>	<b>(12,667,966)</b>	<b>(955,823)</b>	<b>(2,960,714)</b>	<b>(54,669,772)</b>		
<b>(ii) INTANGIBLE ASSETS</b>											
- Website	38,381,227	4,177,500	-	42,558,727	36,128,640	661,948	-	-	36,790,588	5,768,139	(2,252,587)
	(36,046,227)	(2,335,000)	(-)	(38,381,227)	(35,554,301)	(574,336)	(-)	(-)	(36,128,640)		
- Software	17,558,590	3,271,168	-	20,829,758	11,222,406	2,208,572	-	-	13,430,978	7,398,780	(6,336,184)
	(16,608,590)	(950,000)	(-)	(17,558,590)	(9,365,307)	(1,857,099)	(-)	(-)	(11,222,406)		
- Goodwill	130,000	-	-	130,000	130,000	-	-	-	130,000	(0)	(0)
	(130,000)	(-)	(-)	(130,000)	(130,000)	(-)	(-)	(-)	(130,000)		
- Acquisition of service contracts and Intellectual Property (See Note-34)	-	30,825,000	-	30,825,000	-	4,486,312	-	-	4,486,312	26,338,688	(0)
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)		
- Non Compete Fees (See Note-34)	-	4,250,000	-	4,250,000	-	626,953	-	-	626,953	3,623,047	(0)
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)		
<b>Sub Total (B)</b>	<b>56,069,817</b>	<b>42,523,668</b>	<b>-</b>	<b>98,593,485</b>	<b>47,481,046</b>	<b>7,983,785</b>	<b>-</b>	<b>-</b>	<b>55,464,831</b>	<b>43,128,654</b>	<b>(8,588,771)</b>
	<b>(52,784,817)</b>	<b>(4,058,219)</b>	<b>-</b>	<b>(56,069,817)</b>	<b>(42,496,701)</b>	<b>(2,431,435)</b>	<b>-</b>	<b>-</b>	<b>(47,481,046)</b>		
<b>TOTAL (A) + (B)</b>	<b>146,006,994</b>	<b>56,117,841</b>	<b>2,029,196</b>	<b>200,095,639</b>	<b>102,150,818</b>	<b>23,634,025</b>	<b>1,533,046</b>	<b>-</b>	<b>124,251,797</b>	<b>75,843,842</b>	<b>(43,856,176)</b>
Previous year	<b>(134,297,835)</b>	<b>(13,786,178)</b>	<b>(1,303,800)</b>	<b>(146,006,994)</b>	<b>(74,729,557)</b>	<b>(15,099,401)</b>	<b>(955,852)</b>	<b>(2,960,714)</b>	<b>(102,150,818)</b>	<b>-</b>	<b>-</b>
Intangible Assets under development											
<b>TOTAL</b>										<b>75,843,842</b>	<b>(43,856,176)</b>

Figures in bracket pertains to previous year

11. Investments

				(In ₹)				
Current year number	Current year face value per unit (in ₹)	Previous year number	Previous year face value per unit (in ₹)	Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
					Non-current	Current	Non-current	Current
4,000	25	4,000	25	<b>Unquoted:</b> <b>Investment in equity instruments</b> The Zoroastrian Co-operative Bank Ltd.	<b>100,000</b>	–	100,000	–
				<b>TOTAL</b>	<b>100,000</b>	–	100,000	–
				<b>Unquoted :</b> <b>Investments in Mutual Funds</b>				
7,505	1,000	974	1,000	Investments in Kotak Liquid Scheme Plan A Growth	–	23,000,000	–	2,760,680
15,964	1,000	2,707	1,000	Investments in UTI Money Market Fund - Growth	–	27,000,000	–	4,232,468
–	–	13,376	100	Investments in ICICI Prudential Liquid Fund - IP - Growth	–	–	–	2,765,546
–	–	22,453	100	Investments in Birla Sun Life Cash - Plus IP - Growth	–	–	–	5,032,611
13,616	1,000	5,123	1,000	Investments in Principal Cash Management Fund - Growth	–	20,000,000	–	6,954,596
–	–	589	1,000	Investments in IDFC Liquid Fund - (Growth)	–	–	–	1,000,146
–	–	2,969	1,000	Investments in Axis Liquid Fund IP Growth	–	–	–	4,595,363
–	–	93	1,000	Investments in TATA Liquid Fund Plan A Growth	–	–	–	238,650
–	–	38,696	10	Investments in HDFC Liquid Fund - Growth	–	–	–	3,522,575
–	–	453	1,000	Investment in HSBC Cash Fund - Growth	–	–	–	630,861.00
				<b>Total</b>	–	<b>70,000,000</b>	–	<b>31,733,496</b>
				<b>Grand Total</b>	<b>100,000</b>	<b>70,000,000</b>	<b>100,000</b>	<b>31,733,496</b>

				(In ₹)			
				As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>12. Long-term loans and advances</b>							
(a) <b>Security deposits</b>							
– Unsecured, considered good				17,865,585	16,486,397	581,285	1,172,266
– Doubtful				3,041,361	3,041,361	6,990,324	4,854,543
Less: Provision for doubtful security deposits				3,041,361	3,041,361	–	4,662,619
				17,865,585	16,486,397	4,000,000	150,000,000
(b) <b>Other Loans &amp; Advances</b>						11,571,609	160,689,428
Unsecured considered good							
– Loan given to ESOS Trust				31,867,785	31,867,785		
– Advance Tax (Tax deducted at source)				61,496,315	32,823,206	482,201,412	409,400,000
<b>TOTAL</b>				<b>111,229,685</b>	<b>81,177,388</b>	<b>493,773,021</b>	<b>572,893,972</b>
<b>13. Other non current assets</b>							
Fixed Deposits under lien with VAT Authorities				92,029	92,029		
<b>TOTAL</b>				<b>92,029</b>	<b>92,029</b>		
<b>14. Trade receivables</b>							
(a) <b>Trade receivables outstanding for a period exceeding six months from the date they are due for payment</b>							
– Unsecured, considered good				45,108,276	14,064,553		
– Doubtful				37,411,906	20,096,371		
				82,520,182	34,160,924		
Less: Provision				37,411,906	20,096,371		
				45,108,276	14,064,553		
(b) <b>Other trade receivables</b>							
– Unsecured, considered good				101,921,549	71,502,093		
<b>TOTAL</b>				<b>147,029,825</b>	<b>85,566,646</b>	<b>234,763,411</b>	<b>283,486,742</b>
<b>15. Cash and cash equivalents</b>							
(a) <b>Cash and cash equivalents (as per AS-3 Cash Flow Statements)</b>							
– Cash on hand						581,285	1,172,266
– Balances with banks						6,990,324	4,854,543
– in Current Account						–	4,662,619
– In Cash Credit Account						–	–
– In deposit accounts (Original maturity of 3 months or less)						4,000,000	150,000,000
						11,571,609	160,689,428
(b) <b>Other bank Balances</b>							
– In deposit accounts (Original maturity of more than 3 months)						482,201,412	409,400,000
(c) <b>In earmarked accounts</b>							
– Deposits held under lien						–	2,804,544
<b>TOTAL</b>						<b>493,773,021</b>	<b>572,893,972</b>
<b>16. Short-term loans and advances</b>							
(a) <b>Inter Corporate Deposit – Unsecured, considered good</b>							
– with Related parties						–	–
– with Others						210,000,000	275,000,000
						210,000,000	275,000,000
(b) <b>Other loans and advances (Unsecured, considered good unless otherwise stated)</b>							
– Prepaid expenses						6,678,311	4,556,921
– Loans and advances to employees						5,215,882	1,571,158
– <b>Security deposits</b>							
– Considered good						–	–
– Doubtful						438,499	438,499
						438,499	438,499
Less: Provision						438,499	438,499
						–	–
– <b>Advances to Vendors</b>							
– Considered good						5,479,131	180,282
– Doubtful						7,344,367	7,344,367
						12,823,498	7,524,649
Less: Provision						7,344,367	7,344,367
						5,479,131	180,282
– Input credit available						7,390,087	1,421,981
– Due from Govt. Authorities (Refund of Stamp Duty)						–	756,400
<b>TOTAL</b>						<b>234,763,411</b>	<b>283,486,742</b>

	(In ₹)	(In ₹)	(In ₹)	(In ₹)
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015
<b>17. Other current assets</b>				
– Interest accrued on inter corporate and bank deposits	3,125,570	3,842,563		
<b>TOTAL</b>	<b>3,125,570</b>	<b>3,842,563</b>		
	(In ₹)	(In ₹)		
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015		
<b>18. Revenue from operations</b>				
(a) <b>Income from services</b>				
– Franchisee Fee	223,230,391	203,085,483		
– Commission income	70,932,314	69,559,055		
– Vehicle Valuation fee	48,245,563	63,691,094		
– Vehicle Preinspection fee	62,510,587	–		
– Other Services	46,117,880	11,526,720		
	<b>451,036,735</b>	<b>347,862,352</b>		
(b) <b>Other Operating Income</b>				
– Warranty Income	77,666,414	54,759,662		
– Franchise security deposit forfeited	1,771,783	557,152		
– Rental income from operating leases (Refer note 32)	10,850,242	9,339,712		
	<b>90,288,439</b>	<b>64,656,526</b>		
<b>TOTAL</b>	<b>541,325,174</b>	<b>412,518,878</b>		
	(In ₹)	(In ₹)		
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015		
<b>19. Other income</b>				
(a) <b>Interest</b>				
– on Inter Corporate Deposits	20,571,579	9,839,292		
– on Bank Deposits	45,377,256	6,080,241		
– on Others	149,116	1,188,349		
(b) <b>Dividend income</b>				
– on Current investments	121,588	884,524		
– on Long term investments	15,000	15,000		
(c) <b>Others</b>				
– Sundry credit balances written back	9,670,675	6,174,470		
– Gain on sale of current investments	2,167,906	3,512,982		
– Gain on sale of Fixed Assets (net)	381,452	38,076		
– Miscellaneous income	4,640,286	14,370		
<b>TOTAL</b>	<b>83,094,858</b>	<b>27,747,304</b>		
	(In ₹)	(In ₹)		
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015		
<b>20. Employee benefits expense</b>				
(a) Salaries, Wages, Bonus etc.	224,641,104	168,517,794		
(b) Contribution to provident fund and other funds	12,825,447	9,950,795		
(c) Gratuity	4,720,751	4,326,423		
(d) Staff welfare and training	14,661,115	10,183,399		
<b>TOTAL</b>	<b>256,848,417</b>	<b>192,978,411</b>		
	(In ₹)	(In ₹)		
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015		
<b>21. Finance costs</b>				
<b>Interest Expense</b>				
– On cash credit accounts etc.	346	90		
– On others	138	4		
<b>TOTAL</b>	<b>484</b>	<b>94</b>		
<b>22. Other expenses</b>				
Rent	34,473,842	23,454,372		
Rates and taxes	955,717	2,693,483		
Repairs and maintenance – others	3,040,130	1,228,713		
Insurance	521,675	267,571		
Electricity charges	3,044,328	1,767,439		
Advertising and sales promotion expenses	141,382,575	52,826,055		
Warranty related expenses	29,008,062	21,081,861		
Certification expenses	2,553,780	4,908,286		
Preinspection expenses	54,204,808	–		
Travelling and conveyance	60,142,915	42,176,180		
Printing and stationary	1,495,258	916,866		
Professional fees	46,329,409	15,415,958		
Deputation Charges	8,400,000	8,400,000		
Payment to auditors (Refer note below)	1,360,798	927,635		
Commission and brokerage	–	120,500		
Office expenses	3,102,007	2,543,811		
Communication charges	6,676,958	4,360,310		
Sundry balances written off	12,447,308	8,153,376		
Less: Provision for doubtful debts	<b>(2,342,336)</b>	<b>(1,136,624)</b>		
	<b>10,104,972</b>	<b>7,016,752</b>		
Provision for doubtful debts	19,657,872	3,091,135		
Software charges	13,453,196	8,724,667		
Internet Charges	3,875,260	2,400,499		
Miscellaneous expenses	5,929,902	8,635,457		
<b>TOTAL</b>	<b>449,713,464</b>	<b>212,957,550</b>		
	(In ₹)	(In ₹)		
	Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015		
<b>Payment to Statutory Auditors (Net of service tax)</b>				
For Audit fees	1,225,000	900,000		
For Other Services	125,000	–		
For Reimbursement of Expenses	10,798	27,635		
	<b>1,360,798</b>	<b>927,635</b>		
<b>23. Contingent Liabilities not provided for:</b>				
	(In ₹)	(In ₹)		
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015		
Demands raised by Income tax department where the Company is in appeal	5,185,718	6,713,300		
Demand raised by Maharashtra VAT Department where the Company is in appeal	15,787,432	15,787,432		
<b>TOTAL</b>	<b>20,973,150</b>	<b>22,500,732</b>		
Note: In respect of above items, till the matters are finally decided, the financial effect cannot be ascertained.				
<b>24. The Company has framed an Equity settled "Employee Stock Option Scheme" (ESOS) for its employees. It has a trust viz. Mahindra First Choice Wheels Limited Employees' Stock Option Trust" (ESOS trust), which would hold the shares for the benefit of the eligible employees, including Directors of the Company and its subsidiaries. The Company had issued and allotted 3,261,937 Equity Shares of ₹ 10/- each to the ESOS trust in earlier years. In terms of the said Plan, the Trust had granted options to the employees, which vest in three equal installments – i.e. one third each at the expiry of 36 months, 48 months and 60 months respectively from the date of the grant. The options can be exercised over a period of 5 years from the date of vesting. The exercise price for all options granted is Rs 10/- per option. During the year 2015-16, the Company granted on 30<sup>th</sup> July, 2015 and 27<sup>th</sup> January, 2016, 8,85,798 options and 61,468 options respectively to eligible employees, aggregating to 9,47,266 options. With this, all the options covered under the Trust have been granted. As at 31<sup>st</sup> March, 2016, the total number of options subsisting (net of lapsed and cancelled options) was 1,152,465. During the year ended 31<sup>st</sup> March, 2016, 24,571 options have lapsed while no options have been exercised.</b>				



The details of the options under the above scheme are as under:

Particulars	(In ₹)	
	Year Ended 31st March, 2016	Year Ended 31st March, 2015
Options outstanding at the beginning of the year	2,249,611	3,167,397
Options granted during the year	947,266	-
Options lapsed during the year	24,571	203,649
Options surrendered and cancelled during the year	-	480,267
Options exercised during the year	-	233,870
Options vested but not exercised at the end of the year	1,152,465	685,430

The Company follows the intrinsic value method for computing the compensation cost of stock options granted to employees. The intrinsic value being lower the exercise price at the time of grant, the employee compensation cost of the options granted in previous years is NIL.

The Guidance Note on Accounting for Employee Share based Payments issued by the Institute of Chartered Accountants of India requires that shares allotted to a Trust for the purpose of subsequent transfer to the employees, as per the terms of the scheme, be disclosed as a reduction from Share Capital and Reserves. Accordingly the Company has disclosed the reduction from Share Capital by Rs 30,280,670/- (30,28,067 Equity shares of ₹ 10/- each), (Previous Year – ₹ 30,280,670/- (30,28,067 Equity shares of ₹ 10/- each)) and reduced from Securities Premium by ₹ 15,87,115/- (Previous Year – ₹ 15,87,115/-) in respect of 317,423 Equity Shares having face value of ₹ 10 each issued at a premium in earlier years, held by ESOS Trust as per the ESOS.

During the year, the Shareholders have approved the issue of 1,849,162 options by the Company under its "Employee Stock Option Scheme" for its eligible employees. In terms of the said Plan, the options granted by the Company to the employees would vest in three equal installments – i.e. one third each at the expiry of 36 months, 48 months and 60 months respectively from the date of the grant. The options can be exercised over a period of 5 years from the date of vesting. The exercise price for all options granted is ₹ 10/- per option. During the year 2015-16, the Company granted on 30<sup>th</sup> July, 2015 and 27<sup>th</sup> January, 2016, 7,90,904 options and 53,889 options respectively to eligible employees, aggregating to 8,44,793 options.

The Company follows the intrinsic value method for computing the compensation cost of stock options granted to employees. The intrinsic value being lower the exercise price at the time of grant, the employee compensation cost of the options granted in previous years is NIL.

Had the Company adopted the fair value method of valuing options, the employee compensation cost during the year would have been ₹ 11,69,000 and loss of the year higher by ₹ 11,69,000.

The fair value has been calculated using the Black Scholes Merton Model and the significant assumptions made in this regard are:

Current Value of Shares	: ₹ 5/-
Exercise Price	: ₹ 10/-
Expected Volatility	: 0.5
Risk free interest rate	: 8%
Expected Dividend Yield	: 5%

#### 25. Employee Benefits:

Contribution to Defined contribution plans, recognized in the statement of profit and loss for the year, under employee benefit expense in note 20 are as under:

Sr. no.	Particulars	(In ₹)	
		Year Ended 31st March, 2016	Year Ended 31st March, 2015
i)	Employer's Contribution to Provident Fund	6,979,471	5,885,928
ii)	Employer's Contribution to Family Pension Fund	4,305,738	2,751,484
iii)	Employer's Contribution to Other Funds	1,540,238	1,313,383
	<b>TOTAL</b>	<b>12,825,447</b>	<b>9,950,795</b>

Defined benefit plans – as per Actuarial Valuation on 31<sup>st</sup> March, 2016 (based on Projected Unit Credit Method)

I. Expense recognised in the Statement of Profit and Loss account for the year ended 31 <sup>st</sup> March	(Gratuity Unfunded)	
	2016	2015
1. Current Service cost	2,804,545	1,738,401
2. Interest	1,074,731	798,333
3. Actuarial Loss	805,391	1,789,689
4. Total expense	4,684,667	4,326,423
II. Changes in obligation during the year ended 31 <sup>st</sup> March	2016	2015
1. Present Value of Defined Benefit Obligation at the beginning of the year	10,922,140	6,917,021
2. Current Service Cost	2,894,545	1,738,401
3. Interest Cost	1,074,731	798,333
4. Actuarial Loss	805,391	1,789,689
5. Liability in respect of employees transferred from Holding Company	(1,309,266)	602,557
6. Benefit Payments	(1,398,800)	(923,861)
7. Present Value of Defined Benefit Obligation at the end of the year recognized in the Balance sheet as at 31 <sup>st</sup> March	12,898,741	10,922,140
III. Actuarial assumptions	2016	2015
1. Discount Rate	8.05%	7.90%
2. Salary Escalation Rate	7.00%	7.00%
3. In-service Mortality	Indian Assured Lives Mortality (2006-2008) Ult table	
4. Turnover Rate	2%	Age 21-44
	1%	Age 45-59

The estimate of future salary increase, considered in actuarial valuation, takes account of inflation, promotion and other relevant factors, such as supply and demand in the employment market.

IV. Experience Adjustments	2016	2015	2014	2013	2012
Defined Benefit Obligation	12,898,741	10,922,140	6,917,021	6,904,763	6,465,043
Plan Assets	-	-	-	-	-
Surplus/(Deficit)	(12,898,741)	(10,922,140)	(6,917,021)	(6,904,763)	(6,465,043)
Exp. Adj. on Plan Liabilities	1,108,550	(97,225)	148,323	(694,390)	329,751
Exp. Adj. on Plan Assets	-	-	-	-	-
26. In view of history of losses and in the absence of virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax asset on unabsorbed depreciation and carry forward of losses can be realized, the deferred tax asset (net) has not been recognized in the accounts.					
27. Based on responses received by the Company from its vendors, the amount of principal outstanding in respect of Micro and Small Enterprises as at Balance sheet date covered under the Micro, Small and Medium Enterprises Development Act, 2006 is ₹ Nil. There were no delays in the payment of dues to Micro and Small Enterprises.					
28. <b>Related Party Disclosures:</b> As per accounting standard AS18 "Related Party Disclosures", the Company has identified the related parties with whom the company has transactions during the year and previous year.					
i) <b>List of Related Parties and Relationships:</b>					
Mahindra & Mahindra Limited	Holding Company				
Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary Company				
Mahindra Integrated Business Solutions Private Limited (Formerly known as Mahindra BPO Services Private Limited)	Fellow Subsidiary Company				
Mahindra First Choice Services Limited	Fellow Subsidiary Company				
NBS International Limited	Fellow Subsidiary Company				
Mahindra Engineering Services Limited	Fellow Subsidiary Company				
Bristlecone India Ltd	Fellow Subsidiary Company				
Mahindra Intertrade Ltd	Fellow Subsidiary Company				
Mahindra Gears & Transmission Pvt Ltd (till 10 <sup>th</sup> December, 2014)*	Fellow Subsidiary Company				
Mahindra Two Wheelers Ltd	Fellow Subsidiary Company				
Mahindra Holiday & Resorts India Ltd	Fellow Subsidiary Company				
Dr. Nagendra Palte (CEO) (Appointed w.e.f. 18 <sup>th</sup> March, 2013)	Key Management Personnel				

ii) **Related Party Transactions:**  
A) **with holding/fellow subsidiaries:**

Particulars	Holding Company	Fellow Subsidiaries
<b>a) Trade Payables</b>		
Balance as on 01/04/2015	5,373,331	41,135
Balance as on 31/03/2016	3,240,547	425,169
<b>b) Security Deposit Received</b>		
Balance as on 01/04/2015	-	6,239,740
Balance as on 31/03/2016	-	2,639,740
<b>c) Security Deposit Paid</b>		
Balance as on 01/04/2015	-	-
Balance as on 31/03/2016	-	1,620,000
<b>d) Trade Receivables</b>		
Balance as on 01/04/2015	2,570,837	12,553,184
Balance as on 31/03/2016	360,714	15,999,674
<b>e) Purchases</b>		
Purchase of Fixed Assets	329,501	206,100
	(-)	(-)
Purchase of Trading Goods (Vehicles)	-	-
	(-)	(-)
<b>f) Expenditure</b>		
Rent	4,347,534	540,000
	(2,105,352)	(-)
Reimbursement of Cost*	10,920,143	297,521
	(11,599,625)	(141,860)
Refurbishment Expenses	-	-
	(-)	(2,501)
Travelling Expenses	823,587	-
	(530,750)	(1,048,192)
Payroll Processing Fees	-	469,218
	(-)	(353,000)
Professional Fees	217,082	175,000
	(1,228,071)	(-)
<b>g) Payment to other Group Companies</b>	-	4,450,083
	(-)	(-)
<b>h) Other Income</b>		
Interest Received on ICD**	-	-
	(-)	(1,349,633)
Income from Services	1,156,306	47,852,432
	(1,674,392)	(37,754,006)
E-Platform Development Fees	-	-
	(180,000)	(-)
<b>i) Recovery From Group Company</b>		
Receipt of Transferred Employee Benefit Obligations	2,756,266	-
	(1591,938)	(-)
<b>Other Recovery</b>	2,644,800	6,347,173
	(2,945,555)	(9,611,688)
<b>j) Sale of Fixed Assets</b>	-	304,631
	(-)	(-)
<b>k) Inter Corporate Deposits (ICD)</b>		
Balance as on 01/04/2015	-	-
	(-)	(87,500,000)
Add : ICD Placed	-	-
	(-)	(-)
Less : ICD Matured	-	-
	(-)	(87,500,000)
Balance as on 31/03/2016	-	-
	(-)	(-)

**Note:** Previous year figures are given in brackets.

\* Includes payment of ₹ 8,400,000/- (Previous Year ₹ 8,400,000) to Mahindra and Mahindra Limited as deputation charges for key management personnel, Dr. Nagendra Palle. (Appointed w.e.f. 18<sup>th</sup> March, 2013).

\*\* Fellow subsidiary (Mahindra Gears & Transmissions Pvt. Ltd. ceased to be subsidiary from 10<sup>th</sup> December, 2014 and only transactions till the date of cessation are considered for the disclosures. Here, only previous year's figures have been given for comparative purpose).

**Out of the above items, transactions of Fellow Subsidiaries in excess of 10% of the total related party transactions are as under:**

Transactions	2015-16	2014-15
<b>Security Deposit Received</b>		
Mahindra First Choice Services Limited	<b>2,639,740</b>	6,239,740
<b>Security Deposit Paid</b>		
Bristlecone India Ltd	<b>1,620,000</b>	-
<b>Trade Receivables</b>		
Mahindra & Mahindra Financial Services Limited	<b>15,884,676</b>	11,486,782
<b>Purchase of Fixed Asset</b>		
Mahindra Integrated Business Solutions Private Limited	<b>206,000</b>	-
<b>Rent Paid</b>		
Bristlecone India Ltd	<b>540,000</b>	-
<b>Reimbursement of Cost</b>		
Mahindra First Choice Services Ltd.	-	141,860
<b>Refurbishment Expenses</b>		
Mahindra First Choice Services Limited	-	2,501
<b>Travelling Expenses</b>		
Mahindra Holiday & Resorts India Ltd	<b>1,048,192</b>	-
<b>Payroll Processing Fees</b>		
Mahindra Integrated Business Solutions Pvt Ltd (Formerly known as Mahindra BPO Services Private Limited)	<b>469,218</b>	353,000
<b>Professional Fees</b>		
Mahindra Integrated Business Solutions Pvt Ltd (Formerly known as Mahindra BPO Services Private Limited)	<b>175,000</b>	-
<b>Payment of Transferred Employee Benefit Obligations.</b>		
Mahindra Intertrade Ltd	<b>4,450,083</b>	-
<b>Interest Received on ICD</b>		
Mahindra Two Wheelers Limited	-	1,240,798
<b>Income from Services</b>		
Mahindra & Mahindra Financial Services Limited	<b>46,792,182</b>	37,130,006
<b>Recovery from Group Company</b>		
Mahindra First Choice Services Limited	<b>6,347,173</b>	9,611,688
<b>Sale of Fixed Assets</b>		
Mahindra Intertrade Ltd	<b>304,631</b>	-
<b>Inter Corporate Deposits (ICD) matured</b>		
Mahindra Gears and Transmissions Private Limited	-	35,000,000
Mahindra Two Wheelers Limited	-	52,500,000

**Note:**

No amounts pertaining to related parties have been provided for as doubtful debts, except that provision of ₹ 143,327 had been made in earlier years in respect of amount receivable from a fellow subsidiary, namely, Mahindra & Mahindra Financial Services Limited. Further, no amounts pertaining to related parties have been written off or written back during the year.

**29. Segment Information:**

The Principal business of the Company is facilitating sale of used cars. All other activities of the Company revolve around/are connected with its main business. Considering this, the Company has only one reportable segment.

**30. Expenditure in Foreign Currency:**  
(on accrual basis)

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	(₹)	(₹)
Travelling	426,973	300,351
Others	143,201	153,409
<b>Total</b>	<b>570,174</b>	<b>453,760</b>

**31. Earning in foreign currency:**  
(on accrual basis)

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	(₹)	(₹)
Professional and consultation fees	113,202	1,832,025

**32. Lease Income:**

The company has entered into various cancellable operating lease agreements as a lessor for various assets having lease period ranging from 12 months to 30 months. The lease rentals recognized as income amounting to ₹ 4,002,664/- (Previous year ₹ 3,601,191/-) in the statement of profit and loss during the year are included in Note 19 under the head 'Rental income from operating leases'. The details of assets leased out are as below:

Particulars	For the year ended	For the year ended
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
	(₹)	(₹)
Fixed Assets		
Gross Carrying amount of Leased assets	34,026,621	34,026,621
Accumulated Depreciation	22,980,896	21,923,562
Depreciation recognized	4,237,440	4,368,436

**33. Earnings per share is calculated as follows:**

Sr. No.	Particulars	For the year ended	For the year ended
		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1.</b>	<b>Basic EPS:</b>		
(i)	Net (Loss)/Profit after Tax for the year (₹)	(105,776,358)	19,230,726
(ii)	Weighted Average number of Equity Shares	73,844,853	63,736,549
	<b>Basic EPS (i)/(ii)</b>	<b>(1.43)</b>	0.30
<b>2.</b>	<b>Diluted EPS:</b>		
(i)	Net (Loss)/Profit after Tax for the year (₹)	(105,776,358)	19,230,726
	Adjustment for income\ expenses on account of potential equity conversion	-	-
	Net Profit/(Loss) after Tax for the year for Diluted EPS (₹)	(105,776,358)	19,230,726
(ii)	Weighted Average number of Equity Shares	73,844,853	63,736,549
	Add: Potential Equity Shares on exercise of options	-	2,249,611
	<b>Total</b>	<b>73,844,853</b>	<b>65,986,160</b>
	<b>Diluted EPS {2(i)/2(ii)}</b>	<b>(1.43)</b>	0.29
<b>3.</b>	Face Value of Shares (₹)	<b>10</b>	10

**Note:** The Equity Shares lying with the ESOS Trust are not considered for the calculation of Basic Earnings per Share.

34. During the year, the Company acquired the Service Contracts and Intellectual Property at ₹ 28,575,000/- and paid a Non-compete fees ₹ 4,000,000/- from M/s. Autorisk Management Services Private Limited, related to Pre-inspection business. Additionally, the Company also acquired the Service Contracts at ₹ 2,250,000/- and paid a Non-compete fees ₹ 250,000/- from M/s. DS Insurance & Risk Advisory Private Limited, Kolkata, in the Pre-inspection Business space.
35. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For and on behalf of the Board

Rajesh Jejurikar DIN - 00046823	<i>Director</i>
Dr. Nagendra Palle DIN - 06964686	<i>CEO &amp; Managing Director</i>
V. Janakiraman	<i>Chief Financial Officer</i>
Raju Bamane	<i>Secretary</i>

Place : Mumbai  
Date : 28<sup>th</sup> April, 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their sixteenth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	For the year ended 31 <sup>st</sup> March, 2016	(Amount in Rs.) For the year ended 31 <sup>st</sup> March, 2015
Total Income	-	-
Net Loss	(4,06,899)	(40,450)
Losses brought forward from previous years	(80,07,975)	(79,67,524)
Losses carried forward	(84,14,874)	(80,07,975)
Net Worth	(4,17,874)	(10,975)

No material changes and commitments have occurred after the closure of the Financial Year 2015-2016 till the date of this Report, which would affect the financial position of your Company.

### Operations

During the year the Company had set up a market place for selling Mahindra group products online.

### Dividend

No Dividend was declared for the current financial year due to loss incurred by the Company.

### Share Capital

During the year, the authorized share capital of your company stood at Rs. 1,00,00,000 (Rupees One Crore) comprising of 10,00,000 Equity Shares of the face value of Rs. 10 each. The issued and paid up share capital of the company is Rs. 79,97,000 (Rupees Seventy Nine Lakhs Ninety Seven Thousand) comprising of 7,99,700 Equity Shares of the face value of Rs. 10 each.

### Board of Directors

The Board of Directors had appointed Mr. V. S. Parthasarathy (DIN: 00125299), Mr. S. Durgashankar (DIN: 00044713) and Mr. K. N. Vaidyanathan (DIN: 05195386) as Additional Directors with effect from 18<sup>th</sup> September, 2015. Thereafter at the Extra-Ordinary General Meeting of the Company held on 17<sup>th</sup> November, 2015 they were appointed as Directors liable to retire by rotation.

Mr. V. S. Parthasarathy was appointed as the Chairman of the Board of Directors at their meeting held on 18<sup>th</sup> September, 2015.

During the year under review, Mr. Vikarm Puri, Mr. Rajeev Goyal and Mr. Shyamsunder Vembar resigned from the Board of the Company with effect from 30<sup>th</sup> September, 2015. The Board placed on record the sincere appreciation for services rendered by them during their tenure as Directors of the Company.

Mr. K. N. Vaidyanathan retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

### Board Meetings and Annual General Meeting

Your Board of Directors met 4 times during the year under review on 26<sup>th</sup> May, 2015, 18<sup>th</sup> September, 2015, 17<sup>th</sup> November, 2015 and 13<sup>th</sup> January, 2016. The 15<sup>th</sup> Annual General Meeting (AGM) of the Company was held on 25<sup>th</sup> August, 2015.

The attendance at the meeting of the Board was as under:

Name of Directors	Directors' Identification Number	Category	Number of meetings attended out of 4 meetings
Mr. Vikarm Puri*	00234881	Non-Executive Non-Independent	2
Mr. Rajeev Goyal*	03139184	Non-Executive Non-Independent	1
Mr. Shyamsunder Vembar*	02370838	Non-Executive Non-Independent	1
Mr. V. S. Parthasarathy ^ (Chairman)	00125299	Non-Executive Non-Independent	3
Mr. S. Durgashankar ^	00044713	Non-Executive Non-Independent	3
Mr. K. N. Vaidyanathan ^	05195386	Non-Executive Non-Independent	3

\* Resigned with effect from 30<sup>th</sup> September, 2015. Two meetings were held during their tenure.

^ Appointed as additional directors with effect from 18<sup>th</sup> September, 2015. Three meetings were held during their tenure.

### Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on the representations received, and after due enquiry, confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. the directors had selected such accounting policies and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;

- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis; and
- v. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Key Managerial Personnel**

Mr. Vijay Mahajan was appointed as the Chief Executive Officer with effect from 18<sup>th</sup> September, 2015 and designated as the Key Managerial Personnel of the Company pursuant to Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### **Statutory Auditors and Auditors' Report**

During the year under review, Mr. Suhas N. Bapat, Chartered Accountant, (ICAI registration Number 031572), resigned as the Statutory Auditor of the Company with effect from 18<sup>th</sup> September, 2015 and M/s B.K. Khare & Co., Chartered Accountant, (ICAI registration Number 105102W) were appointed as the Statutory Auditors of the Company in casual vacancy to hold office from the conclusion of the Extra- Ordinary General Meeting of the Company held on 17<sup>th</sup> November, 2015 till the conclusion of the forthcoming Annual General Meeting.

As required under the provisions of Section 139(1) of the Companies Act, 2013, the Company has received a written consent from M/s. B.K. Khare & Co. Chartered Accountants, to their appointment and a certificate to the effect that their appointment, if made, would be in accordance with the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in Section 141 of the Companies Act, 2013.

Members are requested to appoint Auditors for a period of five years i.e. from the conclusion of the sixteenth Annual General Meeting until the conclusion of the twenty first Annual General Meeting and fix their remuneration. The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **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 Board under Section 143 (12) of the Companies Act 2013.

#### **Risk Management Policy**

Your Company has formulated Risk Management Policy including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risk and enabling the Company to manage the same, if confronted with.

#### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

#### **Disclosure of Particulars of Employees as required under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013 and Deposit under chapter V of the Companies Act, 2013**

Your Company has neither given any loan, guarantee or provided any security in connection with a loan nor made any investment pursuant to section 186 of the Companies Act, 2013 during the year under review.

Your Company has not made any loans/advances and investment which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the parent Company, Mahindra and Mahindra Limited.

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with the requirements of chapter V of the Companies Act, 2013.

#### **Internal Financial Controls**

Your Company has in place, adequate internal financial controls with reference to Financial Statements, commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### **Contracts or Arrangements with Related Parties**

All Related Party Transactions entered during the year were in the ordinary course of business and on Arm's Length basis. The particulars of the Material Related Party Transactions referred to under Section 188(1) of the Companies Act, 2013 are given in the prescribed form AOC – 2 as **Annexure II** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Section 134(3)(a) and 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 in Form No. MGT 9 is attached herewith as **Annexure III** and forms part of this report.

**The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

During the year under review, no complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/

purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013).

**Acknowledgements**

Your Directors would like to express their grateful appreciation for assistance and co-operation received from Banks, Employees, Vendors, Suppliers and Members during the year under review.

**For and on behalf of the Board**

**V. S. Parthasarathy**  
Chairman  
(DIN: 00125299)

Mumbai, April 20, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

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

SECTION 134(3)(M) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 IS FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2016

#### A. CONSERVATION OF ENERGY

- (a) The steps taken or impact on conservation of energy: None
- (b) The steps taken by the company for utilizing alternate sources of energy: None
- (c) The capital investment on energy conservation equipments: Nil

#### B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption: None
- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable
- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – Not Applicable
  - (a) The details of technology imported: None
  - (b) The year of import: Not Applicable
  - (c) Whether the technology been fully absorbed: Not Applicable
  - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Not Applicable
- iv. The expenditure incurred on Research and Development: Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)

There were no foreign exchange earnings and outgo during the year under review.

For and on behalf of the Board

**V. S. Parthasarathy**  
Chairman  
(DIN: 00125299)

Mumbai, April 20, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### FORM NO. AOC-2

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL
2. Details of material contracts or arrangements or transactions at Arm's length basis: #

Sr. No.	Name(s) of the Related Party & nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of contracts/ arrangements/ transactions	Salient terms of contracts or arrangements or the Transactions including the value	Date of approval by the board, if any	Amount paid as advances, if any
1	Mahindra and Mahindra Limited – Holding Company	Professional services received	1 <sup>st</sup> April, 2015 To 31 <sup>st</sup> March, 2016	Rs. 1,87,500	N.A.	Nil

# Pursuant to notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R.590(E)).

**For and on behalf of the Board**

**V. S. Parthasarathy**  
Chairman  
(DIN: 00125299)

Mumbai, April 20, 2016



## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

1	<b>CIN</b>	U72900MH2000PLC129103
2	<b>Registration Date</b>	11 <sup>th</sup> October, 2000
3	<b>Name of the Company</b>	MAHINDRA eMARKET LIMITED
4	<b>Category/Sub-Category of the Company</b>	Public Limited Company
5	<b>Address of Registered office and contact details</b>	Mahindra Towers, P K Kurne Chowk, Worli, Mumbai 400 018. Tel: 022-24905620
6	<b>Whether listed Company (Yes/No)</b>	No
7	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product/Service	% to total turnover of the Company.
	–	–	The company did not have any turnover during the year under review.

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

Sr. No	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate of the Company	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	L65990MH1945PLC004558	Holding Company	45%	2(46)
2.	Mahindra Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai 400 018	U65993MH2007PLC175649	Holding Company	24%	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				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>1. Indian</b>	–	–	–	–	–	–	–	–	–
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corporate	–	7,99,700	7,99,700	100%	–	7,99,700	7,99,700	100%	–
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-Total-A (1)</b>	–	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	–	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	–

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>2. Foreign</b>	-	-	-	-	-	-	-	-	-
a. NRI-Individuals	-	-	-	-	-	-	-	-	-
b. Other Individuals	-	-	-	-	-	-	-	-	-
c. Bodies Corporate	-	-	-	-	-	-	-	-	-
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoters (A)=(A)(1)+(A)(2)</b>	-	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	-	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>									
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
i. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institution</b>	-	-	-	-	-	-	-	-	-
a. Bodies Corporate	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	-	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	-	<b>7,99,700</b>	<b>7,99,700</b>	<b>100%</b>	-

**ii. Shareholding of Promoters:**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change In shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1.	Mahindra & Mahindra Limited	3,59,860	45%	–	3,59,860	45%	–	–
2.	Mahindra & Mahindra Limited jointly with Mr. S. Durgashankar*	1	–	–	1	–	–	–
3.	Mahindra & Mahindra Limited jointly with Mr. Girish Patkar*	1	–	–	1	–	–	–
4.	Mahindra & Mahindra Limited jointly with Mr. Kairas Vakharia*	1	–	–	1	–	–	–
5.	Mahindra & Mahindra Limited jointly with Mr. Kamlesh Tripathi*	1	–	–	1	–	–	–
6.	Mahindra & Mahindra Limited jointly with Mr. V. S. Parthasarthy*	1	–	–	1	–	–	–
7.	Mahindra & Mahindra Contech Limited	2,47,907	31%	–	2,47,907	31%	–	–
8.	Mahindra Holdings Limited	1,91,928	24%	–	1,91,928	24%	–	--
	<b>Total</b>	<b>7,99,700</b>	<b>100%</b>	<b>–</b>	<b>7,99,700</b>	<b>100%</b>	<b>–</b>	<b>–</b>

\* Jointly held with Mahindra & Mahindra Limited for the purpose of compliance with the statutory provisions of the Companies Act with regard to minimum number of members.

**iii. Change in Promoters' Shareholding (please specify, if there is no change):**

Sr. No.	For Each of the Promoters	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
<b>1</b>	<b>Mahindra &amp; Mahindra Limited alongwith Joint holders</b>				
	At the beginning of the year	3,59,865	45%	–	–
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No change			
	At the End of the year	–	–	3,59,865	45%

Sr. No.	For Each of the Promoters	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
<b>2</b>	<b>Mahindra &amp; Mahindra Contech Limited</b>				
	At the beginning of the year	2,47,907	31%	-	-
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	No change			
	At the End of the year	-	-	2,47,907	31%
<b>3</b>	<b>Mahindra Holdings Limited</b>				
	At the beginning of the year	1,91,928	24%	-	-
	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	No change			
	At the End of the year	-	-	1,91,928	24%

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1					
	At the beginning of the year	-	-	-	-
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	-	-	-	-
	At the end of the year (or on the date of separation, if separated during the year)	-	-	-	-

**v. Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1					
	At the beginning of the year	-	-	-	-
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	-	-	-	-
	At the end of the year	-	-	-	-

## V. INDEBTEDNESS

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

(Rs. in Crores)

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
+ Addition	-	-	-	-
- Reduction	-	-	-	-
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year 31.03.2016</b>	-	-	-	-
1) Principal Amount	-	-	-	-
2) Interest due but not paid	-	-	-	-
3) Interest accrued but not due	-	-	-	-
<b>Total of (1+2+3)</b>	-	-	-	-

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of Profit	-	-	-
	- Others, specify			
5.	Others, please specify	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act		-	

**B. Remuneration to other directors:**

**I. Independent Directors:-**

Particulars of Remuneration	Name of Directors					Total Amount (Rs. in Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others, please specify	-	-	-	-	-	-
<b>Total (I)</b>	-	-	-	-	-	-

**II. Other Non-Executive Directors:-**

Other Non-Executive Directors							Total Amount (Rs. in Lacs)
Fee for attending board/committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others, please specify	-	-	-	-	-	-	-
<b>Total (II)</b>	-	-	-	-	-	-	-
<b>Total B = (I+II)</b>	-	-	-	-	-	-	-
<b>Total Managerial Remuneration (A+B)</b>	-						
Overall ceiling as per the Act	-						

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

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify	-	-	-
	<b>Total (C)</b>	-	-	-

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES – Nil**

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	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board

**V. S. Parthasarathy**  
Chairman  
(DIN: 00125299)

Mumbai, April 20, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra eMarket Limited

### Report on the Financial Statements

1. We have audited the accompanying financial statements of Mahindra eMarket Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on March 31, 2016 taken on record



- by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations on its financial position that requires disclosure in its financial statements.
- ii. The Company does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses that need provision.
- iii. During the year, there were no amounts which were required to be transferred by the Company to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number 044784

Place : Mumbai  
Date : 20<sup>th</sup> April, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of Mahindra eMarket Limited for the year ended March 31, 2016

1. (i) The Company does not own any fixed assets. Therefore, the provisions of clause 3(i), (ii) and (iii) are not applicable to the Company.
2. The Company is in the business of providing ecommerce services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
3. There are no companies, firms or other parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, para 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
4. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and Section 186. Therefore the provisions of Clause 3(iv) of the Order are not applicable to the company.
5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore the provisions of Clause 3(v) of the Order are not applicable to the company.
6. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
7. (i) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax,, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it with the concerned authorities.  
(ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable.  
(iii) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income-tax, sales tax, service tax, excise duty, customs duty and value added tax and cess which have not been deposited on account of any dispute.
8. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
9. In our opinion and according to the information and explanations given to us, there were no money's raised by way of terms loans, initial public offer or further public offer.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.
11. 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. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Place : Mumbai  
Date : 20<sup>th</sup> April, 2016

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA eMARKET LIMITED

Report 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 Mahindra eMarket Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

### Management's Responsibility for Internal Financial Controls

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Padmini Khare Kaicker**  
Partner

Place : Mumbai  
Date : 20<sup>th</sup> April, 2016

Membership No. 044784

## BALANCE SHEET AS AT 31ST MARCH, 2016

Particulars	Note No.	As at 31st March, 2016 Rupees	As at 31st March, 2015 Rupees
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(i) Share capital	II	7,997,000	7,997,000
(ii) Reserves and surplus	III	(8,414,874)	(8,007,975)
		<b>(417,874)</b>	<b>(10,975)</b>
<b>(2) Non Current liabilities</b>			
(i) Long term Provision		-	-
<b>(3) Current liabilities</b>			
(i) Other current liabilities	IV	1,161,793	25,500
(ii) Short term Provision	V	217,500	-
		<b>1,379,293</b>	<b>25,500</b>
<b>Total</b>		<b>961,420</b>	<b>14,525</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(I) Fixed assets			
(a) Tangible assets			
(b) Intangible assets			
(ii) Long-term loans and advances		-	-
(iii) Other non-current assets		-	-
<b>(2) Current assets</b>			
(i) Investments		-	-
(ii) Trade receivables	VI	352,938	-
(iii) Cash and Bank balances	VII	607,695	14,525
(iv) Other current assets	VIII	787	-
		<b>961,420</b>	<b>14,525</b>
<b>Total</b>		<b>961,420</b>	<b>14,525</b>

**Significant accounting policies**

I

**See accompanying notes forming part of the financial statements**

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K Khare & Co.**

Chartered Accountants  
Firm Registration No. 105102W

**V S Parthasarathy**  
Director

**S Durgashankar**  
Director

**Padmini Khare Kaicker**

Partner  
Membership No. 044784

**K N Vaidyanathan**  
Director

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016**

Particulars	Note No.	Year ended	Year ended
		31st March, 2016	31st March, 2015
		Rupees	Rupees
<b>I Income</b>			
a) Revenue From Operations		—	—
<b>II Total Income</b>		—	—
<b>III Expenditure</b>			
Direct expense	IX	79,955	
Other expenses	X	326,944	40,450
		<b>406,899</b>	<b>40,450</b>
<b>IV Profit before tax (II - III)</b>		<b>(406,899)</b>	(40,450)
<b>V Less: Tax expense</b>			
– Current tax			
<b>VI Profit (Loss) for the year (IV + V)</b>		<b>(406,899)</b>	<b>(40,450)</b>
<b>VII Earnings per equity share:</b>			
(a) Basic		(0.51)	(0.05)
(b) Diluted		(0.51)	(0.05)

The Notes referred to above form an integral part of the Statement of the Profit & Loss

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**V S Parthasarathy**  
Director

**S Durgashankar**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

**K N Vaidyanathan**  
Director

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

Particulars	Year Ended 31st March, 2016 Rupees	Year Ended 31st March, 2015 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before taxation	(406,898.53)	(40,450.00)
<b>Adjustments for:</b>		
Depreciation/Amortisation	-	-
Investment and Interest Income	-	-
Dividend Income	-	-
Operating Profit before Working Capital changes	<b>(406,898.53)</b>	<b>(40,450.00)</b>
<b>Operating Profit before Working capital changes</b>	<b>(406,898.53)</b>	<b>(40,450.00)</b>
Changes in:		
Increase in Other current liabilities	1,136,293.18	14,500.00
Increase in short term provisions	217,500.00	-
Increase in Trade and other receivables	(352,938.11)	-
Increase in other current assets	(787.00)	-
<b>Cash Generated from Operations</b>	<b>593,169.54</b>	<b>(25,950.00)</b>
Income from Provisions		
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>593,169.54</b>	<b>(25,950.00)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	-	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Increase/(Decrease) in short term borrowings	-	(456,881.00)
Fresh Right Issuance (Equity shares 49,700 of Rs. 10/- each)	-	497,000.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>40,119.00</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>593,169.54</b>	<b>14,169.00</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Opening Cash & Bank Balance	14,525.00	356.00
<b>Closing Cash &amp; Bank Balance</b>	<b>607,694.54</b>	<b>14,525.00</b>
<b>Cash &amp; Cash Equivalents At the end of the year</b>		
<b>Balances with Banks</b>		
(i) In Current Account	607,694.54	14,525.00
(ii) In deposits accounts with less than 3 months maturity	-	-

The Notes referred to above form an integral part of the Statement of the Profit & Loss

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**V S Parthasarathy**  
Director

**S Durgashankar**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

**K N Vaidyanathan**  
Director

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### Notes forming part of Balance Sheet & Profit & Loss Account

#### Notes I

##### i. Significant Accounting Policies:

###### Business Background

During the year the Mriyalguda Farm Solutions Limited was renamed as Mahindra eMarket Limited from 07/04/2016. During the year the company has diversified its activities into e-commerce business by establishing an online marketplace for Mahindra Group products and services.

###### Basis of Preparation of Financial Statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statement are consistent with those of the previous year.

###### Use of Estimates:

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

###### Taxes on Income:

Tax expense comprises of both current and deferred tax only.

Provision for Current tax is measured at the amount computed under the Income Tax Act, 1961, or Book Profit computed under section 115JB, whichever is higher, and correspondingly set-off available under section 115JAA is credited to the Statement of Profit & Loss of the financial year.

MAT credit is recognised as an asset only when, and to the extent, there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent that there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of Deferred Tax is reviewed at each Balance Sheet date. (Refer Note v below).

###### Contingent Liabilities:

These, if any, are disclosed in the Notes on accounts, Provisions is made in the accounts in respect of those contingencies which are likely to materialize into liabilities after the year and till the finalisation of accounts and have material effect on the positions stated in the Balance Sheet.

##### ii. Payment to Auditors:

Particulars	FY 2016 Rupees	FY 2015 Rupees
Audit Fees	25,000	5,500
IFC	5,000	-
Out of Pocket expenses	-	-
<b>Total</b>	<b>30,000</b>	<b>5,500</b>

##### iii. Earning Per Share is Calculated as Follows:

Particulars	FY 2016	FY 2015
a. Net profit/(loss for the year (in Rupees)	(406,899)	(40,450)
b. Weighted average number of Equity Shares Basic and Diluted	7,99,700	7,99,700
c. Nominal value of Equity Shares (in Rs.)	10	10
d. Earnings per Share (in Rs.)	(0.51)	(0.05)

##### iv. Related Party Disclosure:

Related Party where the control exits:

###### a. Holding Company:

Mahindra Holdings Limited

###### b. Ultimate Holding Company:

Mahindra and Mahindra Limited

###### c. The related party transactions with Associates are as under:

Sr. No.	Nature of Transactions	Fellow Subsidiary 2015-16 Rupees	Fellow Subsidiary 2014-15 Rupees
-	-	-	-

###### d. The related party transactions are as under:

Sr. No.	Nature of Transactions	Ultimate Holding 2015-16 Rupees	Ultimate Holding 2015-16 Rupees
1.	Purchase: Services	1,87,500	-
2.	Outstanding: Payable	6,15,000	-
	Receivable	-	-

##### v. No provision for current income tax under the provision of the Income-tax Act, 1961 is made since in the opinion of the Company there will be no taxable income in view of the deductions available under the provisions of the said Act.

In accordance with the Accounting Standard 22 on "Accounting for Taxes on Income" (AS 22), issued by the Institute of Chartered Accountants of India, Deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position and the requirement of the accounting standard regarding certainty/virtual certainty, the same is not provided for as an asset (net). However, the same will be reassessed at a subsequent balance sheet date and will be accounted for in the year of certainty/virtual certainty in accordance with the aforesaid accounting standard.

##### vi. No interest has been provided in the books of account on inter-company borrowings, which has been shown under the head unsecured loans - Current Year Rs. Nil and Previous year Rs. Nil.

##### vii. During the year Company has diversified into e-Commerce business. Considering the potential in the business, the Company expects to grow further in the coming years in sales volume, profitability and net-worth. Accordingly the accounts of the company has been prepared on a going concern basis.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Note II Share capital

	As at 31st March, 2016		As at 31st March, 2015	
	Rupees		Rupees	
<b>Authorised Share Capital:</b>				
Equity Shares of Rs. 10 each (10,00,000 Equity Shares of Rs. 10 each)	1,000,000.00	10,000,000.00	1,000,000.00	10,000,000.00
	<u>1,000,000.00</u>	<u>10,000,000.00</u>	<u>1,000,000.00</u>	<u>10,000,000.00</u>
<b>Issued and Subscribed :</b>				
Equity Share Capital:				
Opening Balance (shares of Rs. 10 Each)	799,700.00	7,997,000.00	750,000.00	7,500,000.00
Add: Issued during the year (shares of Rs. 10 Each)	-	-	49,700.00	497,000.00
	<u>799,700.00</u>	<u>7,997,000.00</u>	<u>799,700.00</u>	<u>7,997,000.00</u>

#### (a) Rights, preferences and restrictions attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/-. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the 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.

#### (b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

Particulars	31st March, 2016		31st March, 2015	
	Nos	INR	Nos	INR
Shares outstanding at the beginning of the year	799,700	7,997,000	750,000	7,500,000
Add:- Right Shares Issued	-	-	49,700	497,000
<b>Shares outstanding at the end of the year</b>	<u>799,700.00</u>	<u>7,997,000.00</u>	<u>799,700.00</u>	<u>7,997,000.00</u>

#### (c) Shares held by holding company and its subsidiary

Particulars	31st March, 2016		31st March, 2015	
	Equity Shares		Equity Shares	
	Number	Number	Number	Number
Mahindra & Mahindra Ltd.	359,865	359,865	359,865	359,865
Mahindra Holdings Ltd	191,928	191,928	191,928	191,928

#### (d) Equity shares held by each shareholder holding more than 5% equity shares in the Company are as follows:

Particulars	31st March, 2016		31st March, 2015	
	No.	%	No.	%
Mahindra & Mahindra Ltd.	359,865	45%	359,865	45%
Mahindra & Mahindra Contech Ltd.	247,907	31%	247,907	31%
Mahindra Holdings Ltd	191,928	24%	191,928	24%

### Note III Reserves and surplus

Particulars	As at 31st March, 2016	As at 31st March, 2015
	Rupees	Rupees
<b>Surplus/(Deficit) in statement of Profit &amp; Loss:</b>		
Opening balance of Profit & Loss Account	(8,007,975)	(7,967,525)
Add: Profit/(Loss) for the Current Year	(406,899)	(40,450)
<b>Closing Balance of Profit and Loss Account</b>	<u>(8,414,874)</u>	<u>(8,007,975)</u>

### Note IV Other current liabilities

Particulars	As at 31st March, 2016	As at 31st March, 2015
	Rupees	Rupees
Other Liabilities		
- Statutory Liabilities	(10,436)	-
- Advance from customers	641,880	-
- Others	530,349	25,500
<b>Total</b>	<u>1,161,793</u>	<u>25,500</u>

### Note V Short term provisions

Particulars	As at 31st March, 2016	As at 31st March, 2015
	Rupees	Rupees
Provision for Expenses	217,500	-
<b>Total</b>	<u>217,500</u>	<u>-</u>

### Note VI Trade Receivable

Particulars	As at 31st March, 2016	As at 31st March, 2015
	Rupees	Rupees
Unsecured, considered good		
a) outstanding for a period exceeding than six months from the date they are due for payment	-	-
b) Others	352,938	-
	<u>352,938</u>	<u>-</u>
Unsecured, considered doubtful		
a) outstanding for a period exceeding than six months from the date they are due for payment	-	-
b) Others	-	-
	<u>-</u>	<u>-</u>
Less: Provision for doubtful debts	-	-
<b>Total</b>	<u>352,938</u>	<u>-</u>



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Note VII Cash & Bank balances

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
Cash & Cash Equivalents:		
a) On current account	607,694.54	14,525.00
<b>Total</b>	<b>607,694.54</b>	<b>14,525.00</b>

### Note VIII Other Current Assets

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
Others		
Cenvat credit	787	-
<b>Total</b>	<b>787</b>	<b>-</b>

### Note IX Direct Expenses

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
1. Digital Advertisement Expenses	78,741	-
2. Bank charges	1,214	-
<b>Total</b>	<b>79,955</b>	<b>-</b>

### Note X Other Expenses

Particulars	As at	As at
	31st March, 2016	31st March, 2015
	Rupees	Rupees
1. Legal and Professional Charges	217,800	-
2. Auditor's remuneration		
a) For Statutory Audit	25,000	5,500
b) For Tax Audit	-	-
3. Filing fees	6,600	34,950
4. Bank charges	50,183	-
5. Preliminary expenses	498	-
6. ROC Fees	26,800	-
7. Miscellaneous expenses	63	-
<b>Total</b>	<b>326,944</b>	<b>40,450</b>

In terms of our report of even date

For and on behalf of the Board of Directors

#### For B K Khare & Co.

Chartered Accountants  
Firm Registration No. 105102W

#### Padmini Khare Kaicker

Partner  
Membership No. 044784

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

**V S Parthasarathy**  
Director

**S Durgashankar**  
Director

**K N Vaidyanathan**  
Director

Place: Mumbai  
Date: 20<sup>th</sup> April 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Sixth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

	<b>(Rs. In Lakhs)</b>	
	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Total Income	<b>186.65</b>	112.43
Profit/(Loss) before Interest, Depreciation and Taxation	<b>(173.93)</b>	(322.24)
Less: Interest	-	-
Depreciation & Amortisation Expenses	<b>51.81</b>	52.35
Profit/(Loss) before Tax	<b>(225.74)</b>	(374.59)
Less: Income Tax thereon		
Current Tax	-	-
Deferred Tax	-	8.05
Short/(Excess) provision for current tax in respect of earlier years	-	-
Net Profit/(Loss)	<b>(225.74)</b>	(366.54)
Balance of Profit/(Loss) brought forward from last year	<b>(668.82)</b>	(302.28)
Balance of Profit/(Loss) carried forward	<b>(894.56)</b>	(668.82)
Net Worth	<b>6.42</b>	232.17

No material changes and commitments have occurred after the closure of the financial year to which the financial statements relate and the date of this report which would affect the financial position of the Company.

### Operations

The Name of your Company was changed from “**Mahindra Namaste Private Limited**” to “**Mahindra Namaste Limited**” w.e.f. 30<sup>th</sup> March, 2016 by deletion of the word “Private” from its name. Necessary forms are filed with the Registrar of Companies (ROC) and the fresh Certificate of Incorporation has been received by the Company.

During the year under review, it was proposed to donate / transfer all the tangible Fixed Assets of the Company (on as-is-where-is-basis) to Naandi Foundation, a Trust established on November 1, 1998 as a Public Charitable Trust on a nominal consideration. It was also decided to allow Naandi Foundation the usage of content developed by the Company for no monetary consideration. The shareholders of the Company at the Extra Ordinary General Meeting held on 30<sup>th</sup> March, 2016 had granted their consent for change of name of the Company, adoption of the new set of Articles of Association and also for the donation of Fixed Assets as above pursuant to Section 180(1)(a), Section 181 and other applicable provisions, if any, of the Companies Act, 2013.

During the year under review, the entire shareholding of your Company has been transferred by Mahindra Holdings Limited (MHL) to Mahindra Consulting Engineers Limited (MACE). Consequently, your Company has become the Wholly Owned Subsidiary of MACE w.e.f. 31<sup>st</sup> March, 2016.

During the year under review, many deserving students were trained and placed at the Chennai, Hyderabad and Bangalore centers.

### Dividend

In view of the losses, your Directors do not recommend dividend for the year under review.

### Share Capital

As on 31<sup>st</sup> March, 2016 the Authorised Share Capital of your Company was Rs. 9,50,00,000. The Paid-up Share Capital of the Company stood at Rs. 9,01,00,000 divided into 90,10,000 equity shares of Rs. 10 each.

### Further Issue of Share Capital

Your Company did not issue any further shares during the year under review.

### Board of Directors

The composition of the Board of Directors of the Company is as follows:-

Sr. No.	Names of Directors	DIN	Category (Executive/ Non-executive)	Independent/ Non Independent
1.	Mr. Parag Shah	00374944	Non- executive	Non Independent
2.	Mr. S. Durgashankar	00044713	Non- executive	Non Independent
3.	Dr. Prince Augustin	02336637	Non- executive	Non Independent
4.	Ms. Sheetal Mehta	06495637	Non- executive	Non Independent
5.	Mr. Manoj Kumar*	02642859	Non- executive	Non Independent
6.	Mr. B. Suresh**	01479827	Non- executive	Non Independent

\* Resigned as a Director w.e.f 25<sup>th</sup> April, 2016

\*\* Appointed as an Additional Director w.e.f 25<sup>th</sup> April, 2016

Mr. Parag Shah (DIN: 00374944) and Ms. Sheetal Mehta (DIN: 06495637), Directors retire by rotation and being eligible, offer themselves for re-appointment.

Mr. B. Suresh (DIN: 01479827) was appointed as an Additional Director of the Company w.e.f. 25<sup>th</sup> April, 2016. Mr. B. Suresh has complied with the requirements of the Companies Act, 2013 and the Rules thereunder and has submitted the consent to act as a Director of the Company along with the Forms (DIR-8 and MBP-1). Mr. B. Suresh shall hold office up to the date of forthcoming Annual General Meeting (AGM). Your Company has received a notice from a Member signifying his intention to propose Mr. B. Suresh as a candidate for the office of Director at the forthcoming AGM.

Mr. Manoj Kumar (DIN : 02642859) tendered his resignation as a Director of the Company w.e.f. 25<sup>th</sup> April, 2016. The Board of Directors of your Company places on record the valuable services rendered by Mr. Manoj Kumar during his tenure as a Director of the Company and expresses its deep sense of appreciation and gratitude for the same.

## Number of Meetings

### Board Meetings

Your Board of Directors met six times during the year under review (i.e. on 27<sup>th</sup> April, 2015, 13<sup>th</sup> August, 2015, 2<sup>nd</sup> December, 2015, 16<sup>th</sup> February, 2016, 29<sup>th</sup> March, 2016 and 31<sup>st</sup> March, 2016). The gap between two consecutive Board Meetings did not exceed 120 days.

The attendance at the meetings of the Board was as under:-

Sr. No.	Name of Director	No of meetings attended out of six
1.	Mr. Parag Shah	6
2.	Mr. S. Durgashankar	4
3.	Dr. Prince Augustin	5
4.	Ms. Sheetal Mehta	4
5.	Mr. Manoj Kumar *	3
6.	Mr. B. Suresh **	–

\* Resigned as a Director w.e.f 25<sup>th</sup> April, 2016

\*\* Appointed as an Additional Director w.e.f 25<sup>th</sup> April, 2016

## General Meetings

The 5<sup>th</sup> Annual general Meeting (AGM) of the Company was held on 13<sup>th</sup> August, 2015. The 3<sup>rd</sup> Extra Ordinary General Meeting (EGM) was held on 30<sup>th</sup> March, 2016.

## Directors' Responsibility Statement

Pursuant to section 134 (5) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Loss of the Company for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- the annual accounts have been prepared on a going concern basis and
- proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Key Managerial Personnel

Ms. Bhavana Awatramani who was appointed on 12<sup>th</sup> December, 2014 in accordance with provisions of Section 203 of Companies Act, 2013, continued as the Company Secretary of your Company during the year under review.

## Risk Management Policy

Your Company has formulated Risk Management Policy including therein the elements of risks which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

## Policy on Sexual Harassment

During the year under review no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

## Corporate Social Responsibility (CSR)

Provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company and accordingly, your Company does not have a CSR policy.

## Auditors

Messrs. B. K. Khare & Co, Chartered Accountants, (ICAI Registration Number 105102W) were appointed, as Auditors of your Company, at the 4<sup>th</sup> Annual General Meeting held on 19<sup>th</sup> August, 2014 from its conclusion till the conclusion of 9<sup>th</sup> Annual General Meeting. In terms of Section 139 (1) of Companies Act, 2013, such appointment is required to be ratified by members at every Annual General Meeting.

As required under the provisions of section 139 and 141 of the Companies Act, 2013, your Company has obtained a written consent from the above Auditors to the effect that their appointment would be in conformity with the conditions and criteria specified therein.

The members are requested to ratify the appointment of Auditors so made at the forthcoming Annual General Meeting and fix their remuneration.

There were no qualifications, reservations or adverse remarks made by the Auditors in their report.

The provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

## 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 Board under section 143 (12) of the Companies Act 2013, details of which needs to be mentioned in this report.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as

required under section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

**Disclosure of Particulars of Employees as required under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

**Particulars of public deposits, loans, guarantees or investments**

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with requirements of chapter V of the Companies Act, 2013.

Your Company has not made any loans, investments and guarantees which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has also not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

**Particulars of Transactions with Related Parties**

All Related Party Transactions entered during the year were in the ordinary course of business and on arm's length basis. Particulars of contracts or arrangements with related parties are given in the form AOC – 2 as **Annexure II** and the same forms part of this Report.

**Extract of Annual Return**

Pursuant to sub - section 3(a) of section 134 and sub- section (3) of section 92 of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual return as on 31<sup>st</sup> March, 2016 in Form No.

MGT 9 is attached herewith as **Annexure III** and forms part of this report.

**Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry your directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

**General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3)(c) of the Companies Act, 2013).

**Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

**For and on behalf of the Board**

**Parag Shah**  
Director  
(DIN: 00374944)

**S. Durgashankar**  
Director  
(DIN: 00044713)

Mumbai, 25<sup>th</sup> April, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

(a) the steps taken or impact on conservation of energy:

The operations of your Company are not energy intensive. Your Company has however taken adequate measures to reduce energy consumption.

(b) the steps taken by the company for utilizing alternate sources of energy: **NIL**

(c) the capital investment on energy conservation equipments: **Not Applicable**

#### B. TECHNOLOGY ABSORPTION

i) the efforts made towards technology absorption : **Not Applicable**

ii) the benefits derived like product improvement, cost reduction, product development or import substitution: **Not Applicable**

iii) in case of imported technology ( imported during the last three years reckoned from the beginning of the financial year) –

(a) the details of technology imported: **Not Applicable**

(b) the year of import : **Not Applicable**

(c) whether the technology been fully absorbed: **Not Applicable**

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: **Not Applicable**

iv. the expenditure incurred on Research and Development : **NIL**

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (*in terms of actual inflow and outflow*)

Total Foreign Exchange Earned and Used: Nil

	(Rupees in Lakhs)	
	For the Financial Year Ended 31 <sup>st</sup> March, 2016	For the Financial Year ended 31 <sup>st</sup> March, 2015
Total Foreign Exchange Earned	NIL	NIL
Total Foreign Exchange Used	NIL	NIL

For and on behalf of the Board

**Parag Shah**  
Director  
(DIN: 00374944)

**S. Durgashankar**  
Director  
(DIN: 00044713)

Mumbai, 25<sup>th</sup> April, 2016

## ANNEXURE II TO THE DIRECTORS' REPORT

### FORM NO. AOC -2

(Pursuant to clause (h) of subsection (3) of section 134 of the Act  
and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis - Nil

2. Details of Material contracts or arrangements or transactions at Arm's length basis\*

Sr. No.	Names(s) of Related Party & nature of relationship	Nature of Contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date of approval by the Board	Amount paid as advances, if any
1.	Mahindra First Choice Services Limited. Fellow Subsidiary	Lease Rent	Apr 2015- Jan 2016	Payment of Lease rent for Bangalore Auto Centre (Rs. 11,37,720)	N. A.	NIL
2.	Mahindra & Mahindra Limited. Ultimate Holding Company	Corporate Secretarial Services	2015-16	Corporate Secretarial Services (Rs. 1,71,750/-)	N. A.	NIL
3.	Mahindra & Mahindra Limited. Ultimate Holding Company	Guest House and Travel Charges	2015-16	Guest House and Travel Charges (Rs. 2,88,032/-)	N. A.	NIL

\* Pursuant to Notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R. 590(E))

For and on behalf of the Board

**Parag Shah**  
Director  
(DIN: 00374944)

**S. Durgashankar**  
Director  
(DIN: 00044713)

Mumbai, 25<sup>th</sup> April, 2016

## ANNEXURE III TO THE DIRECTORS' REPORT

Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31<sup>st</sup> March, 2016

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

### I. REGISTRATION AND OTHER DETAILS:

<b>CIN</b>	U80302MH2010PTC198303
<b>Registration Date</b>	2 <sup>nd</sup> January, 2010
<b>Name of the Company</b>	Mahindra Namaste Private Limited
<b>Category/Sub-Category of the Company</b>	Company limited by shares/Indian-Non Government
<b>Address of Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018 Tel.: 022-24906683
<b>Whether listed Company (Yes/No)</b>	No
<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Vocational Training & Courses	8030	100%

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

Sr. No	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Consulting Engineers Limited	U74210MH1993PLC074723	Holding Company	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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	90,10,000	90,10,000	100	–	90,10,000	90,10,000	100	–
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
Sub-Total- A-(1)	–	90,10,000	90,10,000	100	–	90,10,000	90,10,000	100	–
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total	
d. Bank/FI	-	-	-	-	-	-	-	-	-
e. Any Others	-	-	-	-	-	-	-	-	-
<b>Sub Total-A (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Share Holder of Promoters (1+2)</b>	-	90,10,000	90,10,000	100	-	90,10,000	90,10,000	100	-
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	-	-	-	-	-	-	-	-	-
a. Mutual Funds	-	-	-	-	-	-	-	-	-
b. Bank/FI	-	-	-	-	-	-	-	-	-
c. Cent. Govt.	-	-	-	-	-	-	-	-	-
d. State Govt.	-	-	-	-	-	-	-	-	-
e. Venture Capital	-	-	-	-	-	-	-	-	-
f. Insurance Co.	-	-	-	-	-	-	-	-	-
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Portfolio Corporate	-	-	-	-	-	-	-	-	-
i. Foreign Venture Capital Fund	-	-	-	-	-	-	-	-	-
j. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (1)</b>	-	-	-	-	-	-	-	-	-
<b>2. Non- Institution</b>	-	-	-	-	-	-	-	-	-
a. Body Corp.	-	-	-	-	-	-	-	-	-
b. Individual	-	-	-	-	-	-	-	-	-
i. Individual shareholders holding nominal share capital upto ₹ 1 lakh	-	-	-	-	-	-	-	-	-
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c. Others	-	-	-	-	-	-	-	-	-
<b>Sub-Total-B (2)</b>	-	-	-	-	-	-	-	-	-
<b>Net Total (1+2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	90,10,000	90,10,000	100	-	90,10,000	90,10,000	100	-



ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Holdings Limited	90,09,999	100	0	0	0	0	0
2	Mahindra Holdings Limited Jointly with V. S. Parthasarathy*	1	0	0	0	0	0	0
3	Mahindra Consulting Engineers Limited	0	0	0	90,09,993	100	0	0
4	Mahindra Consulting Engineers Limited Jointly with Zoooben Bhiwandiwala	0	0	0	1	0	0	0
5	Mahindra Consulting Engineers Limited Jointly with Parag Shah	0	0	0	1	0	0	0
6	Mahindra Consulting Engineers Limited Jointly with S Durgashankar	0	0	0	1	0	0	0
7	Mahindra Consulting Engineers Limited Jointly with Narayan Shankar	0	0	0	1	0	0	0
8	Mahindra Consulting Engineers Limited Jointly with K Chandrasekar	0	0	0	1	0	0	0
9	Mahindra Consulting Engineers Limited Jointly with V Parthasarathy	0	0	0	1	0	0	0
10	Mahindra Consulting Engineers Limited Jointly with Dr Prince Augustin	0	0	0	1	0	0	0
	<b>Total</b>	<b>90,10,000</b>	<b>100</b>	<b>0</b>	<b>90,10,000</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* Jointly held with Mahindra Holdings Limited for the purpose of compliance with statutory provisions of Companies Act with regard to minimum number of members.

iii. Change in Promoters' Shareholding (please specify, if there is no change):

Particular	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	90,10,000	100	-	-
Transfer of shares from Mahindra Holdings Limited to Mahindra Consulting Engineers Limited	-	-	90,10,000	-
<b>At the end of the year</b>	-	-	9010,000	100

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	-	-	-	-	-
2.	-	-	-	-	-
3.	-	-	-	-	-

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

**V. INDEBTEDNESS: NIL**

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

PARTICULARS	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	(Rupees)
				TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year 01.04.2015</b>				
1) Principal Amount	N.A.	N.A.	N.A.	N.A.
2) Interest due but not paid	N.A.	N.A.	N.A.	N.A.
3) Interest accrued but not due	N.A.	N.A.	N.A.	N.A.
<b>Total of (1+2+3)</b>				
<b>Change in Indebtedness during the financial year</b>				
+ Addition	N.A.	N.A.	N.A.	N.A.
– Reduction	N.A.	N.A.	N.A.	N.A.
Net change	N.A.	N.A.	N.A.	N.A.
<b>Indebtedness at the end of the financial year-31.03.2015</b>				
1) Principal Amount	N.A.	N.A.	N.A.	N.A.
2) Interest due but not paid	N.A.	N.A.	N.A.	N.A.
3) Interest accrued but not due	N.A.	N.A.	N.A.	N.A.
<b>Total of (1+2+3)</b>	N.A.	N.A.	N.A.	N.A.

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL: NIL**

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

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rupees)
1.	Gross Salary	–	–	–
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	–	–	–
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	–	–
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
	– As % of Profit	–	–	–
	– Others, specify	–	–	–
5.	Others, please specify Provident Fund & other Funds	–	–	–

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rupees)
	Performance Bonus	-	-	-
	<b>Total (A)</b>	-	-	-
	Ceiling as per the Act	5% of the net profits of the Company		

B. Remuneration of other directors:

I. Independent Directors:-

Particulars of Remuneration	Name of Directors					Total Amount (Rupees)
Fee for attending board committee meetings	-	-	-	-	-	-
Commission	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-
Ceiling as per the Act	1% of the Net profits of the Company					

II. Other Non-Executive Directors:-

Other Non-Executive Directors								Total Amount (Rupees)
Fee for attending board committee meetings	-	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-	-
<b>Total (B) = (1+2)</b>	-	-	-	-	-	-	-	-

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sr. No	Particulars of Remuneration	Name of the KMP	Total Amount (Rupees)
		Ms. Bhavana Awatramani Company Secretary	
1.	Gross Salary (Consultant Fee)	3,00,000	3,00,000
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission	-	-
	- As % of Profit	-	-
	- Others, specify	-	-
5.	Others, please specify Contribution to Provident Fund	-	-
	Performance Bonus	-	-
	<b>Total (C)</b>	<b>3,00,000</b>	<b>3,00,000</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act):**

	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	–	–	N.A.	N.A.	N.A.	N.A.
Punishment	–	–	N.A.	N.A.	N.A.	N.A.
Compounding	–	–	N.A.	N.A.	N.A.	N.A.
<b>B. DIRECTORS</b>						
Penalty	–	–	N.A.	N.A.	N.A.	N.A.
Punishment	–	–	N.A.	N.A.	N.A.	N.A.
Compounding	–	–	N.A.	N.A.	N.A.	N.A.
<b>C. OTHER OFFICERS IN DEFAULT</b>						
Penalty	–	–	N.A.	N.A.	N.A.	N.A.
Punishment	–	–	N.A.	N.A.	N.A.	N.A.
Compounding	–	–	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board

**Parag Shah**  
Director  
(DIN: 00374944)

**S. Durgashankar**  
Director  
(DIN: 00044713)

Mumbai, 25<sup>th</sup> April, 2016

## DRAFT INDEPENDENT AUDITORS' REPORT

### To the Members of Mahindra Namaste Private Limited

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Mahindra Namaste Private Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the period from April 1, 2015 to March 31, 2016.

#### Emphasis of Matter

9. We draw attention to Note 1(a) to the financial statements which describes the discontinuation of existing business by the Company during the year and resolution passed by the Board of Directors for transfer of tangible fixed assets to Naandi Foundation. The financial statements have been prepared on a going concern basis considering the plans of the holding company to restart the business of the Company. Our opinion is not qualified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the aforesaid financial statements comply with the Accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

- e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **Annexure II**.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number: 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: April 25, 2016

## ANNEXURE I TO THE AUDITORS' REPORT

Referred to in paragraph 10 of our report of even date on the financial statements of Mahindra Namaste Private Limited for the year ended March 31, 2016.

### Annexure to the Auditor's Report referred to in our report of even date:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The company is engaged in the business of Training and Skilling Services and accordingly does not hold any inventories. Hence, Clause 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- iii. The Company has not granted any loans to parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- iv. The provisions of Section 185 of the Act are not applicable to the Company. The Company has complied with the provisions of Section 186 of the Act to the extent applicable.
- v. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed there under to the extent notified, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- vii. (a) According to the records of the Company and information and explanations given to 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, cess and other applicable statutory dues with the appropriate authorities.
- (b) there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority.
- viii. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.
- ix. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year, and accordingly, Para 3(ix) of the Order is not applicable to the Company.
- x. We have neither come across any instances of frauds by the Company nor any fraud on the Company by its officers or employees have been noticed or have been reported during the year.
- xi. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- xiii. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Order is not applicable to the company.
- xv. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. On the basis of examination of relevant records and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number: 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: April 25, 2016

**ANNEXURE II TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MAHINDRA NAMASTE PRIVATE LIMITED**

**Report on the Internal Financial Control sunder 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 **Mahindra Namaste Private Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

**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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 the Institute of Chartered Accountants of India ("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 ICAI. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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 during the year when the business operations of the Company were ongoing, based on the internal control over financial reporting criteria established by the Company considering the essential components of



MAHINDRA NAMASTE LIMITED  
(Formerly known as Mahindra Namaste Private Limited)

internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

According to the information and explanation given to us and as stated in note 1 (a) to the financial statements, the Company has discontinued its existing business during the current year and does not have any employees as at March 31, 2016. Accordingly, as at March 31, 2016, the internal financial controls over financial reporting have been directly supervised by the Board of Directors for the purposes of preparation of the financial statements for the year ended March 31, 2016.

We have considered the matter reported above in determining the nature, timing, and extent of audit tests applied in our audit

of the financial statements of the Company, and this does not affect our opinion on the financial statements of the Company.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number: 105102W

**Himanshu Chapsey**  
Partner  
Membership Number: 105731

Place: Mumbai  
Date: April 25, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2016**

Particulars	Notes	Amt (In ₹)	
		As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS:</b>			
(a) Share Capital .....	2	90,100,000	90,100,000
(b) Reserves and Surplus .....	3	(89,457,297)	(66,882,801)
		<b>642,703</b>	23,217,199
<b>NON CURRENT LIABILITIES:</b>			
(a) Deferred Tax Liabilities .....	21	-	-
(b) Other Long Term Liabilities .....	4	-	389,504
(c) Long Term Provisions .....	5	-	237,983
		-	627,487
<b>CURRENT LIABILITIES:</b>			
(a) Trade Payables .....	6	1,114,642	51,180
(b) Other Current Liabilities .....	7	369,982	11,436,639
(c) Short Term Provisions .....	8	116,875	244,855
		<b>1,601,499</b>	11,732,674
Total .....		<b>2,244,202</b>	35,577,359
<b>II. ASSETS :</b>			
<b>NON CURRENT ASSETS:</b>			
(a) Fixed Assets			
Tangible Assets .....	9	-	13,400,738
Intangible Assets .....	9	228,945	461,886
(b) Deferred Tax Asset .....	21	-	520,244
(c) Long Term Loans and Advances .....	10	-	2,297,852
(d) Other Non Current Assets .....	11	19,697	2,264,475
		<b>248,642</b>	18,945,195
<b>CURRENT ASSETS:</b>			
(a) Current Investments .....	12	-	1,000,000
(b) Trade Receivables .....		-	-
(c) Cash and Cash Equivalents .....	13	1,995,561	15,311,874
(d) Short Term Loan and Advances .....	14	-	255,795
(e) Other Current Assets .....	15	-	64,496
		<b>1,995,561</b>	16,632,164
Total .....		<b>2,244,202</b>	35,577,359
<b>Significant Accounting Policies</b>	1		
<b>See accompanying notes forming part of the financial statements</b>			

As per our report of even date

For **B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Mumbai  
Date: 25<sup>th</sup> April 2016

For and on behalf of the Board of Directors of

**FOR MAHINDRA NAMASTE LIMITED**

**Mr. Parag Shah**  
Director

**Mr.S Durgashankar**  
Director

Mumbai  
Date: 25<sup>th</sup> April 2016

**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Notes	Amt (In ₹)	
		For the year ended 31 <sup>st</sup> March 2016	For the year ended 31 <sup>st</sup> March 2015
<b>REVENUE:</b>			
Revenue from Operations .....	16	17,941,433	10,722,300
Other Income .....	17	723,633	521,040
<b>Total Revenue</b> .....		<b>18,665,066</b>	<b>11,243,340</b>
<b>EXPENSES:</b>			
Employee Benefit Expenses .....	18	8,638,398	14,385,199
Depreciation and Amortisation Expenses .....	9	5,181,730	5,234,618
Other Expenses .....	19	27,419,434	29,082,607
<b>Total Expenses</b> .....		<b>41,239,561</b>	<b>48,702,424</b>
Loss for the year .....		<b>(22,574,495)</b>	<b>(37,459,083)</b>
Prior Period expenses .....		-	-
<b>Loss Before Tax</b> .....		<b>(22,574,495)</b>	<b>(37,459,083)</b>
<b>Less : Tax Expenses</b>			
Deferred tax credit/(charge)(Net) .....	21	-	804,672
<b>Loss for the year after tax</b> .....		<b>(22,574,495)</b>	<b>(36,654,411)</b>
<b>EARNINGS PER SHARE</b>	<b>23</b>		
(Face value Rs 10/- per share) (Rupees)			
Basic.....		<b>(2.51)</b>	(4.58)
Diluted .....		<b>(2.51)</b>	(4.58)
<b>Significant Accounting Policies</b>	<b>1</b>		
<b>See accompanying notes forming part of the financial statements</b>			

As per our report of even date

For **B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Mumbai  
Date: 25<sup>th</sup> April 2016

For and on behalf of the Board of Directors of

**FOR MAHINDRA NAMASTE LIMITED**

**Mr. Parag Shah**  
Director

**Mr. S Durgashankar**  
Director

Mumbai  
Date: 25<sup>th</sup> April 2016

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016

	For the year ended 31 <sup>st</sup> March 2016	Amt (In ₹) For the year ended 31 <sup>st</sup> March 2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net (Loss) before taxation.....	(22,574,495)	(36,654,411)
Depreciation .....	5,181,730	5,234,618
Loss on sale/scrap of fixed assets .....	10,378,383	1,793,386
Interest Income/Profit on Mutual Funds .....	(456,894)	(519,200)
Operating Profit before Working Capital changes .....	<u>(7,471,276)</u>	<u>(30,145,608)</u>
<b>Changes in working capital:</b>		
Adjustment for (increase)/decrease in operating assets (Increase)/decrease in loans and advances.....	5,383,164	664,091
Adjustment for increase/(decrease) in operating liabilities Increase/(decrease) in liabilities .....	<u>(10,758,662)</u>	<u>8,856,072</u>
Cash Generated from Operations .....	<u>(12,846,774)</u>	<u>(20,625,445)</u>
<b>NET CASH FROM OPERATING ACTIVITIES .....</b>	<b><u>(12,846,774)</u></b>	<b><u>(20,625,445)</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets.....	(1,926,433)	(6,212,269)
Sale of Fixed Assets.....	-	225,711
Interest Received .....	456,894	519,200
Sale of Investments .....	1,000,000	(1,000,000)
<b>NET CASH USED IN INVESTING ACTIVITIES.....</b>	<b><u>(469,539)</u></b>	<b><u>(6,467,358)</u></b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Share Capital.....	-	30,000,000
<b>NET CASH USED IN FINANCING ACTIVITIES.....</b>	<b><u>-</u></b>	<b><u>30,000,000</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b><u>(13,316,312)</u></b>	<b><u>2,907,197</u></b>
<b>CASH AND CASH EQUIVALENTS</b>		
Opening Balance.....	15,311,874	12,404,677
<b>Closing Balance.....</b>	<b><u>1,995,561</u></b>	<b><u>15,311,874</u></b>

**Note:**

- 1 The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statement, prescribed under section 133 of Companies Act 2013.
- 2 Previous year's figures have been re-grouped wherever necessary to conform to the current year classification.

As per our report of even date

For **B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Mumbai  
Date: 25<sup>th</sup> April 2016

For and on behalf of the Board of Directors of

**FOR MAHINDRA NAMASTE LIMITED**

**Mr. Parag Shah**  
Director

**Mr. S Durgashankar**  
Director

Mumbai  
Date: 25<sup>th</sup> April 2016

## Notes to the Financial Statements as at and for the year ended 31<sup>st</sup> March 2016

### Note No. 1: Statement of Significant Accounting Policies

#### a. Basis of preparation:

The financial statements of the Company have been prepared in accordance with the historical cost convention and on accrual basis in accordance with generally acceptable accounting principles in India. These financial statements have been prepared to comply in all material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other relevant provisions of the Companies Act 2013.

All Assets and Liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products/services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non-current classification of assets and liabilities.

The Company has discontinued its current business operations during the year. Further, the Board of Directors has passed a resolution for donation of tangible assets to Naandi Foundation at a nominal value of Re. 1. The Company does not have any employees as at 31 March 2016 on its payroll.

The financial statements for the year have been prepared on going concern basis, considering acquisition of equity share capital of the Company by Mahindra Consulting Engineers Limited and future plans to re-start the manpower skilling and training business.

#### b. Use of estimates

The preparation of financial statements in conformity with Indian Generally Accepted Accounting Principles 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.

#### c. 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.

Fees, net of discounts and the portion attributable to placement of students are recognised in the income statement over the period over which service is rendered (course duration).

The portion of fees attributable to placement to be provided by the Company to students are recognized on the completion of the company's obligation.

Scholarships are booked as revenue once the requisite number of students are trained and placed and the donor accepts that the scholarships have been completely utilized.

#### d. Tangible Fixed Assets:

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for intended use.

#### e. Depreciation:

Depreciation is provided on a Straight Line Basis over the estimated useful lives of the assets as estimated by management & as per the Schedule II of the Companies Act, 2013. Lease Hold improvements are depreciated over Lease Period.

#### f. Intangible Assets:

Intangible assets are stated at acquisition cost less accumulated amortization. Amortization is calculated by reference to their costs on the straight-line basis over the expected future period, for which the assets are expected to generate economic benefit.

#### g. Operating Leases:

Leases in terms of which the substantial risks and rewards of ownership remain with the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

#### h. Employee Benefits:

##### Provident fund:

The Company's contribution to provident fund, a defined contribution scheme, paid/payable during the year, is debited to the Statement of Profit and Loss.

##### Superannuation and other funds/schemes:

Company's contributions paid/payable during the year to officer's superannuation fund, employees' pension scheme, employees' state insurance scheme and labour welfare fund, where applicable, are recognised in the Statement of Profit and Loss.

##### Gratuity and compensated absences:

As mentioned the Company has discontinued the business during the year. Accordingly, there are no employees on payroll as at 31st March 2016. Accordingly, the Gratuity & Leave Encashment Provision has been reversed as at 31st March 2016.

In respect of gratuity, the employee benefit cost is accounted for, based on an independent actuarial valuation obtained as at the Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss.

#### Amount to be recognized in Balance Sheet

	As at	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Present value of Funded Obligations	-	-
Fair Value of Plan Assets	-	-
Present Value of Unfunded Obligations	-	239,299
Unrecognized Past Service Cost	-	-
Amount not Recognized as an Asset (limit in Para 59(b))	-	-
<b>Net Liability</b>	-	239,299
Amounts in Balance Sheet		
Liability	-	239,299
Assets	-	-
Net Liability is bifurcated as follows:		
Current	-	1,316
Non Current	-	237,983
<b>Net Liability</b>	-	239,299

#### Expense to be Recognized in Statement of Profit & Loss Account

	Year Ended	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Current Service Cost	-	-
Interest on Defined Benefit Obligation	-	-
Expected Return on Plan Assets	-	-
Net Actuarial Losses/Gains Recognized in Year	-	-
Past Service Cost	-	-
Losses/Gains on "Curtailements & Settlements"	-	-
Losses/Gains on "Acquisition/Divestiture"	-	-
Effect of the Limit in Para 59 (b)	-	-
Total, Included in "Employee Benefit Expense"	-	87,769
<b>Actual Return on Plan Assets</b>	-	-

## Notes to the Financial Statements as at and for the year ended 31<sup>st</sup> March 2016

### Reconciliation of Benefit Obligation & Plan Assets for the Period

	Year Ended	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Change in Defined Benefit Obligation	-	-
<b>Opening Defined Benefit Obligation</b>	-	-
Current Service Cost	-	-
Interest Cost	-	-
Actuarial Losses/Gains	-	-
Past Service Cost	-	-
Actuarial Losses/Gains due to Curtailment	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed on Acquisition/(Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
<b>Closing Defined Benefit Obligation</b>	-	239,299
<b>Change in Fair Value of Assets</b>	-	-
<b>Opening Fair Value of Plan Assets</b>	-	-
Expected Return on Plan Assets	-	-
Actuarial Losses/Gains	-	-
Assets Distributed on Settlements	-	-
Contributions by Employer	-	-
Assets Acquired on Acquisition/(Distributed on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
<b>Closing Fair Value of Plan Assets</b>	-	-
Expected Employer's Contribution Next Year	-	1,316

Provision for compensated absences benefit is recorded on the basis of management estimate.

#### i. Income Tax:

Income taxes are accounted for in accordance with the Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprise of current tax and deferred tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws.

Deferred tax asset has not been recorded considering movement of assets out of the Company and limited forecast of profitable operations in the future.

Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the balance sheet date.

#### j. Earnings Per share:

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share.

Basic EPS is computed by dividing the net profit or loss for the period by the weighted average number of Equity Shares outstanding during the year.

#### k. Grants:

Grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants/subsidy will be received.

The portion of the grant whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets is adjusted to the carrying value of the assets.

Grants in the nature of equity contribution are taken directly to Reserves within Shareholders' Funds. Other grants are taken to the Statement of Profit and Loss.

i. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Particulars	Amt (In ₹)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015

#### Note 2.

##### Share Capital

##### Authorised

90,50,000 Equity shares of Rs.10 each	95,000,000.00	95,000,000.00
	95,000,000.00	95,000,000.00

##### Issued, Subscribed and Paid - up

90,10,000 Equity Shares of Rs.10 each fully paid	90,100,000.00	90,100,000.00
<b>Total</b>	<b>90,100,000.00</b>	<b>90,100,000.00</b>

#### Notes:

1) Number of Shares held by each shareholder holding more than 5% shares in the Company are as follows:

Particulars	Number of shares as at 31 <sup>st</sup> March, 2016	Number of shares as at 31 <sup>st</sup> March, 2015
-------------	---	---

##### Equity Shares:

Mahindra Consulting Engineers Limited	9,009,993	-
Mahindra Holdings Limited	-	9,010,000

Reconciliation of the number of shares outstanding at the beginning and at the end of the year

Particulars	As at 31 <sup>st</sup> March, 2016 No. of Shares	As at 31 <sup>st</sup> March, 2016 Amount	As at 31 <sup>st</sup> March, 2015 No. of Shares	As at 31 <sup>st</sup> March, 2015 Amount
No of shares outstanding at the beginning of the year	9,010,000	90,100,000	6,010,000	60,100,000
Add: additional shares issued during the year	-	-	3,000,000	30,000,000
No of shares outstanding at the end of the year	9,010,000	90,100,000	9,010,000	90,100,000

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
-------------	--	--

#### Note 3.

##### Reserves & Surplus

Opening balance of Profit & Loss Account	(66,882,801)	(30,228,390)
Less: Loss for the Current Year	(22,574,495)	(36,654,411)
<b>Total</b>	<b>(89,457,297)</b>	<b>(66,882,801)</b>

#### Note 4.

##### Other Long Term Liabilities

Lease Rent Escalation	-	389,504
<b>Total</b>	<b>-</b>	<b>389,504</b>

#### Note 5.

##### Long Term Provisions

Gratuity Provision	-	237,983
<b>Total</b>	<b>-</b>	<b>237,983</b>

## Notes to the Financial Statements as at and for the year ended 31<sup>st</sup> March 2016

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015		As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Note 6.</b>			Scholarships refundable	-	122,000
<b>Trade Payables</b>			Scholarships received in advance	-	6,760,600
Trade Payables*	1,114,642	51,180	Gratuity Payable-current	-	1,316
<b>Total</b>	<u>1,114,642</u>	<u>51,180</u>	<b>Total</b>	<u>369,982</u>	<u>11,436,639</u>
<b>Note 7.</b>			<b>Note 8.</b>		
<b>Other Current Liabilities</b>			<b>Short Term Provisions</b>		
Statutory contributions payable (PF, ESIC, Ptax)	1,250	96,304	Provision for Expenses	116,875	87,969
TDS Payable	33,830	281,325	Provision for leave encashment	-	156,886
Grant Received (repayable to Naandi Foundation)	334,902	4,175,094	<b>Total</b>	<u>116,875</u>	<u>244,855</u>

### Note 9 - Fixed Assets - Tangible and Intangible

	Amount in Rupees								
	Gross Block				Depreciation				Net Block
	As on 01/04/2015	Additions	Adjustments (Note a)	As on 31/03/2016	As on 01/04/2015	Additions	Adjustments	As on 31/03/2016	As on 31/03/2016
<b>Tangible Assets</b>									
Leasehold Improvements	2,667,430	529,430	(3,196,860)	-	857,713	1,073,774	(1,931,487)	-	-
Computers	5,028,866	12,300	(5,041,166)	-	1,810,943	1,800,365	(3,611,309)	-	-
Furniture & Fixtures	5,120,079	1,039,588	(6,159,667)	-	848,399	736,134	(1,584,534)	-	-
Office Equipments	3,712,376	125,115	(3,837,491)	-	909,884	768,392	(1,678,275)	-	-
Motor Cars	1,662,047	-	(1,662,047)	-	460,093	338,613	(798,706)	-	-
Motor Cycles	121,362	-	(121,363)	-	24,390	11,511	(35,901)	-	-
	<b>18,312,160</b>	<b>1,706,433</b>	<b>(20,018,594)</b>	<b>-</b>	<b>4,911,422</b>	<b>4,728,790</b>	<b>(9,640,212)</b>	<b>-</b>	<b>-</b>
<b>Intangible Assets</b>									
Content	1,350,000	220,000	-	1,570,000	888,115	452,940	-	1,341,055	228,945
	<b>1,350,000</b>	<b>220,000</b>	<b>-</b>	<b>1,570,000</b>	<b>888,115</b>	<b>452,940</b>	<b>-</b>	<b>1,341,055</b>	<b>228,945</b>
<b>Total</b>	<b>19,662,160</b>	<b>1,926,433</b>	<b>(20,018,594)</b>	<b>1,570,000</b>	<b>5,799,537</b>	<b>5,181,730</b>	<b>(9,640,212)</b>	<b>1,341,055</b>	<b>228,945</b>
Last Years Figures	<b>16,739,989</b>	<b>6,212,269</b>	<b>3,290,098</b>	<b>19,662,160</b>	<b>1,835,920</b>	<b>5,234,618</b>	<b>1,271,001</b>	<b>5,799,536</b>	<b>13,862,624</b>

#### Note:

- a. The Board of directors have approved donation of all Tangible Fixed Assets to Naandi Foundation. Accordingly the assets have been de-recognised from the block of assets as at 31 March 2016

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015		As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Particulars</b>			<b>Particulars</b>		
<b>Note 10.</b>			<b>Note 14.</b>		
<b>Long Term Loans and Advances</b>			<b>Short Term Loans &amp; Advances</b>		
Capital Advances	-	2,297,852	Provident Fund Arrears Recoverable	-	-
<b>Total</b>	<u>-</u>	<u>2,297,852</u>	Advances to Staff	-	27,787
<b>Note 11.</b>			Prepaid Expenses	-	105,612
<b>Non Current Assets</b>			Other Advances	-	122,397
Lease Deposits	-	2,230,000	<b>Total</b>	<u>-</u>	<u>255,795</u>
Tax Deducted at Source	19,697	34,475	<b>Note 15.</b>		
<b>Total</b>	<u>19,697</u>	<u>2,264,475</u>	<b>Other Current Assets</b>		
<b>Note 12.</b>			Interest Accrued on Fixed Deposits	-	9,654
<b>Current Investments</b>			Security Deposit	-	-
Taurus Liquid Fund - Super Institutional Growth Fund	-	1,000,000	Other Current Assets	-	54,842
<b>Total</b>	<u>-</u>	<u>1,000,000</u>	<b>Total</b>	<u>-</u>	<u>64,496</u>
<b>Note 13.</b>			<b>Particulars</b>	<b>For the year ended</b>	<b>For the year ended</b>
<b>Cash &amp; Cash Equivalents</b>			<b>Note 16.</b>	<b>31<sup>st</sup> March, 2016</b>	<b>31<sup>st</sup> March, 2015</b>
Balance with Schedule Bank	1,995,561	13,311,874	<b>Revenue</b>		
Fixed Deposit with Bank	-	2,000,000	Income from Training	15,858,100	10,047,300
<b>Total</b>	<u>1,995,561</u>	<u>15,311,874</u>	Management Fee	2,083,333	675,000
			<b>Total</b>	<u>17,941,433</u>	<u>10,722,300</u>

## Notes to the Financial Statements as at and for the year ended 31<sup>st</sup> March 2016

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
<b>Note 17.</b>		
<b>Other Income</b>		
Interest income	139,692	304,935
Profit on sale/redemption of Mutual Fund	317,202	214,265
Interest on Income Tax Refund	1,294	1,505
Miscellaneous Income/Write Off	265,445	335
<b>Total</b>	<b>723,633</b>	<b>521,040</b>

**Note 18.**

**Employee Benefit Expenses**

Salaries	8,104,307	13,382,492
Contribution to PF & other funds	419,884	820,726
Staff Welfare	109,857	177,481
Professional Tax	4,350	4,500
<b>Total</b>	<b>8,638,398</b>	<b>14,385,199</b>

**Note 19.**

**Other Expenses**

Legal & Professional Expenses	3,028,659	6,129,710
Rent	3,963,096	6,576,441
Marketing/Sales Promotion	102,109	3,037,751
Communication Expenses	606,377	1,004,826
Travel & Conveyance	1,481,059	3,368,011
Printing & Stationery	250,235	293,616
Electricity & Power	719,386	794,440
Repairs & Maintenance	620,596	420,959
Insurance	105,728	52,536
Auditors Remuneration (Refer Note 22)	114,500	56,180
Payment for Shared services	1,000,000	1,205,007
Manpower Contract Expenses	4,856,850	3,635,262
Loss on sale/scrap of Fixed Assets/ Donation	10,378,382	1,793,386
Write Off of Bad Debts	-	343,500
Other Expenses	192,456	370,983
<b>Total</b>	<b>27,419,434</b>	<b>29,082,607</b>

**Note 20. Related party transactions:**

The ultimate holding company of the Company is Mahindra & Mahindra Limited. Transactions and balances with related parties as per Accounting Standard 18, Related Party Disclosures have been set out below:

Name of Related Party	Nature of Relationship	Type of Transaction	Year ended 31 March, 2016	Year ended 31 March, 2015
Mahindra Holdings Ltd	Holding Company	Issue of Share Capital	-	300,00,000
Naandi Foundation	Entity having significant influence	Reimbursement of Expenses	12,05,007	12,05,007
Naandi Foundation	Entity having significant influence	Scholarship for students	90,00,000	118,50,000
Naandi Foundation	Entity having significant influence	Sale of Assets	-	42,108
Naandi Foundation	Entity having significant influence	Balance at the end of the year	957,892	42,108

Name of Related Party	Nature of Relationship	Type of Transaction	Year ended 31 March, 2016	Year ended 31 March, 2015
Naandi Foundation	Entity having significant influence	Grant for BLR Auto Center	74,00,000	108,00,000
Mahindra First Choice Services Limited	Fellow Subsidiary	Sale of Assets	-	20,84,313
Mahindra First Choice Services Limited	Fellow Subsidiary	Lease Rent Paid	11,37,720	2,68,215
Mahindra First Choice Services Limited	Fellow Subsidiary	Balance at the end of the year	-	12,734
Mahindra & Mahindra Limited	Ultimate Holding Company	Corporate Secretarial Services & Travel Expenses	2,88,032	-
Mahindra & Mahindra Limited	Ultimate Holding Company	Balance at the end of the year	1,56,750	-

**Note 21. Deferred Tax:**

The components of Deferred Tax liability and assets as on 31st March 2015 are presented below:

	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
<b>Deferred Tax Liability</b>		
Difference between tax depreciation and depreciation/ amortization charged for financial reporting	-	-
<b>Deferred Tax Asset</b>		
Difference between tax depreciation and depreciation/ amortization charged for financial reporting	-	6,82,251
Provision for Employee Benefits	-	1,22,421
<b>Deferred Tax Liability (2014)</b>		(2,84,428)
<b>Deferred Tax Asset</b>	-	8,04,672
<b>Net Deferred Tax Asset</b>	-	5,20,244

**Note 22. Auditor's Remuneration:**

Particulars	2016 Amount (in ₹)	2015 Amount (in ₹)
Audit fees	50,000	50,000
Service tax thereon	7,250	6,180
<b>Total</b>	<b>57,250</b>	<b>56,180</b>

**Note 23. Earnings per share:**

Particulars	Unit	2016	2015
Net profit/(loss) after taxation (amount used as numerator)	Rs.	(225,74,495)	(366,54,411)
Weighted Average Number of equity shares for Basic Earnings per share	Nos.	90,10,000	79,96,301
Nominal value of Equity Shares	Rs.	10.00	10.00
Basic and Diluted Earnings Per Equity share	Rs.	(2.51)	(4.58)

**Note 24. Segment reporting**

The Company has a single reportable business segment viz. providing training services for the purpose of Accounting Standard 17 on Segment Reporting.

As per our report of even date

For **B. K. Khare & Co**  
Chartered Accountants  
Firm Registration No. 105102W

**Himanshu Chapsey**  
Partner  
Membership No. 105731

Mumbai  
Date: 25<sup>th</sup> April 2016

For and on behalf of the Board of Directors of

**FOR MAHINDRA NAMASTE LIMITED**

**Mr. Parag Shah**  
Director

**Mr. S Durgashankar**  
Director

Mumbai  
Date: 25<sup>th</sup> April 2016



## BOARD'S REPORT TO THE SHAREHOLDERS

Your Directors present their Ninth Report together with the audited financial statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company's Affairs

Particulars	For the year ended 31 <sup>st</sup> March, 2016	For the year ended 31 <sup>st</sup> March, 2015
		(Rupees lakhs)
Income .....	286.50	546.41
Profit before Exceptional Item and tax .....	227.51	463.79
(Less)/Add: Exceptional Item .....	(344.02)	116.28
(Loss)/Profit before tax .....	(116.51)	580.07
Provision for taxation for the year .....	-	26.90
(Loss)/Profit for the year after taxation .....	(116.51)	553.17
Balance of Profit from earlier years .....	1847.60	1405.06
Profit available for appropriation .....	1731.09	1958.23
<b>Appropriations:</b>		
Special Reserve .....	-	110.63
Balance carried to Balance Sheet .....	1731.09	1847.60
Net Worth .....	20139.75	11996.26

No material changes and commitments have occurred after the closure of year under review till the date of this report which would affect the financial position of the Company.

### Operations

The loss before tax for the year under review was Rs. 116.51 lakhs, as against a profit of Rs. 580.07 lakhs in the previous year.

During the year, the Company has made investments/disinvestments as under:

#### Investments:

- 2,65,92,286 Equity Shares in Mahindra Susten Private Limited.
- 25,000 Equity Shares in Gateway Housing Company Limited.

#### Disinvestments:

- 1 Equity Share in Mahindra Intertrade Limited.
- 12,02,114 Equity Shares in Mahindra Agri Solutions Limited (formerly known as Mahindra Shubhlabh Services Limited).
- 90,10,000 Equity Shares in Mahindra Namaste Private Limited.

### Dividend

In order to conserve the resources of the Company, your Directors do not recommend dividend for the year under review.

### Subsidiaries, Associates and Joint Ventures

During the year under review, Divine Solren Private Limited, Neo Solren Private Limited, Marvel Solren Private Limited, Astra Solren Private Limited and MachinePulse Tech Private Limited were incorporated as subsidiaries of Mahindra Renewables Private Limited, by virtue of which they have become subsidiaries of your Company.

Gateway Housing Company Limited ("Gateway") has become a subsidiary of the Company consequent to the acquisition of 50% of the equity shares of Gateway, the balance 50% being earlier held by the Company.

Mahindra Namaste Limited and Auto Digitech Private Limited have ceased to be subsidiaries of the Company consequent upon the sale of the shareholdings in these companies.

A Report on the performance and financial position of each of the subsidiaries, associates and joint venture companies of the Company is provided in Form AOC-1 and forms part of this Annual Report.

### Share Capital

During the year under review, the Authorised Share Capital of your Company has increased from Rs. 160 crores to Rs. 190 crores by creation of additional 3,00,00,000 Equity Shares of Rs. 10 each.

Your Company has allotted 8,26,00,000 Equity Shares of Rs. 10 each aggregating Rs. 82.60 crores to Mahindra & Mahindra Limited for cash at par on a rights basis.

Consequently, the paid-up share capital of the Company has gone up from Rs. 9658.65 lakhs to Rs. 17918.65 lakhs.

### Board of Directors

#### Composition:

Sr. No.	Name of the Director	DIN	Independent/ Non Independent
1.	Mr. Keshub Mahindra	00004489	Non Independent
2.	Mr. Anand Mahindra	00004695	Non Independent
3.	Mr. Bharat Doshi	00012541	Non Independent
4.	Mr. A. K. Nanda	00010029	Non Independent
5.	Mr. Mario Nazareth	00013337	Non Independent
6.	Mr. Zhooben Bhiwandiwala	00110373	Non Independent
7.	Mr. K. Chandrasekar	01084215	Non Independent
8.	Mr. Noshir Dastur	00493177	Independent
9.	Mr. Haigreve Khaitan	00005290	Independent
10.	Ms. Pallavi Kanchan	07545615	Independent (Woman Director)

Ms. Pallavi Kanchan has been appointed as a Director (Woman Director) of the Company on 17<sup>th</sup> June, 2016 for a period of five years, and shall not be liable to retire by rotation.

Mr. Anand Mahindra and Mr. K. Chandrasekar retire by rotation and, being eligible, offer themselves for re-appointment.

#### Declaration by Independent Directors

The Company has received declarations from Mr. Haigreve Khaitan, Mr. Noshir Dastur and Ms. Pallavi Kanchan Independent Directors of the Company, to the effect that they fulfill the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013.

#### Meetings of the Board of Directors

Your Board of Directors met four times during the Financial Year 2015-2016 i.e. on 27<sup>th</sup> May, 2015, 15<sup>th</sup> September, 2015, 31<sup>st</sup> December, 2015 (as adjourned) and 18<sup>th</sup> March, 2016.

Number of Meetings attended by each of the Directors is as follows:

Sr. No.	Name of the Director	No. of Meetings attended
1.	Mr. Keshub Mahindra	4
2.	Mr. Anand Mahindra	3
3.	Mr. Bharat Doshi	3
4.	Mr. A. K. Nanda	1
5.	Mr. Mario Nazareth	4
6.	Mr. Zhooben Bhiwandiwala	2
7.	Mr. K. Chandrasekar	4
8.	Mr. Noshir Dastur	3
9.	Mr. Haigreve Khaitan	2

#### Meeting of Independent Directors

The Independent Directors met once during the year under review. The Meeting was conducted in an informal manner without the presence of Chairman and other Directors.

#### Directors' Responsibility Statement

Pursuant to section 134(5) of the Companies Act, 2013, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and of the loss of the Company for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis; and
- proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### Evaluation of Performance

The Board of Directors has adopted a process for annual evaluation of its own performance and that of its Committees and individual Directors. Questionnaires/Feedback templates for annual evaluation, based on the criteria approved by the Board, were circulated to each Board member and responses were submitted to the Chairman of the Board for facilitating the formal annual evaluation.

#### Code of Conduct

Your Company has in place a Code of Conduct for Corporate Governance ("Code") for its Directors. This Code enunciates the underlying principles governing the conduct of the Company's business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

Your Company has, for the year under review, received declarations from members of the Board affirming compliance with the Code.

#### Committees of the Board

##### Audit Committee

The Audit Committee of the Company comprises of:

Mr. Noshir Dastur – Chairman

Mr. Haigreve Khaitan

Mr. Mario Nazareth

The Committee met thrice during the year under review i.e. on 27<sup>th</sup> May, 2015, 11<sup>th</sup> January, 2016 and 18<sup>th</sup> March, 2016.

Number of Meetings attended by each of the Directors is as follows:

Sr. No.	Name of the Director	No. of Meetings attended
1.	Mr. Noshir Dastur	3
2.	Mr. Haigreve Khaitan	2
3.	Mr. Mario Nazareth	3

#### Nomination and Remuneration Committee

The Nomination & Remuneration Committee comprises of:

Mr. Haigreve Khaitan – Chairman

Mr. Noshir Dastur

Mr. Bharat Doshi

The Committee met twice during the year under review i.e. on 27<sup>th</sup> May, 2015 and 11<sup>th</sup> January, 2016.

Number of Meetings attended by each of the Directors is as follows:

Sr. No.	Name of the Director	No. of Meetings attended
1.	Mr. Haigreve Khaitan	1
2.	Mr. Noshir Dastur	2
3.	Mr. Bharat Doshi	2

#### Policy on Appointment of Directors and Senior Management and Policy for Remuneration of the Directors, Key Managerial Personnel and Other Employees

The 'Policy on Appointment of Directors and Senior Management' and a 'Policy for Remuneration of the Directors, Key Managerial Personnel and other Employees' are provided as Annexure I and form part of this Report.

#### Risk Management Policy

Your Company has in place a Risk Management Policy setting out the objectives and elements of risk management and identifying therein the elements of risk which in the opinion of the Board may threaten the existence of the Company.

#### Policy for Prevention of Sexual Harassment

The Company is committed to adopt a policy for prevention of sexual harassment at the workplace in accordance with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("the Act") and the Rules framed thereunder. During the year under review, no complaint was reported under the Act.

#### Corporate Social Responsibility (CSR)

The provisions relating to CSR enumerated under section 135 of the Companies Act, 2013 were not applicable to your Company during the year under review.

#### Statutory Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants, Vadodara (ICAI Registration Number 117364W) were appointed as Auditors of your Company at the 7<sup>th</sup> Annual General Meeting ("AGM") held on 8<sup>th</sup> August, 2014 to hold office from its conclusion till the conclusion of the 10<sup>th</sup> AGM of the Company to be held in the year 2017. In terms of section 139(1) of the Companies Act, 2013, such appointment will have to be ratified by members at every AGM.

As required under the provisions of section 139(1) of the Companies Act, 2013, the Company has received written consent from Messrs Deloitte Haskins & Sells, Chartered Accountants, to their appointment, and a Certificate to the effect that their appointment, if made, would be in accordance with the Companies Act, 2013, and that they satisfy the criteria specified in section 141 of the Companies Act, 2013.

The Members are requested to ratify the appointment of the Statutory Auditors as aforesaid and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### Secretarial Auditors

Your Company has appointed Martinho Ferrao & Associates, Company Secretary (Certificate of Practice Number 5676) as Secretarial Auditor of the Company in accordance with section 204 of the Companies Act, 2013.

In terms of the provisions of section 204(1) of the Companies Act, 2013, the Company has annexed with this Board's Report as Annexure II a Secretarial Audit Report given by the Secretarial Auditor in the prescribed Form MR – 3.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

#### Reporting of Frauds by Auditors

During the year under review, the Auditors have not reported any instances of fraud.

#### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, are furnished in Annexure III to this Report.

#### Particulars of Contracts or Arrangements with Related Parties

All Related Party Transactions entered during the year were in the Ordinary Course of Business and on Arms Length basis. During the year under review, your Company had entered into a Material Related Party Transaction, with Mahindra & Mahindra Limited, the Holding company of your Company. This transaction too was in the Ordinary Course of Business of your Company and was at Arms Length Basis, details of which, as required to be provided under section 134(3)(h) of the Companies Act, 2013 are disclosed in Form AOC-2 as Annexure IV and forms part of this Annual Report.

**Extract of Annual Return**

Pursuant to sections 92(3) and 134(3)(a) of the Companies Act, 2013, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at 31<sup>st</sup> March, 2016 in Form MGT 9 is attached herewith as Annexure V and forms part of this Report.

**Internal Financial Controls**

The Company has laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

**RBI Guidelines**

The Company has complied with all the applicable regulations of the Reserve Bank of India.

**Public Deposits and Loans/Advances**

The Company has not accepted any deposits from the public during the year under review.

The particulars of loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 applicable to the parent company, Mahindra and Mahindra Limited, are furnished in Annexure VI.

**General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events concerning these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise;
- Issue of shares (including sweat equity shares) to employees of the Company under any Scheme;
- Significant and material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future;
- Voting rights which are not directly exercised by the employees in respect of shares for the subscription/ purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3) (c) of the Companies Act, 2013).

For and on behalf of the Board

**Keshub Mahindra**  
*Chairman*

Mumbai, 20<sup>th</sup> June, 2016

## ANNEXURE I TO THE BOARD'S REPORT

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

#### DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Holdings Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director (MD), or Chief Executive Officer (CEO); or Manager; or Whole time Director (WTD)
- (ii) Chief Financial Officer (CFO); and
- (iii) Company Secretary (CS).

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means all members of management one level below the executive directors including the functional heads.

#### APPOINTMENT OF DIRECTORS

- The NRC shall review and assess Board composition and recommend the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Independent Director for informed and balanced decision making.
  3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Independent Directors.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman will interact with the new member to obtain his/her consent

for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

#### REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non - adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

#### SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down above.

Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed one level below the Key Managerial Personnel during a quarter shall be presented to the Board.

For and on behalf of the Board

**Keshub Mahindra**  
*Chairman*

Mumbai, 20<sup>th</sup> June, 2016

### POLICY FOR REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

#### Purpose

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra Holdings Limited.

#### Policy Statement

We have a well-defined Compensation policy for Directors, Key Managerial Personnel and employees of the Company. The overall compensation philosophy which guides us is that we need to attract and retain high performers by compensating them at levels that are broadly comparable with the competitors while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we have built our Compensation structure by benchmarking with relevant players across the industry we operate in.

### **Non-Executive including Independent Directors**

The Nomination and Remuneration Committee (“Committee”) shall decide the basis for determining the compensation, both fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise. The Committee shall take into consideration various factors such as director’s participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act, 2013 and such other factors as the Committee may consider deem fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

### **Executive Directors**

The remuneration to Executive Director(s) shall be recommended by the Committee to the Board. The remuneration shall consist of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the Committee based on their performance.

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

The terms of remuneration of the Chief Executive Officer(CEO), Chief Financial Officer (CFO) and Company Secretary shall be determined by the Board of Directors or by any Director as may be authorized by the Board from time to time. The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act, 2013 the Board shall approve the remuneration at the time of their appointment.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals. The relationship of their

remuneration to performance shall be clear and shall meet the appropriate performance benchmarks.

### **Employees**

We shall benchmark the Compensation structure with relevant players across the industry we operate in depending upon the level in the organization.

We shall have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC may be reviewed once a year. The compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality
- Longevity in grade

Remuneration for the new employees other than KMPs will be decided by any Director of the Company, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant Stock Options to the Employees and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme that may be formulated by the Company and subject to the compliance of the applicable statutes and regulations.

For and on behalf of the Board

**Keshub Mahindra**  
*Chairman*

Mumbai, 20<sup>th</sup> June, 2016

## ANNEXURE II TO THE BOARD'S REPORT

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

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

To,

The Members,

#### **Mahindra Holdings Limited**

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

Based on our verification of the **Mahindra Holdings Limited's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year **ended on 31<sup>st</sup> March, 2016**, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; - **Not applicable**
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **Not Applicable as the Company does not have any Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Applicable only with respect to shares of the Listed Company(ies) held by the Company**
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; **Applicable only to the extent of shares held by the Company in Listed Company(ies)**
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not applicable**
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **Not applicable**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not applicable**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - **Not applicable as the Company is not registered as Registrar to an issue and Share Transfer Agent during the financial year under review.**
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; - **Not applicable as the Company is not listed on any Stock Exchange and**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; - **Not applicable as the Company has not bought back any of its securities during the financial year under review.**

(vi) We have also examined the compliances of the provisions of the following other laws applicable **specifically** to the Company:

1. Non Banking Financial (Non Deposit accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007
2. Prevention of Money Laundering Act, 2002

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - **Not applicable as the Company is not listed on any Stock Exchange.**

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the company, its officers, agents and its authorised representatives during the conduct of Secretarial Audit we hereby report that in our opinion during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that:**

1. The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. No changes in the composition of the Board of Directors took place during the period under review.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

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

**We further report that** during the audit period the Company has:

1. taken approval of shareholders through Special resolution in the Annual General Meeting held on 7<sup>th</sup> August, 2015 for Payment of Commission to Independent Directors.
2. taken approval of shareholders through Ordinary resolution in the Extraordinary General Meeting held on 20<sup>th</sup> October, 2015 for Increase in Authorised Share Capital of the Company.
3. taken approval of shareholders through Ordinary resolution in the Extraordinary General Meeting held on 20<sup>th</sup> October, 2015 for Alteration of Memorandum of Association.

For **Martinho Ferrao & Associates**  
Company secretaries

**Martinho Ferrao**  
*Proprietor*  
FCS No. 6221  
C P No. 5676

Place: Mumbai  
Dated: May 19, 2016



## **ANNEXURE III TO THE BOARD'S REPORT**

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

#### **(A) Conservation of energy**

- (i) the steps taken or impact on conservation of energy – Not applicable in view of the nature of activities carried on by the Company.
- (ii) the steps taken by the company for utilizing alternate sources of energy - Not applicable in view of the nature of activities carried on by the Company.
- (iii) the capital investment on energy conservation equipment - Not applicable in view of the nature of activities carried on by the Company

#### **(B) Technology absorption**

- (i) the efforts made towards technology absorption - Not applicable in view of the nature of activities carried on by the Company.
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution - Not applicable in view of the nature of activities carried on by the Company.
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-
  - (a) the details of technology imported;
  - (b) the year of import;
  - (c) whether the technology been fully absorbed;
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
    - Not applicable in view of the nature of activities carried on by the Company.
- (iv) the expenditure incurred on Research and Development.
  - Not applicable in view of the nature of activities carried on by the Company.

#### **(C) Foreign exchange earnings and Outgo**

The Foreign Exchange earned in terms of actual inflows during the year: Nil

The Foreign Exchange outgo during the year in terms of actual outflows: Nil

For and on behalf of the Board

**Keshub Mahindra**  
*Chairman*

Mumbai, 20<sup>th</sup> June, 2016

**ANNEXURE IV TO THE BOARD'S REPORT****Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

**1. Details of contracts or arrangements or transactions not at arm's length basis —**

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis.

**2. Details of material contracts or arrangement or transactions at arm's length basis —**

The details of material contracts or arrangements or transactions at arm's length basis for the year ended March 31, 2016 are as follows:

<b>Sr. No.</b>	<b>Name(s) of the related party &amp; Nature of relationship</b>	<b>Nature of transaction</b>	<b>Duration of transaction</b>	<b>Salient terms of the transaction including the value, if any</b>	<b>Date of approval by the Board, if any</b>	<b>Amount paid as advances, if any</b>
1	Mahindra & Mahindra Limited, Holding Company	Sale of Shares	9 <sup>th</sup> February, 2016	The transaction was in the ordinary course of business and on arm's length basis.  Consideration value - Rs. 571 lakhs	11 <sup>th</sup> January, 2016	Nil

For and on behalf of the Board

**Keshub Mahindra**  
Chairman

Mumbai, 20<sup>th</sup> June, 2016

**ANNEXURE V TO THE BOARD'S REPORT**

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on 31<sup>st</sup> March, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	<b>CIN</b>	U65993MH2007PLC175649
ii)	<b>Registration Date</b>	2 <sup>nd</sup> November, 2007
iii)	<b>Name of the Company</b>	Mahindra Holdings Limited
iv)	<b>Category/Sub-Category of the Company</b>	Company limited by shares/Indian Non-Government Company
v)	<b>Address of the Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018. Tel.: 022-2490 5968
vi)	<b>Whether listed Company (Yes/No)</b>	No
vii)	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	Not Applicable

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

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

Sr. No.	Name and Description of main product/services	NIC Code of the Product/service	% to total turnover of the company
1	Investments in group companies	6420	100%

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Address: Gateway Building, Apollo Bunder, Mumbai – 400001	L65990MH1945PLC004558	Holding Company	100.00	2(46)
2.	Gateway Housing Company Limited Address: Gateway Building, Apollo Bunder, Mumbai – 400001	U60231MH1996PLC100436	Subsidiary Company	100.00	2(87)(ii)
3.	Mahindra Susten Private Limited Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P.K. Kurne Chowk, Worli, Mumbai – 400018	U74990MH2010PTC207854	Subsidiary Company	100.00	2(87)(ii)
4.	Mahindra Renewables Private Limited* Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P.K. Kurne Chowk, Worli, Mumbai – 400018	U40300MH2010PTC205946	Subsidiary Company	100.00	2(87)(ii)

<b>Sr. No.</b>	<b>Name and Address of the Company</b>	<b>CIN/GLN</b>	<b>Holding/ Subsidiary/ Associate</b>	<b>% of shares held</b>	<b>Applicable Section</b>
5.	Brightsolar Renewable Energy Private Limited* Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018	U40108MH2013PTC250683	Subsidiary Company	100.00	2(87)(ii)
6.	Cleansolar Renewable Energy Private Limited* Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018	U40108MH2013PTC250684	Subsidiary Company	100.00	2(87)(ii)
7.	Divine Solren Private Limited** Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018	U74120MH2015PTC264259	Subsidiary Company	100.00	2(87)(ii)
8.	Neo Solren Private Limited** Address: Mahindra Towers, Pandurang Budhkar Marg, Nr. Doordarshan Kendra, Worli, Mumbai – 400018	U74999MH2015PTC266154	Subsidiary Company	100.00	2(87)(ii)
9.	Marvel Solren Private Limited** Address: Mahindra Towers, Pandurang Budhkar Marg, Nr. Doordarshan Kendra, Worli, Mumbai – 400018	U74120MH2015PTC269074	Subsidiary Company	100.00	2(87)(ii)
10.	Astra Solren Private Limited** Address: Mahindra Towers, Pandurang Budhkar Marg, Nr. Doordarshan Kendra, Worli, Mumbai – 400018	U74120MH2015PTC269256	Subsidiary Company	100.00	2(87)(ii)
11.	MachinePulse Tech Private Limited** Address: Mahindra Towers, Pandurang Budhkar Marg, Nr. Doordarshan Kendra, Worli, Mumbai – 400018	U72300MH2016PTC271679	Subsidiary Company	100.00	2(87)(ii)
12.	Auto Digitech Private Limited Address: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018	U29253MH2009PTC196365	Subsidiary Company	100.00	2(87)(ii)
13.	Mahindra Integrated Business Solutions Private Limited Address: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400018	U74999MH2011PTC212468	Subsidiary Company	100.00	2(87)(ii)
14.	Mahindra Telecommunications Investment Private Limited Address: Gateway Building, Apollo Bunder, Mumbai – 400001	U63040MH1993PTC070642	Subsidiary Company	100.00	2(87)(ii)

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
15.	Mahindra Gujarat Tractor Limited Address: Vishwamitrinr Railway Overbridge, Vadodara – 390011	U34100GJ1978PLC003127	Associate Company	49.00	2(6)
16.	Mahindra Automobile Distributor Private Limited Address: Gateway Building, Apollo Bunder, Mumbai – 400001	U34100MH2005PTC153702	Associate Company	21.00	2(6)
17.	Mahindra and Mahindra Contech Limited Address: Gateway Building, Apollo Bunder, Mumbai – 400001	U74140MH1992PLC066606	Associate Company	23.33	2(6)
18.	Mahindra eMarket Limited Address: Mahindra Towers, Worli, Mumbai – 400018	U72900MH2000PLC129103	Associate Company	24.00	2(6)
19.	Mahindra Solar One Private Limited (Joint Venture) Address: Mahindra Towers, Dr. G. M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018	U40101MH2010PTC205236	Associate Company	26.00	2(6)

\* a subsidiary of Mahindra Susten Private Limited

\*\* a subsidiary of Mahindra Renewables Private Limited

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

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

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	0	9,65,86,534	9,65,86,534	100.00	0	17,91,86,535	17,91,86,535	100.00	0.00
e) Banks/Fl	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A)(1):-</b>	<b>0</b>	<b>9,65,86,534</b>	<b>9,65,86,534</b>	<b>100.00</b>	<b>0</b>	<b>17,91,86,535</b>	<b>17,91,86,535</b>	<b>100.00</b>	<b>0.00</b>
<b>(2) Foreign</b>									
a) NRIs – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks/Fl	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A)(2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>0</b>	<b>9,65,86,534</b>	<b>9,65,86,534</b>	<b>100.00</b>	<b>0</b>	<b>17,91,86,535</b>	<b>17,91,86,535</b>	<b>100.00</b>	<b>0.00</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) FIs	0	0	0	0.00	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	0	1	1	0.00	0	0	0	0.00	0.00
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	0	0	0.00	0	0	0	0.00	0.00
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0.00	0	0	0	0.00	0.00
c) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B)(2):-</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0.00	0	0	0	0.00	0.00
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>9,65,86,535</b>	<b>9,65,86,535</b>	<b>100.00</b>	<b>0</b>	<b>17,91,86,535</b>	<b>17,91,86,535</b>	<b>100.00</b>	<b>0.00</b>

(ii) Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra & Mahindra Limited	9,65,86,534	100.00	0.00	17,91,86,535	100.00	0.00	0.00
	<b>Total</b>	<b>9,65,86,534</b>	<b>100.00</b>	<b>0.00</b>	<b>17,91,86,535</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	At the beginning of the year – 1 <sup>st</sup> April, 2015	9,65,86,534	100.00	–	–
2	Increase – 25 <sup>th</sup> June, 2015 – Allotment of shares on Rights basis	1,40,00,000	–	11,05,86,534	100.00
3	Increase – 9 <sup>th</sup> September, 2015 – Allotment of shares on Rights basis	4,20,00,000	–	15,25,86,534	100.00
4	Increase – 8 <sup>th</sup> February, 2016 – Transfer	1	–	15,25,86,535	100.00
5	Increase – 18 <sup>th</sup> February, 2016 – Allotment of shares on Rights basis	2,66,00,000	–	17,91,86,535	100.00
6	At the end of the year – 31 <sup>st</sup> March, 2016	–	–	17,91,86,535	100.00

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

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	Mahindra Intertrade Limited				
	At the beginning of the year – 1 <sup>st</sup> April, 2015	1	0.00	–	–
	8 <sup>th</sup> February, 2016 – Transfer	-1	0.00	–	–
	At the end on the year – 31 <sup>st</sup> March, 2016	–	–	0	–

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

**V. INDEBTEDNESS**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year – 1<sup>st</sup> April, 2015</b>	Nil			
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i + ii + iii)</b>				
<b>Change in Indebtedness during the financial year</b>	Nil			
• Addition				
• Reduction				
<b>Net change</b>				
<b>Indebtedness at the end of the financial year – 31<sup>st</sup> March, 2016</b>	Nil			
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i + ii + iii)</b>				

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-Time Directors and/or Manager: Not applicable

B. Remuneration to other directors:

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. Haigreve Khaitan	Mr. Noshir Dastur	
1.	Independent Directors			
	• Fee for attending board/committee meetings	60,000	1,00,000	1,60,000
	• Commission	–	–	–
	• Others, please specify	–	–	–
	<b>Total (1)</b>	<b>60,000</b>	<b>1,00,000</b>	<b>1,60,000</b>
2.	Other Non-Executive Directors	–	–	–
	• Fee for attending board/committee meetings	–	–	–
	• Commission	–	–	–
	• Others, please specify	–	–	–
	<b>Total (2)</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>Total B = (1+2)</b>	<b>60,000</b>	<b>1,00,000</b>	<b>1,60,000</b>
	Overall Ceiling as per the Act (Being 3% of the net profit of the Company calculated as per section 198 of the Companies Act, 2013)			6,82,517

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Amount in Rs.)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	CS	CFO	
1.	Gross Salary (Rs. p.a.)	5,83,333	1,44,098	1,90,000	9,17,431
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	–	–	–	–
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	– As a % of Profit	–	–	–	–
	– Others, specify	–	–	–	–
5.	Others, please specify	–	–	–	–
	<b>Total</b>	<b>5,83,333</b>	<b>1,44,098</b>	<b>1,90,000</b>	<b>9,17,431</b>



**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	NIL				
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	NIL				
Punishment					
Compounding					

For and on behalf of the Board

**Keshub Mahindra**  
Chairman

Mumbai, 20<sup>th</sup> June, 2016

**ANNEXURE VI TO THE BOARD'S REPORT**

Particulars of loans/advances etc., required to be disclosed in the annual accounts of the company pursuant to Regulation 34(3) read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the holding company, Mahindra & Mahindra Limited.

**Loans and advances in nature of loans to subsidiaries:**

<b>Name of the Company</b>	<b>Balance as on 31<sup>st</sup> March, 2016</b>	<b>Maximum outstanding during the year</b>
Mahindra Punjab Tractor Private Limited	Rs. 54,586	Rs. 54,586

*The Company has not made any loans and advances in the nature of loans to associates.*

For and on behalf of the Board

**Keshub Mahindra**  
*Chairman*

Mumbai, 20<sup>th</sup> June, 2016

**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**

**Part "A" : Subsidiaries**

(Rs. in lakhs)

Sl. No.	Particulars	Auto Digitech Pvt.Ltd (formerly known as Mahindra Punjab Tractors Pvt.Ltd)	Mahindra Integrated Business Solutions Pvt.Ltd	Mahindra Susten Pvt.Ltd (formerly known as Mahindra EPC Services Pvt.Ltd)	Mahindra Telecommunications Investments Pvt.Ltd	Gateway Housing Company Limited (formerly known as Gateway Housing Finance Corporation Ltd)	*Mahindra Renewables Pvt.Ltd (formerly known as Mahindra Offgrid Services Pvt.Ltd)	**Brightsolar Renewable Energy Pvt.Ltd	**Cleansolar Renewable Energy Pvt.Ltd	**Neo Solren Pvt.Ltd	**Marvel Solren Pvt.Ltd	**Divine Solren Pvt.Ltd	**Astra Solren Pvt.Ltd
1	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016
2	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary	Indian Subsidiary
3	Share Capital	1.00	150.00	7027.17	46.67	176.00	10891.00	952.40	962.30	186.00	1.00	242.00	1.00
4	Reserves & Surplus	(1.56)	436.21	15166.38	626.80	13.47	336.77	1121.60	5039.16	1039.05	(1.74)	1203.74	(1.43)
5	Total Assets	0.39	1091.45	53097.40	686.03	193.77	11284.76	8789.69	21933.62	1226.74	0.46	1766.91	0.77
6	Total Liabilities & Equity	0.39	1091.45	53097.40	686.03	193.77	11284.76	8789.69	21933.62	1226.74	0.46	1766.91	0.77
7	Investments	-	268.89	11008.93	-	-	11120.71	-	150.00	1200.00	-	140.00	-
8	Turnover	-	1500.58	100966.81	69.81	14.48	605.86	330.29	101.62	13.28	-	2.17	-
9	Profit/(Loss) before taxation	(0.01)	112.87	3250.24	65.95	13.45	367.11	60.94	(54.31)	(49.18)	(1.74)	(72.04)	(1.43)
10	Provision for taxation	-	68.99	1144.48	16.00	4.16	-	6.32	0.89	-	-	-	-
11	Profit/(Loss) after taxation	(0.01)	43.88	2105.76	49.95	9.29	367.11	54.62	(55.20)	(49.18)	(1.74)	(72.04)	(1.43)
12	Proposed Dividend	-	20.25	-	-	-	-	-	-	-	-	-	-
13	% of shareholding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

\* a subsidiary of Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited)

\*\* a subsidiary of Mahindra Renewables Pvt.Ltd (formerly known as Mahindra Offgrid Services Pvt.Ltd)

**Keshub Mahindra**  
**Anand G. Mahindra**  
**A. K. Nanda**  
**M. A. Nazareth**  
**Zhooben Bhiwandiwala**  
**K. Chandrasekar**  
**Noshir Dastur**  
**Ajay Choksey**  
**Swaminathan Mani**  
**Anita Halbe**

*Chairman*

*Directors*

*Chief Executive Officer*  
*Chief Financial Officer*  
*Company Secretary*

Place : Mumbai  
 Date : 27<sup>th</sup> May, 2016

**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part "B" : Associate Companies****(Rs. in lakhs)**

Sl. No.	Particulars	Mahindra and Mahindra Contech Limited	Mahindra Automobile Distributor Private Limited	Mahindra Gujarat Tractor Limited	Mahindra eMarket Limited (formerly known as Mriyalguda Farm Solution Limited)
1	Latest audited Balance Sheet Date	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2016
2	Share of associates companies held by the company on the year end	23.33%	21.00%	49.00%	24.00%
3	No of Equity Share held	35000	210000	7497970	191928
4	Amount of Investment in associate companies	169.79	220.01	74.98	1.19
5	Extent of Holding %	23.33%	21.00%	49.00%	24.00%
6	Description of how there is significant influence	-	-	-	-
7	Reason why the associate companies is not consolidated	NA	NA	NA	NA
8	Net worth attributable to shareholding as per latest audited Balance Sheet	164.92	189.25	209.30	(1.00)
9	Profit/(Loss) for the year	73.17	1423.11	74.17	(4.07)
10	Considered in Consolidation	-	-	-	-
11	Not Considered in Consolidation	-	-	-	-

**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part "B" : Joint Ventures****(Rs. in lakhs)**

Sl. No.	Particulars	Mahindra Solar One Private Limited
1	Latest audited Balance Sheet Date	31 <sup>st</sup> March, 2016
2	Share of Joint Ventures held by the company on the year end	26%
3	No of Equity Share held	2781640
4	Amount of Investment in Joint Venture	2772.64
5	Extent of Holding %	26%
6	Description of how there is significant influence	-
7	Reason why the joint venture is not consolidated	NA
8	Net worth attributable to shareholding as per latest audited Balance Sheet	2835.51
9	Profit/(Loss) for the year	232.56
10	Considered in Consolidation	-
11	Not Considered in Consolidation	-

**Keshub Mahindra**  
**Anand G. Mahindra**  
**A. K. Nanda**  
**M. A. Nazareth**  
**Zhooben Bhiwandiwala**  
**K. Chandrasekar**  
**Noshir Dastur**  
**Ajay Choksey**  
**Swaminathan Mani**  
**Anita Halbe**

*Chairman**Directors*

*Chief Executive Officer*  
*Chief Financial Officer*  
*Company Secretary*

Place : Mumbai  
Date : 27<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAHINDRA HOLDINGS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA HOLDINGS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143 (11) of the Act.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements

give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, 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 Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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:
    - (i) The Company did not have any pending litigations which would impact its financial position in its financial statements in accordance with the generally accepted accounting practice;
    - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS**

*Chartered Accountants*

*(Firm's Registration No.117364W)*

**Shyamak R Tata**

*Partner*

*(Membership No. 38320)*

Mumbai: 27<sup>th</sup> May, 2016

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 **MAHINDRA HOLDINGS LIMITED** (“the Company”) as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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.

#### Auditor’s 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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, to the best of our information and according to the explanations given to us, 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 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**

*Chartered Accountants*  
(Firm’s Registration No.117364W)

**Shyamak R Tata**

*Partner*  
(Membership No.38320)

Mumbai: 27<sup>th</sup> May, 2016

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date on the accounts of **MAHINDRA HOLDINGS LIMITED** (“the Company”) for the year ended 31<sup>st</sup> March, 2016)

- (i) The Company does not have any fixed assets and hence reporting under clause (i) of the Order is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has granted unsecured loan to a company covered in the register maintained under Section 189 of the Companies Act, 2013, in respect of which:
- (a) The terms and conditions of the grant of such loan is, in our opinion, prima facie, not prejudicial to the Company’s interest.
- (b) The schedule of repayment of principal and payment of interest has been stipulated and receipts of principal amount and interest have been regular as per stipulation.
- (c) There is no overdue amount remaining outstanding as at the balance sheet date.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder are not applicable to the company.
- (vi) The maintenance of cost records has not been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax which have not been deposited as on 31<sup>st</sup> March, 2016 on account of any dispute.
- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) The Company has neither paid nor provided managerial remuneration and hence reporting under clause (xi) of the order is not applicable.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company, subsidiaries or associates or any persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company was required to and is currently registered under Section 45-IA of the Reserve Bank of India Act, 1934 (RBI Act).

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm’s Registration No.117364W)

**Shyamak R Tata**  
Partner  
(Membership No.38320)

Mumbai: 27<sup>th</sup> May, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Notes	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>A. EQUITY AND LIABILITIES:</b>			
<b>1 Shareholders' Funds:</b>			
(a) Share Capital .....	2	17918.65	9658.65
(b) Reserves and Surplus .....	3	2221.10	2337.61
<b>2 Current Liabilities:</b>			
(a) Trade Payables .....	4		
(i) Micro & Small Enterprises .....		-	-
(ii) Other than Micro & Small Enterprises.....		17.54	9.08
(b) Other Current Liabilities.....	5	1.54	0.59
<b>Total</b> .....		<b>20158.83</b>	<b>12005.93</b>
<b>B. ASSETS:</b>			
<b>1. Non-Current Assets:</b>			
(a) Non-Current Investments.....	6	19291.51	11840.30
(b) Long Term Loans and Advances .....	7	29.27	29.22
<b>2. Current Assets:</b>			
(a) Current Investments.....	8	832.61	78.98
(b) Cash and Bank Balances.....	9	4.89	4.10
(c) Short Term Loans and Advances.....	10	0.50	0.50
(d) Other Current Assets .....	11	0.05	52.83
<b>Total</b> .....		<b>20158.83</b>	<b>12005.93</b>

The accompanying notes 1 to 22 are an integral part of the Financial Statements

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Shyamak R Tata**  
Partner

Place : Mumbai  
Date : 27<sup>th</sup> May, 2016

**Keshub Mahindra**  
**Anand G. Mahindra**  
**A. K. Nanda**  
**M. A. Nazareth**  
**Zhooben Bhiwandiwala**  
**K. Chandrasekar**  
**Noshir Dastur**  
**Ajay Choksey**  
**Swaminathan Mani**  
**Anita Halbe**

*Chairman*

*Directors*

*Chief Executive Officer*  
*Chief Financial Officer*  
*Company Secretary*

Place : Mumbai  
Date : 27<sup>th</sup> May, 2016



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Notes	For the year ended 31 <sup>st</sup> March, 2016 Rupees lakhs	For the year ended 31 <sup>st</sup> March, 2015 Rupees lakhs
(I) Revenue from Operations.....	12	286.50	546.41
(II) Total Revenue .....		<u>286.50</u>	<u>546.41</u>
(III) Expenses:			
Other expenses.....	13	58.99	82.62
(IV) Total Expenses .....		<u>58.99</u>	<u>82.62</u>
(V) Profit before Exceptional Item and Tax (III - V) .....		<u>227.51</u>	<u>463.79</u>
(VI) (Less)/Add: Exceptional Item .....	19	(344.02)	116.28
(VII) (Loss)/Profit Before Tax (VI + VII).....		<u>(116.51)</u>	<u>580.07</u>
(VIII) Tax Expense:			
Current Tax for the year.....		-	26.90
		-	26.90
(IX) (Loss)/Profit for the year (VIII-IX) .....		<u>(116.51)</u>	<u>553.17</u>
(X) Earnings per equity share:	20		
(Face Value Rs.10 per share) (Rupees)			
Basic/Diluted .....		(0.09)	0.86

The accompanying notes 1 to 22 are an integral part of the Financial Statements

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Shyamak R Tata**  
Partner

Place : Mumbai  
Date : 27<sup>th</sup> May, 2016

**Keshub Mahindra**  
**Anand G. Mahindra**  
**A. K. Nanda**  
**M. A. Nazareth**  
**Zhooben Bhiwandiwala**  
**K. Chandrasekar**  
**Noshir Dastur**  
**Ajay Choksey**  
**Swaminathan Mani**  
**Anita Halbe**

Place : Mumbai  
Date : 27<sup>th</sup> May, 2016

*Chairman*

*Directors*

*Chief Executive Officer*  
*Chief Financial Officer*  
*Company Secretary*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees lakhs	For the year ended 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>A. Cash Flow from Operating Activities:</b>		
<b>(Loss)/Profit before tax</b> .....	<b>(116.51)</b>	580.07
Adjustments for:		
Diminution in value of investments .....	-	2.19
Profit on sale of non-current investment .....	-	(13.64)
Interest income .....	<b>(0.55)</b>	(4.53)
Exceptional items:		
Loss on sale of non-current investment (Net) .....	<b>344.02</b>	-
Profit on demerger of non current investment (Refer footnote No.2 below) .....	-	(116.28)
Operating profit before working capital changes.....	<b>226.96</b>	447.81
<b>Changes in Working Capital:</b>		
<b>Adjustments for (increase)/decrease in operating assets:</b>		
Short term loans and advances.....	-	(0.50)
Other current assets .....	<b>50.26</b>	(2.05)
<b>Adjustments for increase/(decrease) in operating Liabilities:</b>		
Trade Payables .....	<b>8.46</b>	7.42
Other current Liabilities .....	<b>0.95</b>	0.44
	<b>59.67</b>	5.31
<b>Cash generated from operations</b> .....	<b>286.63</b>	453.12
Income taxes paid (net of refunds) .....	<b>(0.05)</b>	(28.04)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b> .....	<b>286.58</b>	425.08
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of long term investments - Subsidiaries .....	<b>(8366.24)</b>	(3900.00)
Purchase of other long term investments .....	-	(1.19)
Purchase of current investments .....	<b>(1065.43)</b>	(426.63)
Sale of long term investments - Subsidiaries .....	<b>571.01</b>	14.64
Sale of current investments.....	<b>311.80</b>	347.66
Interest received .....	<b>3.07</b>	2.49
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES (B)</b> .....	<b>(8545.79)</b>	(3963.03)
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from Issue of Share Capital.....	<b>8260.00</b>	3533.65
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b> .....	<b>8260.00</b>	3533.65
<b>NET INCREASE/(DECREASE) IN CASH AND CASH BALANCE (A+B+C)</b> .....	<b>0.79</b>	(4.30)
Cash and cash balance at the beginning of the year .....	<b>4.10</b>	8.40
<b>Cash and cash balance at the end of the year</b> .....	<b>4.89</b>	4.10
<b>Note: 1</b>		
<b>Cash and cash balances at the end of the year:</b>		
Balances with Banks:		
In current account .....	<b>4.89</b>	4.10
<b>Cash and Bank Balances (Note 9)</b> .....	<b>4.89</b>	4.10
<b>Note: 2</b>		
This is a non-cash transaction refer note. 19 (b)		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered AccountantsShyamak R Tata  
PartnerPlace : Mumbai  
Date : 27<sup>th</sup> May, 2016Keshub Mahindra  
Anand G. Mahindra  
A. K. Nanda  
M. A. Nazareth  
Zhooben Bhiwandiwalla  
K. Chandrasekar  
Noshir Dastur  
Ajay Choksey  
Swaminathan Mani  
Anita Halbe

Chairman

Directors

Chief Executive Officer  
Chief Financial Officer  
Company SecretaryPlace : Mumbai  
Date : 27<sup>th</sup> May, 2016

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**NOTE 1**

**SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, and the relevant provisions of the Companies Act, 2013 ("the 2013 Act")/Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statement are consistent with those of the previous year.

**(b) Use of estimates:**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known materialise.

**(c) Cash Flow statement:**

Cash flows are reported using the indirect method, whereby profit (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**(d) Revenue recognition:**

- (i) Income is accounted on accrual basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.

**(e) Investments:**

Long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments. Current investments other than units of unquoted mutual fund are valued at cost or fair value whichever is lower, while units of unquoted mutual funds are valued at Net Asset Value declared by the mutual fund.

**(f) Taxes on income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on the timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax against which the MAT paid will be adjusted.

**NOTE 2**

**SHARE CAPITAL:**

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>Authorised:</b>		
19,00,00,000 (2015: 16,00,00,000) Ordinary (Equity) Shares of Rs.10 each with voting rights.....	19000.00	16000.00
Total .....	19000.00	16000.00
<b>Issued:</b>		
17,91,86,535 (2015: 9,65,86,535) Ordinary (Equity) Shares of Rs.10 each with voting rights .....	17918.65	9658.65
Total .....	17918.65	9658.65

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>Subscribed and fully paid-up:</b>		
17,91,86,535 (2015: 9,65,86,535) Ordinary (Equity) Shares of Rs.10 each with voting rights .....	17918.65	9658.65
<b>Of the above:</b> 17,91,86,535 (2015: 9,65,86,535) shares are held by Mahindra & Mahindra Limited (the holding Company) (Previous year holding Company, alongwith its subsidiary).		
Total .....	17918.65	9658.65

- (a) The equity shares of the Company, having par value of Rs.10 per share, rank pari passu in all respects including voting rights and entitlement to dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
- (b) Details of shares held by the holding company and its subsidiary:

Particulars	Equity shares with voting rights Number of shares
<b>As at 31 March, 2016</b>	
Mahindra & Mahindra Ltd, the holding company* .....	17,91,86,535
Mahindra Intertrade Ltd, Subsidiary of the holding company .....	-
<b>As at 31 March, 2015</b>	
Mahindra & Mahindra Ltd, the holding company* .....	9,65,86,534
Mahindra Intertrade Ltd, Subsidiary of the holding company .....	1

- (c) Details of shares held by each shareholder holding more than 5% shares:

Class of shares/ Name of shareholder	As at 31 March, 2016		As at 31 March, 2015	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Equity shares with voting rights</b>				
Mahindra & Mahindra Limited* .....	17,91,86,535	100%	9,65,86,534	99.99%

\*Includes 5 shares held jointly with its nominees

- (d) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh issue	Closing Balance
<b>Equity shares with voting rights</b>			
Year ended 31 March, 2016			
- Number of shares.....	9,65,86,535	8,26,00,000	17,91,86,535
- Amount (Rs).....	96,58,65,350	82,60,00,000	1,79,18,65,350
Year ended 31 March, 2015			
- Number of shares.....	6,12,50,000	3,53,36,535	9,65,86,535
- Amount (Rs).....	61,25,00,000	35,33,65,350	96,58,65,350

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## NOTE 3

## RESERVES AND SURPLUS:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>Special Reserve (in terms of Section 45-IC of the Reserve Bank of India Act, 1934):</b>		
Opening balance .....	490.01	379.38
Add: Transfer from Statement of Profit and Loss.....	–	110.63
Closing balance.....	490.01	490.01
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance .....	1847.60	1405.06
(Less)/Add: (Loss)/Profit for the Current Year .....	(116.51)	553.17
Less: Transfer to Special Reserve (in terms of Section 45-IC of the Reserve Bank of India Act, 1934).....	–	110.63
Closing balance.....	1731.09	1847.60
Total .....	2221.10	2337.61

## NOTE 4

## TRADE PAYABLES:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
Trade Payables		
(i) Total outstanding dues of micro enterprises and small enterprises (Refer footnote below) .....	–	–
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises .....	17.54	9.08
Total .....	17.54	9.08

## Footnote:

On the basis of information available with the Company, there are no Micro, Small and Medium Enterprises as specified in the Micro, Small and Medium Enterprises Development Act, 2006, to whom the Company owes dues which are outstanding for more than the stipulated period. This has been relied upon by the auditors.

## NOTE 5

## OTHER CURRENT LIABILITIES:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
Other payables:		
– Statutory obligations .....	1.54	0.59
Total .....	1.54	0.59

## NOTE 6

## NON-CURRENT INVESTMENTS:

	No of shares	Face Value Per Unit Rupees	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
			Rupees lakhs Quoted	Rupees lakhs Unquoted	Rupees lakhs Quoted	Rupees lakhs Unquoted
<b>Investments (At Cost, unless otherwise specified):</b>						
<b>a) Investment in Equity Instruments (Trade and fully paid-up unless otherwise specified):</b>						
<b>i) In Subsidiary Companies:</b>						
	10,000	10	–	1.00	–	1.00
Auto Digitech Private Limited .....						
(formerly known as Mahindra Punjab Tractor Private Limited)						
Mahindra Integrated Business Solutions Private Limited .....	15,00,000	10	–	150.00	–	150.00
(4,36,79,442) Mahindra Susten Private Limited ..	7,02,71,728	10	–	14759.86	–	6400.00
(formerly known as Mahindra EPC Services Private Limited)						
(90,10,000) Mahindra Namaste Private Limited.....			–	–	–	900.00
Mahindra Telecommunications Investments Private Limited .....	4,66,663	10	–	–	–	–
(Nil) Gateway Housing Company Limited*.....	50,000	10	–	8.88	–	–
(formerly known as Gateway Housing Finance Corporation Limited)						
			–	15339.61	–	7870.87
<b>ii) In Associate Companies:</b>						
Mahindra Gujarat Tractors Limited .....	74,97,970	10	–	74.98	–	74.98
Mahindra Automobile Distributor Private Limited .....	2,10,000	10	–	220.01	–	220.01
Mahindra and Mahindra Contech Limited.....	35,000	10	–	169.79	–	169.79
Mahindra eMarket Limited .....	1,91,928	10	–	1.19	–	1.19
(formerly known as Mrityalguda Farm Solution Limited)						
			–	465.97	–	465.97
<b>iii) In Joint Venture Company:</b>						
Mahindra Solar One Private Limited (Note 15).....	27,81,640	10	–	2772.64	–	2772.64
			–	2772.64	–	2772.64
<b>iv) In Other Entities:</b>						
NBS International Limited .....	10	10	–	0.03	–	0.03
(12,02,114) Mahindra Shubhlabh Services Limited .....	–	10	–	–	–	15.03
Mahindra Engineering & Chemical Products Limited .....	10	10	–	0.01	–	0.01
PSL Media & Communications Limited .....	19,748	5	–	–	–	–



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

## NOTE 10

## SHORT TERM LOANS AND ADVANCES:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>Loans and Advances to Related Parties (Refer Note.18):</b>		
Unsecured, considered good.....	0.50	0.50
<b>Note:</b> The loan of Rs.0.50 lakhs is given for the purpose of working capital. The tenure of the loan is 18 months. Interest is @ 9% per annum.		
Total .....	<u>0.50</u>	<u>0.50</u>

## NOTE 11

## OTHER CURRENT ASSETS:

Particulars	As at 31 <sup>st</sup> March, 2016 Rupees lakhs	As at 31 <sup>st</sup> March, 2015 Rupees lakhs
<b>(a) Deposit with Financial Institution:</b>		
In fixed deposits with original maturity greater than 3 months .....	-	50.26
<b>(b) Others:</b>		
Interest accrued on loan and fixed deposits .....	0.05	2.57
Total .....	<u>0.05</u>	<u>52.83</u>

## NOTE 12

## REVENUE FROM OPERATIONS:

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees lakhs	For the year ended 31 <sup>st</sup> March, 2015 Rupees lakhs
a) Dividend Income:		
i) from current investments		
others (Mutual Fund) .....	19.44	12.21
ii) from long-term investments		
Subsidiaries .....	15.00	15.00
Others .....	251.51	501.03
b) Interest income comprises:		
Interest from fixed deposits .....	0.55	4.53
c) Profit on sale of Non-Current investment.....	-	13.64
Total .....	<u>286.50</u>	<u>546.41</u>

## NOTE 13

## OTHER EXPENSES:

Particulars	For the year ended 31 <sup>st</sup> March, 2016 Rupees lakhs	For the year ended 31 <sup>st</sup> March, 2015 Rupees lakhs
Payment to statutory auditors:		
For audit fees.....	3.00	2.75
For other services.....	0.38	0.60
Service tax on the above .....	0.43	0.41
Legal & professional charges .....	16.00	5.27
Stamp duty & registration charges.....	36.76	70.03
Demat charges .....	0.13	0.02
Provision for diminution in value of non-current investments .....	-	2.19
Professional tax .....	0.03	0.03
Miscellaneous expenses .....	2.26	1.32
Total .....	<u>58.99</u>	<u>82.62</u>

## NOTE 14

Schedule to the Balance Sheet of a non - deposit taking non-banking financial company [as required in terms of paragraph 13 of Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

Particulars	(Rs. in lakhs)		(Rs. in lakhs)	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
<b>Liabilities side:</b>				
<b>(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>	<b>Amount Outstanding</b>	<b>Amount overdue</b>	<b>Amount Outstanding</b>	<b>Amount overdue</b>
<b>(a) Debentures:</b>				
Secured .....	-	-	-	-
Unsecured .....	-	-	-	-
(other than falling within the meaning of public deposits)				
<b>(b) Deferred Credits .....</b>	-	-	-	-
<b>(c) Term Loans .....</b>	-	-	-	-
<b>(d) Inter-corporate loans and borrowing .....</b>	-	-	-	-
<b>(e) Commercial Paper .....</b>	-	-	-	-
<b>(f) Other Loans (specify nature) .....</b>	-	-	-	-
<b>Assets side:</b>				
	<b>Amount outstanding</b>		<b>Amount outstanding</b>	
<b>(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]</b>				
(a) Secured .....	-	-	-	-
(b) Unsecured .....	0.50	0.50	0.50	0.50
	<b>Amount outstanding</b>		<b>Amount outstanding</b>	
<b>(3) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities.</b>				
(i) Lease assets including lease rentals under sundry debtors:				
(a) Financial lease .....	-	-	-	-
(b) Operating lease .....	-	-	-	-
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire.....	-	-	-	-
(b) Repossessed Assets.....	-	-	-	-
(iii) Other loans counting towards AFC activities				
(a) Loan where assets have been repossessed.....	-	-	-	-
(b) Loans other than (a) above.....	-	-	-	-
<b>(4) Break-up of Investments:</b>				
<b>Current Investments:</b>				
<b>1. Quoted:</b>				
(i) Shares:				
(a) Equity.....	-	-	-	-
(b) Preference.....	-	-	-	-
(ii) Debentures and Bonds..	-	-	-	-
(iii) Units of mutual funds....	-	-	-	-
(iv) Government Securities ..	-	-	-	-
(v) Others (please specify)...	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

	Amount outstanding	Amount outstanding
<b>2. Unquoted:</b>		
(i) Shares:		
(a) Equity.....	-	-
(b) Preference.....	-	-
(ii) Debentures and Bonds..	-	-
(iii) Units of mutual funds....	<b>832.61</b>	78.98
(iv) Government Securities ..	-	-
(v) Others (please specify)...	-	-
<b>Long Term Investments:</b>		
<b>1. Quoted:</b>		
(i) Shares:		
(a) Equity.....	<b>541.93</b>	541.93
(b) Preference.....	-	-
(ii) Debentures and Bonds..	-	-
(iii) Units of mutual funds....	-	-
(iv) Government Securities ..	-	-
(v) Others (please specify)...	-	-
<b>2. Unquoted:</b>		
(i) Shares:		
(a) Equity.....	<b>18577.58</b>	11126.37
(b) Preference.....	<b>171.00</b>	171.00
(ii) Debentures and Bonds..	-	-
(iii) Units of mutual funds....	-	-
(iv) Government Securities ..	-	-
(v) Others (please specify)...	-	-
- Trust Securities.....	<b>1.00</b>	1.00

**(5) Borrower group-wise classification of all leased assets, stock- on-hire and loans and advances:**

Category	(Rs. in lakhs)					
	As at March, 31 2016			As at March, 31 2015		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries ....	-	-	-	-	-	-
(b) Companies in the same group .....	-	-	-	-	-	-
(c) Other related parties .....	-	-	-	-	-	-
2. Other than related parties .....	-	-	-	-	-	-
Total.....	-	-	-	-	-	-

**(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**

Category	(Rs. In lakhs)			
	As at March, 31 2016		As at March, 31 2015	
	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiary Companies.....	<b>15509.61</b>	<b>15509.61</b>	7869.87	7869.87
(b) Associates Companies.....	<b>464.78</b>	<b>464.78</b>	464.78	464.78
(c) Joint Venture Company .....	<b>2772.64</b>	<b>2772.64</b>	2772.64	2772.64
(d) Other related parties .....	<b>1.55</b>	<b>1.55</b>	190.08	190.08
2. Other than related parties .....	<b>963.36</b>	<b>542.93</b>	1273.34	542.93
Total.....	<b>19711.94</b>	<b>19291.51</b>	12570.71	11840.30

Note: The book value is considered as fair value for the purpose of above calculation

**(7) Other information:**

**Particulars**

1. Gross Non-Performing Assets		
(a) Related parties .....	-	-
(b) Other than related parties .....	-	-
2. Net Non-Performing Assets		
(a) Related parties .....	-	-
(b) Other than related parties .....	-	-
3. Assets acquired in satisfaction of debt.....	-	-

15. The Company has pledged as a co-obligant, to the lenders of Mahindra Solar One Private Limited, **14,18,636** (2015: 14,18,636) shares held by it in Mahindra Solar One Private Limited to secure loans obtained by Mahindra Solar One Private Limited.

16. The Company has issued a Letter of Comfort for Rs.700 lakhs (2015: Rs. 700 lakhs) to Tata Capital Financial Services Pvt. Ltd for banking facility it has offered to Mahindra Solar One Pvt. Ltd.

**17. SEGMENT INFORMATION:**

The Company operates in a single reportable segment namely investing activity.

**18. RELATED PARTY TRANSACTIONS:**

**(a) List of Related Parties:**

Holding Company:	Mahindra & Mahindra Limited
(i) <b>Related Parties where control exists:</b>	
Subsidiary Companies:	Auto Digitech Private Limited (formerly known as Mahindra Punjab Tractors Private Limited).
	Mahindra Integrated Business Solutions Private Limited
	Mahindra Telecommunications Investments Private Limited
	Mahindra Namaste Private Limited
	Gateway Housing Company Limited (formerly known as Gateway Housing Finance Corporation Limited)
	Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited)
	Mahindra Renewables Private Limited (formerly known as Mahindra Offgrid Services Private Limited) – (Wholly owned subsidiary of Mahindra Susten Private Limited)
	MachinePulse Tech Private Limited – (Wholly owned subsidiary of Mahindra Renewables Private Limited)
	Cleansolar Renewable Energy Private Limited - (Wholly owned subsidiary of Mahindra Renewables Private Limited) Brightsolar Renewable Energy Private Limited - (Wholly owned subsidiary of Mahindra Renewables Private Limited) Neo Solren Private Limited - (Wholly owned subsidiary of Mahindra Renewables Private Limited)
	Marvel Solren Private Limited – (Wholly owned subsidiary of Mahindra Renewables Private Limited)
	Divine Solren Private Limited – (Wholly owned subsidiary of Mahindra Renewables Private Limited)
	Astra Solren Private Limited – (Wholly owned subsidiary of Mahindra Renewables Private Limited)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

(ii) **Name of related parties where transactions have taken place during the year:**

Associate Companies: Mahindra Automobile Distributor Private Limited  
 Associate of Holding Company: Tech Mahindra Limited

**(b) Related Party Transactions are as under:**

Nature of Transaction	(Rs. in lakhs)				
	Holding Company	Subsidiary Companies	Associate Companies	Associate of Holding Company	Fellow Subsidiary Company
<b>(a) Investments - Subscribed:</b>					
(a) Mahindra Namaste Private Limited .....	-	-	-	-	-
(b) Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited) .....	(-)	(300.00)	(-)	(-)	(-)
(c) Mahindra eMarket Limited (formerly known as Mriyalguda Farm Solution Limited) .....	-	8359.87	-	-	-
	(-)	(3600.00)	(-)	(-)	(-)
(d) Mahindra eMarket Limited (formerly known as Mriyalguda Farm Solution Limited) .....	-	-	-	-	-
	(-)	(-)	(1.19)	(-)	(-)
<b>(b) Investments - Sales</b>					
(a) Mahindra United Football Club Private Limited (upto 18/12/2014) .....	-	-	-	-	-
	(-)	(14.64)	(-)	(-)	(-)
(b) Mahindra Consulting Engineers Limited * (Re. 1/-) .....	-	-	-	-	*
	(-)	(-)	(-)	(-)	(-)
(c) Mahindra & Mahindra Limited .....	571.00	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
(d) Mahindra Vehicle Manufacturers Limited ** (Rs. 258.38) .....	-	-	-	-	**
	(-)	(-)	(-)	(-)	(-)
<b>(c) Investments Balances:</b>					
(a) Mahindra Namaste Private Limited .....	-	-	-	-	-
	(-)	(900.00)	(-)	(-)	(-)
(b) Mahindra Susten Private Limited (formerly known as Mahindra EPC Services Private Limited) .....	-	14759.86	-	-	-
	(-)	(6400.00)	(-)	(-)	(-)
(c) Mahindra eMarket Limited (formerly known as Mriyalguda Farm Solution Limited) .....	-	-	-	-	-
	(-)	(-)	(1.19)	(-)	(-)
<b>(d) Dividend Received:</b>					
(a) Mahindra Integrated Business Solutions Private Limited .....	-	15.00	-	-	-
	(-)	(15.00)	(-)	(-)	(-)
(b) Tech Mahindra Ltd .....	-	-	-	12.11	-
	(-)	(-)	(-)	(18.03)	(-)
(c) Mahindra Automobile Distributor Private Limited .....	-	-	239.40	-	-
	(-)	(-)	(483.00)	(-)	(-)

Nature of Transaction	(Rs. in lakhs)				
	Holding Company	Subsidiary Companies	Associate Companies	Associate of Holding Company	Fellow Subsidiary Company
<b>(e) Loans and Advances:</b>					
(a) Auto Digitech Private Limited (formerly known as Mahindra Punjab Tractor Private Limited) .....	-	0.50	-	-	-
	(-)	(-)	(-)	(-)	(-)
<b>(f) Interest Income</b>					
(a) Auto Digitech Private Limited (formerly known as Mahindra Punjab Tractor Private Limited) .....	-	0.05	-	-	-
	(-)	(-)	(-)	(-)	(-)
<b>(g) Receiving of services</b>					
(a) Mahindra & Mahindra Limited .....	14.85	-	-	-	-
	(4.80)	(-)	(-)	(-)	(-)
<b>(h) Outstandings - Payable:</b>					
(a) Mahindra & Mahindra Limited .....	13.55	-	-	-	-
	(4.37)	(-)	(-)	(-)	(-)
<b>(i) Issue of shares:</b>					
(a) Mahindra & Mahindra Limited .....	8260.00	-	-	-	-
	(3533.65)	(-)	(-)	(-)	(-)

Note: Previous year figures are given in brackets.

**19. EXCEPTIONAL ITEMS:**

a) During the current year, the Company has sold its Non Current Investments as a part of reorganisation within the group based on external valuation. The Company has incurred net loss on such transactions as below.

Particulars	Rs. in lakhs
Profit on sale of Non Current Investment in Mahindra Shubhlabh Services Limited (fellow subsidiary) .....	555.98
Loss on sale of Non Current Investment in Mahindra Namaste Private Limited (subsidiary) .....	(900.00)
<b>Net Loss on exceptional items .....</b>	<b>(344.02)</b>

b) During the previous year ended 31<sup>st</sup> March, 2015, under a scheme of arrangement (Scheme) Mahindra Engineering Services Limited (MESL), a fellow subsidiary of the Company merged with Tech Mahindra Limited (TML), an associate of the Holding Company, Mahindra and Mahindra Limited. The scheme was operative from the appointed date of 1<sup>st</sup> April, 2013 and had come into effect (effective date) from 8<sup>th</sup> December, 2014. The excess of fair value of TML shares received in terms of the scheme over the carrying cost of investments in MESL has been recorded as an exceptional item.

**20. EARNINGS PER SHARE:**

	2016	2015
(Loss)/Profit for the year (Rs. lakhs)		
(Amount used as numerator) .....	<b>(116.51)</b>	553.17
Weighted Average number of equity shares for Basic Earnings per share .....	<b>13,40,23,147</b>	6,41,54,373
Nominal Value per Equity Share (in Rs.) .....	<b>10.00</b>	10.00
Basic and Diluted Earnings per Equity Share (in Rs.) .....	<b>(0.09)</b>	0.86



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

### 21. JOINT VENTURES DISCLOSURE:

Mahindra Solar One Private Limited (MSOPL) is a 26% Joint Venture of the Company. Mahindra Suryaprakash Private Limited (MSPPL) and Mahindra Suryaurja Private Limited (MSUPL) are subsidiaries of MSOPL. The disclosures in (ii) below have been made on the basis of audited consolidated financial statements of MSOPL.

The information for 2014-2015 has been updated in line with the audited consolidated financial statements for the year.

(i) Jointly Controlled Entities are:

Name of the Entity	Country of Incorporation	% of Ownership Interest as at 31 <sup>st</sup> March	
		2016	2015
(a) Mahindra Solar One Private Limited .....	India	26.00%	26.00%
(b) Mahindra Suryaprakash Private Limited .....	India	18.17%	18.17%
(c) Mahindra Suryaurja Private Limited .....	India	26.00%	26.00%

(ii) The Company's share of each of the Assets, Liabilities, Income and Expenses with respect to its interest in these Jointly Controlled Entities are:

	2016 (Rs. in lakhs)	2015 (Rs. in lakhs)
<b>I. ASSETS</b>		
1. Tangible assets .....	9957.16	10413.52
2. Capital work-in-progress .....	116.72	116.72
3. Non-current investments .....	0.13	0.13
4. Long-term loans and advances....	76.78	75.81
5. Trade receivables .....	-	-
6. Cash and cash equivalents.....	1625.05	1338.79
7. Short-term loans and advances....	19.48	19.58
8. Other current assets.....	156.37	156.77
<b>II. LIABILITIES</b>		
1. Long-term borrowing.....	4898.62	5203.33
2. Deferred Tax Liabilities .....	-	-
3. Other Long Term Liabilities .....	130.00	130.00

	2016 (Rs. in lakhs)	2015 (Rs. in lakhs)
4. Long-term provisions.....	0.14	0.10
5. Short-term borrowings .....	119.03	139.47
6. Trade payables .....	156.10	106.87
7. Other current liabilities .....	951.45	896.62
8. Short-term provisions .....	0.22	0.18

**III. INCOME** 1826.47 1807.81

#### IV. EXPENDITURE

1. Employee benefits expense.....	2.98	2.17
2. Finance costs	550.02	582.55
3. Depreciation expense.....	648.56	642.33
4. Other expenses .....	483.45	561.71

#### V. Other matters

1. Contingent Liabilities .....	3.11	3.11
2. Capital Commitments.....	-	-

22. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

**Keshub Mahindra**  
**Anand G. Mahindra**  
**A. K. Nanda**  
**M. A. Nazareth**  
**Zhooben Bhiwandiwala**  
**K. Chandrasekar**  
**Noshir Dastur**  
**Ajay Choksey**  
**Swaminathan Mani**  
**Anita Halbe**

*Chairman*

*Directors*

*Chief Executive Officer*  
*Chief Financial Officer*  
*Company Secretary*

Place : Mumbai  
 Date : 27<sup>th</sup> May, 2016

## CORPORATE DATA

	<b>Date of appointment</b>
<b>DIRECTORS:</b>	
Zhooben Bhiwandiwala	27 April 2005
Kandasamy Chandrasekar	21 June 2013
Zakir Hussein Niamut	05 February 2013
Teemulsingh Luchowa	21 February 2014
Veena Kunniah	21 February 2014
<b>ADMINISTRATOR, SECRETARY, REGISTRAR &amp; MAURITIAN TAX AGENT</b>	: International Financial Services Limited IFS Court, Bank Street TwentyEight Cybercity Ebene 72201 Republic of Mauritius
<b>REGISTERED OFFICE</b>	: IFS Court, Bank Street TwentyEight Cybercity Ebene 72201 Republic of Mauritius
<b>AUDITORS</b>	: Grant Thornton Ebene Tower 52 Cybercity Ebene 72201 Republic of Mauritius
<b>BANKERS</b>	: HSBC Bank (Mauritius) Limited Standard Chartered Bank (Mauritius) Limited State Bank of India, South Africa Kutxabank, Spain Barclays Bank Plc, London
<b>CUSTODIAN</b>	: Fineco Bank, Spain

## COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2016

The directors present the audited financial statements of Mahindra Overseas Investment Company (Mauritius) Ltd (the "Company") for the year ended 31 March 2016.

### PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments.

### RESULTS

The results for the year are shown in the statement of comprehensive income and related notes.

### DIRECTORS

The present membership of the Board is set out in this Report. All directors served in office during the year.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business

Licence and in compliance with the requirements of the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **CONSOLIDATION**

Consolidated financial statements have not been presented since the Company took advantage of the requirements of Section 12 Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 as the Company is a wholly-owned subsidiary of Mahindra & Mahindra Ltd, a company incorporated in the Republic of India.

#### **AUDITORS**

The auditors, **Grant Thornton**, have indicated their willingness to continue in office until the next Annual Meeting.

#### **CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001**

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of **Mahindra Overseas Investment Company (Mauritius) Ltd** under the Mauritius Companies Act 2001 during the financial year ended 31 March 2016.

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**For International Financial Services Limited**

*Secretary*

#### **Registered Office:**

IFS Court, Bank Street  
TwentyEight  
Cybercity  
Ebene 72201  
Republic of Mauritius

**Date: 23 May, 2016**

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBER OF MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD

#### Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD**, the "Company", which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 auditors' judgement, 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 auditors consider internal control relevant to the entity'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 accounting estimates made by the 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.

#### Opinion

In our opinion, the separate financial statements on pages herein give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and the requirements of the Mauritius Companies Act 2001.

#### Emphasis of matter

Without qualifying our opinion, we draw attention on the recoverable amount of investments held in several unquoted companies as described in Note 25 to the financial statements. These investments are stated at their carrying amounts of USD 68,462,913 as the fair values cannot be reliably measured. However, based on available valuation models, the directors have assessed the recoverable amounts of these investments and concluded that no sign of impairment has been identified and hence no provision is required at the reporting date.

#### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or any interest in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

#### Other Matters

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.

**Grant Thornton**  
Chartered Accountants

**K RAMCHURUN, FCCA**  
Licensed by FRC

**Date: 23 May, 2016**

**Ebene 72201, Republic of Mauritius**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 USD	2016 INR (Note 1)	2015 USD	2015 INR (Note 1)
<b>INCOME</b>					
Dividend income.....		3,685,352	244,504,678	3,050,313	202,373,016
Other income.....		–	–	107,177	7,110,658
		<u>3,685,352</u>	<u>244,504,678</u>	<u>3,157,490</u>	<u>209,483,674</u>
<b>EXPENSES</b>					
Professional fees.....		63,138	4,188,891	46,921	3,112,974
Repairs and maintenance.....		38,797	2,573,987	46,200	3,065,139
Depreciation.....	9	35,385	2,347,618	40,850	2,710,193
Audit fees.....		18,951	1,257,304	19,062	1,264,668
Promotional expenses.....		–	–	2,569	170,440
Bank charges.....		7,666	508,600	7,210	478,347
Licence fees.....		2,700	179,132	2,100	139,325
Insurance charges.....		705	46,773	930	61,701
		<u>167,342</u>	<u>11,102,305</u>	<u>165,842</u>	<u>11,002,787</u>
<b>OPERATING PROFIT</b>		<b>3,518,010</b>	<b>233,402,373</b>	2,991,648	198,480,887
Investment written off.....	13	–	–	(149)	(9,885)
Finance income.....	20.1	520,658	34,543,055	348,182	23,100,135
Finance costs.....	20.2	(4,780,746)	(317,178,593)	(5,028,286)	(333,601,635)
<b>LOSS BEFORE TAX</b>		<b>(742,078)</b>	<b>(49,233,165)</b>	(1,688,605)	(112,030,498)
Tax expense.....	8	–	–	–	–
<b>LOSS FOR THE YEAR</b> .....		<b>(742,078)</b>	<b>(49,233,165)</b>	<b>(1,688,605)</b>	<b>(112,030,498)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>					
Items that will not be reclassified subsequently to profit or loss.....		–	–	–	–
Items that may be reclassified subsequently to profit or loss.....		–	–	–	–
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b> .....		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b> .....		<b>(742,078)</b>	<b>(49,233,165)</b>	<b>(1,688,605)</b>	<b>(112,030,498)</b>

The note form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	2016 USD	2016 INR (Note 1)	2015 USD	2015 INR (Note 1)
<b>ASSETS</b>					
<b>Non-current</b>					
Property, plant and equipment .....	9	1,377,576	91,395,280	1,412,961	93,742,898
Investment in associate .....	10	131,161,644	8,701,919,271	131,161,644	8,701,919,271
Investments in subsidiaries .....	11	34,687,794	2,301,361,693	22,221,418	1,474,279,977
Investment in joint venture .....	12	39,745,429	2,636,910,487	39,745,429	2,636,910,487
Available-for-sale financial assets.....	13	18,894,141	1,253,531,785	18,894,141	1,253,531,785
Loans.....	14	575,490	38,180,884	–	–
<b>Non-current assets</b>		<b>226,442,074</b>	<b>15,023,299,400</b>	<b>213,435,593</b>	<b>14,160,384,418</b>
<b>Current</b>					
Loans.....	14	99,241	6,584,144	–	–
Prepayments .....		8,199	543,963	3,037	201,490
Cash and cash equivalents.....	15	3,034,682	201,335,977	2,440,418	161,909,532
<b>Current assets</b>		<b>3,142,122</b>	<b>208,464,084</b>	<b>2,443,455</b>	<b>162,111,022</b>
<b>Total assets</b>		<b>229,584,196</b>	<b>15,231,763,484</b>	<b>215,879,048</b>	<b>14,322,495,440</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital .....	16	115,487,709	7,662,032,053	101,539,039	6,736,607,542
Accumulated losses .....		(33,284,608)	(2,208,267,317)	(32,542,530)	(2,159,034,152)
<b>Total equity</b>		<b>82,203,101</b>	<b>5,453,764,736</b>	<b>68,996,509</b>	<b>4,577,573,390</b>
<b>Liabilities</b>					
<b>Non-current</b>					
Derivative financial instruments.....	17	–	–	557,762	37,004,720
Borrowings.....	18	15,092,107	1,001,285,839	142,300,800	9,440,946,576
<b>Non-current liabilities</b>		<b>15,092,107</b>	<b>1,001,285,839</b>	<b>142,858,562</b>	<b>9,477,951,296</b>
<b>Current</b>					
Derivative financial instruments.....	17	161,689	10,727,257	–	–
Borrowings.....	18	130,703,733	8,671,539,166	3,289,692	218,254,616
Payables and accruals .....	19	1,423,566	94,446,486	734,285	48,716,138
<b>Current liabilities</b>		<b>132,288,988</b>	<b>8,776,712,909</b>	<b>4,023,977</b>	<b>266,970,754</b>
<b>Total liabilities</b>		<b>147,381,095</b>	<b>9,777,998,748</b>	<b>146,882,539</b>	<b>9,744,922,050</b>
<b>Total equity and liabilities</b>		<b>229,584,196</b>	<b>15,231,763,484</b>	<b>215,879,048</b>	<b>14,322,495,440</b>

Approved by the Board of Directors on 23 May, 2016 and signed on its behalf by:

**Zakir Hussein Niamut**  
Director

**Teemulsingh Lunchowa**  
Director

The notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

	Stated capital	Accumulated losses	Total
	USD	USD	USD
Balance at 01 April 2014.....	87,902,525	(30,853,925)	57,048,600
Issue of shares .....	13,636,514	-	13,636,514
Transactions with the owner .....	13,636,514	-	13,636,514
Loss for the year.....	-	(1,688,605)	(1,688,605)
Other comprehensive income.....	-	-	-
Total comprehensive loss for the year.....	-	(1,688,605)	(1,688,605)
Balance at 31 March 2015 .....	101,539,039	(32,542,530)	68,996,509
<b>Balance at 01 April 2015.....</b>	<b>101,539,039</b>	<b>(32,542,530)</b>	<b>68,996,509</b>
<b>Issue of shares .....</b>	<b>13,948,670</b>	<b>-</b>	<b>13,948,670</b>
<b>Transactions with the owner .....</b>	<b>13,948,670</b>	<b>-</b>	<b>13,948,670</b>
<b>Loss for the year.....</b>	<b>-</b>	<b>(742,078)</b>	<b>(742,078)</b>
<b>Other comprehensive income.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year .....</b>	<b>-</b>	<b>(742,078)</b>	<b>(742,078)</b>
<b>Balance at 31 March 2016.....</b>	<b>115,487,709</b>	<b>(33,284,608)</b>	<b>82,203,101</b>

	Stated capital	Accumulated losses	Total
	INR (Note 1)	INR (Note 1)	INR (Note 1)
Balance at 01 April 2014.....	5,831,893,021	(2,047,003,654)	3,784,889,367
Issue of shares .....	904,714,521	-	904,714,521
Transactions with the owner .....	904,714,521	-	904,714,521
Loss for the year.....	-	(112,030,498)	(112,030,498)
Other comprehensive income.....	-	-	-
Total comprehensive loss for the year.....	-	(112,030,498)	(112,030,498)
Balance at 31 March 2015 .....	6,736,607,542	(2,159,034,152)	4,577,573,390
<b>Balance at 01 April 2015.....</b>	<b>6,736,607,542</b>	<b>(2,159,034,152)</b>	<b>4,577,573,390</b>
<b>Issue of shares .....</b>	<b>925,424,511</b>	<b>-</b>	<b>925,424,511</b>
<b>Transactions with the owner .....</b>	<b>925,424,511</b>	<b>-</b>	<b>925,424,511</b>
<b>Loss for the year.....</b>	<b>-</b>	<b>(49,233,165)</b>	<b>(49,233,165)</b>
<b>Other comprehensive income.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year .....</b>	<b>-</b>	<b>(49,233,165)</b>	<b>(49,233,165)</b>
<b>Balance at 31 March 2016.....</b>	<b>7,662,032,053</b>	<b>(2,208,267,317)</b>	<b>5,453,764,736</b>

The notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>Operating activities</b>				
Loss before tax .....	(742,078)	(49,233,165)	(1,688,605)	(112,030,498)
<i>Adjustments for:</i>				
Fair value (gain)/loss .....	(396,073)	(26,277,464)	557,762	37,004,720
Impairment of investment .....	-	-	149	9,885
Depreciation .....	35,385	2,347,618	40,850	2,710,193
Other income .....	-	-	(107,177)	(7,110,658)
Interest income .....	(14,975)	(993,516)	(29,761)	(1,974,494)
Interest expense .....	3,946,390	261,823,244	3,664,946	243,150,842
Dividend income .....	(3,685,352)	(244,504,678)	(3,050,313)	(202,373,016)
	(856,073)	(56,837,959)	(612,149)	(40,613,026)
<i>Changes in working capital:</i>				
Increase in prepayments .....	(5,162)	(342,473)	(599)	(39,741)
Increase/(decrease) in payables and accruals .....	689,281	45,730,348	(6,660,740)	(441,906,795)
<b>Net cash used in operations</b>	(172,584)	(11,450,086)	(7,273,488)	(482,559,562)
Interest received .....	-	-	41,949	2,783,106
Interest paid .....	(3,092,262)	(205,156,122)	(2,553,339)	(169,401,276)
<b>Net cash used in operating activities</b>	(3,264,846)	(216,606,208)	(9,784,878)	(649,177,732)
<b>Investing activities</b>				
Purchase of investments .....	(12,466,376)	(827,081,716)	(6,305,980)	(418,370,243)
Dividend received .....	3,685,352	244,504,678	3,050,313	202,373,016
<b>Net cash used in investing activities</b>	(8,781,024)	(582,577,038)	(3,255,667)	(215,997,227)
<b>Financing activities</b>				
Loan repaid to shareholder .....	(717,200)	(47,582,634)	(734,400)	(48,723,768)
Loan repayment received .....	-	-	1,172,192	77,769,078
Proceeds from issue of shares .....	13,948,670	925,454,511	13,636,514	904,714,521
Loan given .....	(659,756)	(43,771,512)	-	-
<b>Net cash from financing activities</b>	12,571,714	834,070,365	14,074,306	933,759,831
<b>Net change in cash and cash equivalents</b>	525,844	34,887,119	1,033,761	68,584,872
Cash and cash equivalents, beginning of year .....	2,440,418	161,909,532	1,617,458	107,310,251
Exchange differences on cash and cash equivalents .....	68,420	4,539,326	(210,801)	(13,985,591)
<b>Cash and cash equivalents, end of year</b>	3,034,682	201,335,977	2,440,418	161,909,532
<b>Cash and cash equivalents made up of:</b>				
Cash at bank (Note 15) .....	3,034,682	201,335,977	2,440,418	161,909,532

The notes form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Mahindra Overseas Investment Company (Mauritius) Ltd (the "Company") was incorporated in the Republic of Mauritius under the Mauritius Companies Act 2001 on 7 December 2004 as a private Company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company's registered office is IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Republic of Mauritius. The principal purpose of the Company is to act as an investment holding company. The Company holds property, plant and equipment in the Republic of South Africa. In accordance with South African tax regulations, the Company has been registered as an external company.

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence.

Indian Rupee ("INR") amounts are included solely for convenience. These transactions should not be construed as representations that the USD amounts actually represent, or have been or could be converted into INR. As the amounts shown in INR are for convenience only, the rate of 1 USD = INR66.345 has been used for the purpose of presentation of the INR amounts in the accompanying financial statements for the two years ended 31 March 2015 and 31 March 2016.

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### 2.1 New and revised standards that are effective for the annual year beginning on 01 April 2015

In the current year, the Company has applied the following new and revised standards issued by the International Accounting Standards Board ("IASB") that are mandatory for the first time for the financial year beginning on 01 April 2015:

IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Various	Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The directors have assessed the impact of these revised standards and amendments and concluded that only IAS 24, *Related Party Disclosures* as defined in Annual Improvements to IFRSs 2010-2012 cycle has an impact on the disclosure of these financial statements.

#### 2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing Standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first year beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations is provided below.

IAS 7	Disclosure Initiative (Amendments to IAS 7)
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
IFRS 16	Leases
IFRS 9	Financial Instruments (2014)
IFRS 15	Revenue from Contracts with Customers
IFRS for SMEs	Amendments to the International Financial Reporting Standard for Small and Medium Sized Entities
IAS 1	Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)
IFRS 10,	Investment Entities: Applying the Consolidation Exception
IFRS 12 and	(Amendments to IFRS 10, IFRS 12 and IAS 28)
IAS 28	
IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint
and IAS 28	Venture (Amendments to IFRS 10 and IAS 28)

IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)
IAS 16 and	
IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
IAS 16 and	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 38	(Amendments to IAS 38 and IAS 16)
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
IFRS 14	Regulatory Deferral Accounts
Various	Annual Improvements to IFRSs 2012-2014 Cycle

### 3. SUMMARY OF ACCOUNTING POLICIES

#### (a) Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

#### (b) Revenue

Dividend income is recognised when the Company's right to receive such dividend is established.

Interest income is recognised on the accrual basis unless collectability is in doubt.

#### (c) Expenses

All expenses are accounted for in the statement of comprehensive income on the accrual basis.

#### (d) Taxation

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

#### (e) Property, plant and equipment

Building and furniture and fittings are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Building and furniture and fittings are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual values.

The following average useful lives are applied:

Buildings: 60 years

Furniture and fittings: 10 years

Where the carrying amount of an asset is greater than its estimated amount, it is written down immediately to its recoverable amount.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date. Repairs and maintenance costs are expensed as incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. The gain or loss on disposal is credited or charged to the statement of comprehensive income.

#### (f) Consolidated financial statements

The financial statements are separate financial statements which contain information about Mahindra Overseas Investment Company (Mauritius) Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of a quoted company incorporated in the Republic of India, Mahindra & Mahindra Ltd.

**(g) Investment in subsidiary**

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiary is initially shown at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income.

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

**(h) Investment in associate and joint venture**

An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

A joint venture is an arrangement that the Company controls jointly with one or more other investors, and over which the Company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investment in associate and joint venture are initially shown at cost in these separate financial statements in accordance with IAS 28, *Investments in Associates and Joint Ventures*. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income.

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

**(i) Financial instruments**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transactions costs, where appropriate. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, the Company's financial assets are classified into the category of loans and receivables and available-for-sale financial assets upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets which are described below.

All income and expenses relating to financial assets are recognised in the statement of comprehensive income.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's loans and cash and cash equivalents fall into this category of financial instruments.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The Company's available-for-sale financial assets comprise of minority shareholding investments in an unquoted company, preference shares/common stock in several unquoted companies and funds invested in film productions (as disclosed in Note 13 to these financial statements).

These financial assets are stated at cost less impairment charges as their fair values cannot be estimated reliably since they are neither traded in an active market nor reliable inputs are available to fair value these instruments using fair valuation models. Impairment charges are recognised in the statement of comprehensive income. On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

**Classification and subsequent measurement financial liabilities**

The Company's financial liabilities consist of borrowings, payables and accruals.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are reported in the statement of comprehensive income.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(k) Equity**

Stated capital is determined using the value of shares that have been issued.

Accumulated losses include all current and prior years' results as disclosed in the statement of comprehensive income.

**(l) Related parties**

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

**(m) Foreign currency translation**

**(i) Functional and presentation currency**

The financial statements are presented in United States Dollars ("USD"), which is the Company's functional and presentation currency. The Company has also presented the financial statements in Indian Rupee ("INR") for the convenience of users of financial statements.

(ii) *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(n) **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(o) **Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered any impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

(p) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowings using the effective interest method.

Fees paid on loan facilities are recognised as transaction costs.

(q) **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Company has not designated the derivative contracts (interest rate swaps) as a hedging instrument.

(r) **Comparatives**

Where necessary, comparatives figures have been adjusted to conform with changes in presentation in the current year.

4. **SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgement**

The following is the significant management judgement in applying the accounting policies of the Company that has the most significant effect on the financial statements.

*Determination of functional currency*

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the USD.

*Investment in associate*

The directors have assessed the level of influence that the Company has on CIE Automotive S.A. and determined that it has significant influence even though the shareholding is below 20% due to the representation on the board of directors and participation in policy-making processes. Consequently, this investment has been classified as an associate.

*Investment in joint venture*

The Company holds 51% of the shares in its joint arrangement. The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities.

The Company's joint arrangement is structured as a limited company (Mahindra Yueda (Yancheng) Tractor Co., Ltd) and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, the arrangement is classified as joint venture.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities income and expenses is provided below. Actual results may be substantially different.

*Fair value of derivative financial instruments*

The fair value of the derivative financial instruments is determined based on valuation performed by an independent valuers. The assumptions used to value the derivative financial instruments are given in Note 17. In applying the valuation techniques the independent valuers maks maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument.

*Impairment of investment in associate, joint venture, subsidiaries and available-for-sale financial assets*

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. The directors have assessed the recoverable amount of the investments and confirmed that the carrying amounts have not suffered any impairment in value at the reporting date.

*Impairment losses on loans to third parties*

The Company reviews its loans to third parties at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

*Useful lives and residual values of property, plant and equipment*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

5. **FINANCIAL INSTRUMENT RISK**

**Risk management objectives and policies**

The Company is exposed to various risks in relation to its financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's financial assets and financial liabilities by category are summarised below.

	2016 USD	2016 INR (Note 1)	2015 USD	2015 INR (Note 1)
<b>Financial assets</b>				
<b>Non-current</b>				
<i>Available-for-sale financial assets:</i>				
Investments	18,894,141	1,253,531,485	18,894,141	1,253,531,485
<i>Loans and receivables:</i>				
<b>Non-current</b>				
Loans	575,490	38,180,884	-	-
<b>Current</b>				
Loans	99,241	6,584,144	-	-
Cash and cash equivalents	3,034,682	201,335,977	2,440,418	161,909,532
	3,709,413	246,101,005	2,440,418	161,909,532
<b>Total financial assets</b>	<b>22,603,554</b>	<b>1,499,632,490</b>	<b>21,334,559</b>	<b>1,415,441,017</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortised cost:</i>				
<b>Non-current</b>				
Derivative financial instruments	-	-	557,762	37,004,720
Borrowings	15,092,107	1,001,285,839	142,300,800	9,440,946,576
	15,092,107	1,001,285,839	142,858,562	9,477,951,296
<b>Current</b>				
Derivative financial instruments	161,689	10,727,257	-	-
Borrowings	130,703,733	8,671,539,166	3,289,692	218,254,616
Payables and accruals	1,423,566	94,446,486	734,285	48,716,138
	132,288,988	8,776,712,909	4,023,977	266,970,754
<b>Total financial liabilities</b>	<b>147,381,095</b>	<b>9,777,998,748</b>	<b>146,882,539</b>	<b>9,744,922,050</b>

The Company's risks are managed by its Board of Directors and the focus is on securing the Company's short to medium term cash flows by minimising the exposure to financial risks. The Company's investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the Company is exposed to are described below.

#### (a) Market risk analysis

Market risk is specifically comprised of currency risk and interest rate risk, which result from both its operating and investing activities. The Company is exposed to market risk through its use of financial instruments.

#### (i) Foreign currency sensitivity

Foreign currency risk, as defined in IFRS 7: *Financial Instruments: Disclosures*, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The currency profile of the Company's financial assets and financial liabilities is as follows:

	Financial assets 2016 USD	Financial liabilities 2016 USD	Financial assets 2015 USD	Financial liabilities 2015 USD
United States Dollar (USD)	6,699,702	144,485,302	5,431,212	143,675,496
Euro (EUR)	1,023	-	796	-
Great Britain Pound (GBP)	15,893,176	2,895,793	15,893,176	3,207,043
South African Rand (ZAR)	9,653	-	9,375	-
	22,603,554	147,381,095	21,334,559	146,882,539
	Financial assets 2016 INR (Note 1)	Financial liabilities 2016 INR (Note 1)	Financial assets 2015 INR (Note 1)	Financial liabilities 2015 INR (Note 1)
United States Dollar (USD)	444,491,729	9,585,877,361	360,333,760	9,532,150,782
Euro (EUR)	67,871	-	52,811	-

	Financial assets 2016 INR (Note 1)	Financial liabilities 2016 INR (Note 1)	Financial assets 2015 INR (Note 1)	Financial liabilities 2015 INR (Note 1)
Great Britain Pound (GBP)	1,054,432,762	192,121,387	1,054,432,762	212,771,268
South African Rand (ZAR)	640,128	-	621,684	-
	1,499,632,490	9,777,998,748	1,415,441,017	9,744,922,050

The Company's transactions are carried out in the United States Dollar (USD), Euro (EUR), Great Britain Pound (GBP) and South African Rand (ZAR). Consequently, the Company is exposed to foreign currency risk on its financial assets denominated in EUR, GBP and ZAR except for the available-for-sale financial assets which are measured at cost and therefore not retranslated at the reporting date.

The table below illustrates the sensitivity of profit and equity in regards to the Company's financial instruments and the USD/EUR, USD/GBP, and USD/ZAR exchange rates "all other things being equal".

It assumes the following percentage changes in the exchange rates:

	2016 % change	2015 % change
EUR	5%	21.86%
GBP	3%	11.33%
ZAR	18%	15.29%

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

If the foreign currencies had strengthened by the above percentages, then this would have the following impact on loss and equity:

	Loss 2016		Loss 2015	
	USD	INR (Note 1)	USD	INR (Note 1)
EUR .....	(51)	(3,384)	(174)	(11,544)
GBP .....	86,874	5,763,656	(1,800,697)	(119,467,243)
ZAR.....	(1,738)	(115,308)	(1,433)	(95,072)
	Equity 2016		Equity 2015	
	USD	INR (Note 1)	USD	INR (Note 1)
EUR .....	51	3,384	174	11,544
GBP .....	(86,874)	(5,763,656)	1,800,697	119,467,243
ZAR.....	1,738	115,308	1,433	95,072

If the foreign currencies had weakened by the above percentages, then this would have the same reverse impact on loss and equity.

#### (ii) Interest rate sensitivity

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to changes in market interest rates as its interest bearing financial assets and financial liabilities have fixed interest rates.

The bank borrowings which are at variable interest rates indexed to the LIBOR have been converted into fixed interest bearing financial liabilities since the Company entered into fixed interest rate swap arrangements. Details of the interest rate swap arrangements are disclosed in Note 17.

**(b) Credit risk analysis**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016		2015	
	USD	INR (Note 1)	USD	INR (Note 1)
<b>ASSETS</b>				
<b>Non-current</b>				
Available-for-sale financial assets .....	18,894,141	1,253,531,485	18,894,141	1,253,531,485
Loans .....	575,490	38,180,884	-	-
	<u>19,469,631</u>	<u>1,291,712,369</u>	<u>18,894,141</u>	<u>1,253,531,485</u>
<b>Current</b>				
Loans .....	99,241	6,584,144	-	-
Cash and cash equivalents .....	3,034,682	201,335,977	2,440,418	161,909,532
	<u>3,133,923</u>	<u>207,920,121</u>	<u>2,440,418</u>	<u>161,909,532</u>
<b>Total assets</b>	<u>22,603,554</u>	<u>1,499,632,490</u>	<u>21,334,559</u>	<u>1,415,441,017</u>

As detailed in Note 13 to these financial statements, the Company holds investments in several unquoted companies and these investments are stated at cost since the fair values cannot be reliably measured. The directors have assessed the recoverable amount of these investments and confirmed that the carrying amounts have not impaired at the reporting date.

During the year under review, the Company has given loans to third parties and the directors believe that these receivables are not exposed to any credit risk.

The credit risk for the bank balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The disposal of the investments is subject to some restrictions as described in Note 13 (v) to these financial statements.

**(c) Liquidity risk analysis**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from the shareholder.

The Company's main cash inflows are in the form of dividend, interest on loans and proceeds from issue of shares. The main cash outflows relate to repayment of loans and interest and capital investments.

The Company's liquidity risk is managed by securing credit facilities from financial institutions and also through shares issue. The Company also seek financial support of its parent company where necessary.

The Company also manages its liquidity needs by carefully monitoring cash inflows and cash outflows due in day-to-day business as well as scheduled debt servicing payments for long-term financial liabilities.

At 31 March 2016, the Company has contractual maturities which are summarised below:

	Current		Non-current	
	Within 1 year	Within 1 year	Over 1 year	Over 1 Year
	USD	INR (Note 1)	USD	INR (Note 1)
Derivative financial instruments .....	161,689	10,727,257	-	-
Borrowings .....	130,703,733	8,671,539,166	15,092,107	1,001,285,839
Payables and accruals .....	1,423,566	94,446,486	-	-
<b>Total</b>	<u>132,288,988</u>	<u>8,776,712,909</u>	<u>15,092,107</u>	<u>1,001,285,839</u>

This compares to the maturity of the Company's financial liabilities in the previous reporting year as follows:

	Current		Non-current	
	Within 1 year	Within 1 year	Over 1 Year	Over 1 Year
	USD	INR (Note 1)	USD	INR (Note 1)
Derivative financial instruments .....	-	-	557,762	37,004,720
Borrowings .....	3,289,692	218,254,616	142,300,800	9,440,946,576
Payables and accruals .....	734,285	48,716,138	-	-
<b>Total .....</b>	<u>4,023,977</u>	<u>266,970,754</u>	<u>142,858,562</u>	<u>9,477,951,296</u>

**(d) Concentration risk**

The Company has invested in unlisted companies whose securities are considered to be illiquid. Such illiquidity may adversely affect the ability of the Company to acquire or dispose of such investments. These investments may be difficult to value and to sell or otherwise liquidate and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. On account of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would be used had a ready market for the investments existed. However the directors consider these investments to be strategic and the concentration risk in manageable.

**6. FAIR VALUE MEASUREMENT**
**6.1 Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within which the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 March 2016:

	Level 1	Level 2	Level 3	Level 4
	USD	USD	USD	USD
<b>Liabilities</b>				
Interest rate swaps	-	161,689	-	161,689

The following table shows the Levels within which the hierarchy of financial liabilities measured at fair value on a recurring basis at 31 March 2015:

	Level 1	Level 2	Level 3	Level 4
	USD	USD	USD	USD
<b>Non-current liabilities</b>				
Interest rate swaps	-	557,762	-	557,762

The fair value of financial instruments that are not traded in an active market (interest rate swap derivative) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Company's financial assets and liabilities are measured at their carrying amounts, which approximate their fair values.

## 6.2 Fair value measurement of non-financial assets and non-financial liabilities

The Company's non-financial assets consist of property, plant and equipment, investment in associate, investments in subsidiaries, investment in joint venture and prepayments, for which fair value measurement is not applicable since these are not measured at fair value on a recurring or non-recurring basis in the statement of financial position. At the reporting date, the Company did not have any non-financial liabilities.

## 7. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its member.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its member, buy back shares or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The details of the gearing ratio are disclosed as follows:

	2016	2016	2015	2015
	USD	INR	USD	INR
		(Note 1)		(Note 1)
Total borrowings <sup>(i)</sup> .....	145,795,840	9,672,825,005	145,590,492	9,659,201,192
Less: cash and cash equivalents.....	(3,034,682)	(201,335,977)	(2,440,418)	(161,909,532)
Net debt.....	142,761,158	9,471,489,028	143,150,074	9,497,291,660
Total equity <sup>(ii)</sup> .....	82,203,101	5,453,764,736	68,996,509	4,577,573,390
Total capital.....	224,964,259	14,925,253,764	212,146,583	14,074,865,050
Gearing ratio(%).....	63%	63%	67%	67%

- (i) Borrowings include all short-term and long-term borrowings as detailed in Note 18.
- (ii) Equity includes capital and reserves.
- (iii) The Company has a gearing ratio of 63% (2015: 67%) at the reporting date and the directors consider that this level of gearing is reasonable taking into account the Company's business activities.

## 8. TAXATION

### (i) Income tax

The Company is liable to pay tax in the Republic of Mauritius on its chargeable income at the rate of 15%. As a holder of a Category 1 Global Business Licence, it is entitled to a credit in respect of foreign tax equivalent to the higher of actual foreign tax suffered or a deemed credit equivalent to 80% of the Mauritius income tax liability on foreign source income. The maximum effective tax rate is 3%.

Gains or profits arising from sale of units or securities are tax-exempt in the hands of the Company in Republic of Mauritius. Dividends and redemption proceeds paid by the Company to its shareholders do not attract withholding tax.

The foregoing is based on the taxation laws and practices currently in force in the Republic of Mauritius and may be subject to change.

The Company has received tax residence certificates from the Mauritian authorities that it is a tax resident of the Republic of Mauritius, which is renewable on an annual basis subject to meeting certain conditions and under which the Company is eligible to obtain benefits under the double tax treaties between the Republic of Mauritius and the Republic of India, the Republic of Mauritius and the People's Republic of China, the Republic of Mauritius and the Republic of Singapore and the Republic of Mauritius and the Republic of South Africa.

At 31 March 2016, the Company had no income tax liability due to accumulated tax losses of USD 2,815,837 (INR: 186,816,706) which will be carried forward and available for set off against future taxable profits as follows:

	USD	INR
		(Note 1)
Up to the year ending 31 March 2017.....	424,485	28,162,457
Up to the year ending 31 March 2018.....	521,774	34,617,096
Up to the year ending 31 March 2019.....	749,736	49,741,235
Up to the year ending 31 March 2020.....	800,315	53,096,899
Up to the year ending 31 March 2021.....	319,527	21,199,019

### (ii) Deferred tax

Deferred tax is calculated on all temporary differences under the liability method at the rate of 3%. At 31 March 2016, the Company utilised part of prior year losses to be netted off against this year's chargeable income and the balance of tax losses have been carried forward to be netted off against any future taxable profits.

### (iii) Income tax reconciliation

The income tax on the Company's loss before tax differs from the theoretical amount that would arise using the effective tax rate of the Company as follows:

	2016	2016	2015	2015
	USD	INR	USD	INR
		(Note 1)		(Note 1)
Loss before tax	(742,078)	(49,233,165)	(1,688,605)	(112,030,498)
Tax calculated at the rate of 3%.....	(22,262)	(1,476,972)	(50,658)	(3,360,905)
Capital allowances.....	(2,430)	(161,218)	(2,501)	(165,929)
Items outside taxation scope.....	(8,823)	(585,362)	(8,938)	(592,992)
Unauthorised deductions.....	23,929	1,587,570	38,087	2,526,882
Deferred tax asset not recognised.....	9,586	635,982	24,010	1,592,944
Tax charge.....	-	-	-	-

## 9. PROPERTY, PLANT AND EQUIPMENT

Details of the Company's property, plant and equipment and their carrying amounts are as follows:

	Building	Furnitures & Fittings	Total
	USD	USD	USD
<b>Gross carrying amount</b>			
Balance at 01 April 2015 and 31 March 2016.....	1,430,606	115,430	1,546,036
<b>Depreciation</b>			
Balance at 01 April 2015.....	89,631	43,444	133,075
Charge for the year.....	23,843	11,542	35,385
Balance 31 March 2016.....	113,474	54,986	168,460
<b>Carrying amount at 31 March 2016.....</b>	<b>1,317,132</b>	<b>60,444</b>	<b>1,377,576</b>
	Building	Furnitures & Fittings	Total
	USD	USD	USD
<b>Gross carrying amount</b>			
Balance at 01 April 2014 and 31 March 2015.....	1,430,606	115,430	1,546,036
<b>Depreciation</b>			
Balance at 01 April 2014.....	62,412	29,813	92,225
Charge for the year.....	27,219	13,631	40,850
Balance at 31 March 2015.....	89,631	43,444	133,075
<b>Carrying amount at 31 March 2015.....</b>	<b>1,340,975</b>	<b>71,986</b>	<b>1,412,961</b>

	Building	Furnitures & Fittings	Total
	INR (Note 1)	INR (Note 1)	INR (Note 1)
<b>Gross carrying amount</b>			
Balance at 01 April 2015 and 31 March 2016	94,913,555	7,658,203	102,571,758
<b>Depreciation</b>			
Balance at 01 April 2015	5,946,569	2,882,291	8,828,860
Charge for the year	1,581,864	765,754	2,347,618
Balance at 31 March 2016	7,528,433	3,648,045	11,176,478
<b>Carrying amount at 31 March 2016</b>	<b>87,385,122</b>	<b>4,010,158</b>	<b>91,395,280</b>

	Building	Furnitures & Fittings	Total
	INR (Note 1)	INR (Note 1)	INR (Note 1)
<b>Gross carrying amount</b>			
Balance at 01 April 2014 and 31 March 2015	94,913,555	7,658,203	102,571,758
<b>Depreciation</b>			
Balance at 01 April 2014	4,140,723	1,977,942	6,118,665
Charge for the year	1,805,846	904,349	2,710,195
Balance at 31 March 2015	5,946,569	2,882,291	8,828,860
<b>Carrying amount at 31 March 2015</b>	<b>88,966,986</b>	<b>4,775,912</b>	<b>93,742,898</b>

#### 10. INVESTMENT IN ASSOCIATE

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>(i) At cost:</b>				
At 01 April and 31 March	131,161,644	8,701,919,271	131,161,644	8,701,919,271

#### (ii) Details pertaining to the investment are as follows:

Name of investee company	Class of shares	Country of incorporation	% holding	Cost 2016 & 2015
				USD
CIE Automotive S.A.	Equity shares	Spain	12.435%	131,161,644

(iii) Although the Company has 12.435% shareholding in this investee company, the directors assessed the level of influence that the Company has on CIE Automotive S.A. and determined that it has significant influence over this investee company through its representation on the board of directors and participation in policy-making processes. Consequently, this investment has been classified as an associate and accounted at cost in these separate financial statements.

(iv) The directors have assessed the recoverable amount of the investment and confirmed that the cost of investment has not suffered any impairment in value at the reporting date. At 31 March 2016, the investment had a fair value of USD 271,662,785 based on the closing market price listed on the Madrid Stock Exchange (Bolsa de Madrid), Spain.

#### 11. INVESTMENTS IN SUBSIDIARIES

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>(i) Unquoted and at carrying amount:</b>				
Balance at 01 April	22,221,418	1,474,279,977	15,919,862	1,056,203,244
Additions during the year	12,466,376	827,081,716	6,301,556	418,076,733
Balance at 31 March	34,687,794	2,301,361,693	22,221,418	1,474,279,977

#### (ii) Details pertaining to the investments are as follows:

Name of investee companies	Country of incorporation	% holding	Carrying amount 2016	Carrying amount 2015
			USD	USD
<b>Equity shares</b>				
Mahindra - BT Investment Company (Mauritius) Limited	Republic of Mauritius	57%	6,771,600	6,771,600
Mahindra Graphics Research Design S.r.l.	Republic of Italy	100%	3,590,851	3,590,851
Mahindra Europe S.r.l.	Republic of Italy	100%	4,136,634	4,136,634
Mahindra Racing UK Limited	United Kingdom	100%	33,700	33,700
Mahindra Tractor Assembly, Inc	United States of America	100%	15,610,000	5,610,000
Mahindra Emirates Vehicle Armouring FZ-LLC	United Arab Emirates	51%	1,394,034	1,394,034
Mahindra Racing S.r.l.	Republic of Italy	100%	955,725	684,599
Mahindra International UK Limited	United Kingdom	100%	2,195,250	-
<b>Total</b>			<b>34,687,794</b>	<b>22,221,418</b>

(iii) The directors have assessed the recoverable amounts of the investments in subsidiaries and confirm that the carrying amount of these investments have not suffered any impairment in value at the reporting date.

(iv) During the year under review, the following transactions took place:

(a) The Company made additional equity investments amounting to USD 10,000,000 and USD 271,125 in Mahindra Tractor Assembly, Inc and Mahindra Racing S.r.l respectively.

(b) The Company invested 100% shareholding in Mahindra International UK Limited for a total consideration of USD 2,195,250.

(v) The disposals of the following investments described in Note 11 (ii) above are subject to some restrictions, as more fully defined in the respective Agreements:

Name of investee companies	Restrictions on disposal of shares
Mahindra - BT Investment Company (Mauritius) Limited	As detailed in the Share Subscription Agreement signed between the Company, Mahindra - BT Investment Company (Mauritius) Limited and BT Holdings Limited on 23 June 2005.
Mahindra Europe S.r.l.	As detailed in the Credit Agreement with EXIM Bank and prior approval of Unicredit Bank and San Paolo Bank have to be obtained before any disposal of shares held.
Mahindra Graphics Research Design S.r.l., Mahindra Racing S.r.l. and Mahindra Emirates Vehicle Armouring FZ-LLC	Board approval is required prior to any disposal of shares held.

(vi) The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has therefore taken advantage of Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 which dispenses it from presenting consolidated financial statements as it is a wholly-owned subsidiary of a company incorporated in the Republic of India.

(vii) The proportions of the voting rights in the subsidiaries held directly by the Company do not differ from the proportion of ordinary shares held.

#### 12. INVESTMENT IN JOINT VENTURE

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>(i) Unquoted and at cost:</b>				
Balance at 1 April and 31 March	39,745,429	2,636,910,487	39,745,429	2,636,910,487

#### (ii) Details pertaining to the investment are as follows:

Name of joint venture	Class of shares	Country of incorporation	% held	Cost 2016 & 2014
				USD
Mahindra Yueda (Yancheng) Tractor Co., Ltd	Equity shares	People's Republic of China	51%	39,745,429

- (iii) The Company holds 51% of the shareholding of its joint arrangement. The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities.

The Company's joint arrangement is structured as a limited company (Mahindra Yueda (Yancheng) Tractor Co., Ltd) and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, the arrangement is classified as joint venture.

- (iv) The directors have assessed the recoverable amount of the investment and confirm that the carrying amount of this investment has not suffered any impairment in value at the reporting date.
- (v) The disposal of investment is restricted as board approval is required prior to any disposal of shares held in Mahindra Yueda (Yancheng) Tractor Co., Ltd.

### 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>(i) Unquoted and at carrying amount:</b>				
Balance at 01 April	18,894,141	1,253,531,785	18,889,866	1,253,248,160
Additions during the year	-	-	4,424	293,510
Investment written off	-	-	(149)	(9,885)
Balance at 31 March	18,894,141	1,253,531,785	18,894,141	1,253,531,785

### (ii) Details pertaining to the unquoted investments are as follows:

Name of investee companies	Country of incorporation	% holding	Cost	Cost
			2016	2015
			USD	USD
<b>Equity shares</b>				
East India Company Enterprises Ltd				
	Jersey	18%	15,893,176	15,893,176
ZOOMIN PTE. LTD				
	Republic of Singapore	0.04%	44	44
<b>Preference shares/ common stock</b>				
Cleartrip Inc				
	Cayman Islands	0.95%	1,046,155	1,046,155
D.Light Design Inc				
	Cayman Islands	2.34%	508,778	508,778
Prana Holdings, Inc				
	United States of America	3.7%	1,441,607	1,441,607
ZOOMIN PTE. LTD				
	Republic of Singapore	4.36%	4,380	4,380
<b>Other</b>				
Chartoff – Tempest Productions, LLC				
	-	-	1	1
<b>Total</b>			18,894,141	18,894,141

- (iii) Pursuant to an Agreement dated December 2010 between Mahindra Overseas Investment Company (Mauritius) Ltd (the "Company"), Sanjiv Mehta, The East India Company Enterprises Ltd and The East India Company Group Limited, the Company shall receive payment in cash of an aggregate price equal to (i) the fair value or (ii) the investment value if they exit before 01 January 2017.

- (iv) The directors have assessed the recoverable amounts of the investments and confirmed that the carrying amount of these investments has not suffered any impairment in value at the reporting date. Last year, an amount of USD 149 was written off for LocaModa. since it was in the process of winding up.

- (v) The disposals of the following investments described in Note 13 (ii) above are subject to some restrictions, as more fully defined in the respective Agreements:

Name of investee companies	Restrictions on disposal of shares
Cleartrip Inc	As detailed in the Amended and Restated Right of First Refusal and Co-Sale Agreement, the 'Agreement', dated 31 December 2007, the Seller must comply with the provisions of sections 2, 3 and 4 of the Agreement.
Prana Holdings, Inc and D.Light Design Inc	Board approval is required prior to any disposal of shares held.

### 14. LOANS

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>Non-current</b>				
Loans to third parties	575,490	38,180,884	-	-
<b>Current</b>				
Loan to third party	99,241	6,584,144	-	-
<b>Total</b>	<b>674,731</b>	<b>44,765,028</b>	<b>-</b>	<b>-</b>

- (i) The movement during the year on the loans given to related parties is as follows:

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
Balance at 01 April	-	-	1,188,542	78,853,819
<i>Loans given to:</i>				
Cloudleaf, Inc. (Note 14(ii))	500,000	33,172,500	-	-
Prana Holdings Inc. (Note 14(iii))	159,756	10,599,012	-	-
Repayment of loan and interest	-	-	(1,243,902)	(82,526,678)
Interest income	14,975	993,516	29,761	1,974,494
Foreign exchange gain	-	-	25,599	1,698,365
<b>Balance at 31 March</b>	<b>674,731</b>	<b>44,765,028</b>	<b>-</b>	<b>-</b>

- (ii) During the year, the Company extended a loan of USD500,000 to Cloudleaf, Inc., which bears interest at the rate of 5% per annum and receivable on demand at any time after 01 April 2017 or the occurrence of an Event of Default as defined in the Convertible Promissory Note dated 19 November 2015.

- (iii) During the year under review, the Company granted Prana Holdings Inc. the following loans:

- An unsecured loan of USD 62,683 bearing interest of 0.48% per month and is receivable within 18 months; and
- An unsecured loan of USD 97,073 bearing interest of 5% per annum and is receivable within 12 months.

### 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
Cash at bank:				
- USD .....	3,024,006	200,627,678	2,430,247	161,234,737
- ZAR .....	9,653	640,428	9,375	621,984
- EUR .....	1,023	67,871	796	52,811
	<b>3,034,682</b>	<b>201,335,977</b>	<b>2,440,418</b>	<b>161,909,532</b>

### 16. STATED CAPITAL

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<i>Issued and fully paid:</i>				
115,487,709				
Ordinary shares of USD 1 each (31 March 2015: 101,539,039 Ordinary shares)	115,487,709	7,662,032,053	101,539,039	6,736,607,542



(i) The movement during the year was as follows:

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
At 01 April	101,539,039	6,736,607,542	87,902,525	5,831,893,021
Issue of shares during the year	13,948,670	925,424,511	13,636,514	904,714,521
At 31 March	115,487,709	7,662,032,053	101,539,039	6,736,607,542

(ii) In accordance with the Company's Constitution, the main rights and obligations attached to the ordinary shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the ordinary shares;
- have a right to receive any dividend or distribution; and
- be entitled, on a winding up, to share in the assets of the Company available for distribution.

#### 17. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>Non-current</b>				
Interest rate swaps	-	-	557,762	37,004,720
<b>Current</b>				
Interest rate swaps	161,689	10,727,257	-	-
<b>Total</b>	<b>161,689</b>	<b>10,727,257</b>	<b>557,762</b>	<b>37,004,720</b>

The Company had entered into interest rate swap agreements to manage interest rate risk exposure.

The interest rate swap effectively modified the Company's exposure to interest rate risk by converting the Company's floating rate debt to a fixed rate basis for the entire term of the debt, thus reducing the impact of interest rate changes on future interest expense. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

As at the reporting date, the full fair value of the hedging derivative has been reclassified from non-current liability to current liability since the maturity of the hedged item is less than one year.

The notional principal amounts of the outstanding interest rate swaps at 31 March 2016 were USD 130,000,000.

At 31 March 2016, the fixed interest rates and fair values based on the interest rate swaps are as follows:

Details	Notional amount	Fixed interest rate	Start date	Maturity date	Fair Value 2016	Fair Value 2015
	USD				USD	USD
Barclays Bank Plc, London	65,000,000	0.78%	02 October 2013	03 October 2016	(61,773)	(233,980)
Standard Chartered Bank Mauritius Limited	65,000,000	0.86%			(99,916)	(323,782)
	<b>130,000,000</b>				<b>(161,689)</b>	<b>(557,762)</b>

The fair value gain movement during the year on the derivative financial instrument is USD 396,073 (2015: loss of USD 557,762).

#### 18. BORROWINGS

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>(i) Non-current</b>				
Loans from financial institutions	-	-	130,000,000	8,624,850,000
Loans from holding company	15,092,107	1,001,285,839	12,300,800	816,096,576
	<b>15,092,107</b>	<b>1,001,285,839</b>	<b>142,300,800</b>	<b>9,440,946,576</b>
<b>(ii) Current</b>				
Loans from financial institutions	130,703,733	8,671,539,166	695,607	46,150,046
Loans from holding company	-	-	2,594,085	172,104,570
	<b>130,703,733</b>	<b>8,671,539,166</b>	<b>3,289,692</b>	<b>218,254,616</b>
<b>Total</b>	<b>145,795,840</b>	<b>9,672,825,005</b>	<b>145,590,492</b>	<b>9,659,201,192</b>

(iii) The movement during the year on the borrowings was as follows:

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
Balance at 01 April	145,590,492	9,659,201,191	145,535,425	9,655,547,772
<i>Loans repaid during the year:</i>				
Mahindra & Mahindra Ltd	(717,200)	(47,582,634)	(734,400)	(48,723,768)
<i>Interest element for the year:</i>				
Loss on interest rate swaps	579,630	38,455,552	423,594	28,103,344
Interest expense	3,366,760	223,367,692	3,241,352	215,047,498
Interest payment	(3,092,262)	(205,156,122)	(2,553,339)	(169,401,276)
Foreign exchange (loss)/ gain	68,420	4,539,326	(322,140)	(21,372,379)
Balance at 31 March	<b>145,795,840</b>	<b>9,672,825,005</b>	<b>145,590,492</b>	<b>9,659,201,191</b>

(iv) The shareholder's loans are unsecured, repayable after more than one year and with interest ranging from 8.25% to 8.50% per annum. One of the shareholder's loans is denominated in GBP and has been translated into the functional currency at the reporting date.

(v) Summary of borrowings arrangements are as follows:

##### *Loan from Standard Chartered Bank (Mauritius) Limited*

The bank loan of USD 65 million from Standard Chartered Bank (Mauritius) Limited ("SCB") is repayable on 03 October 2016 and with interest at 3 months LIBOR + 1.45% margin per annum. Interest is payable on a quarterly basis.

##### *Loan from Barclays Bank Plc, London*

The bank loan of USD 65 million from Barclays Bank Plc, London ("Barclays") is repayable on 03 October 2016 and with interest at 3 months LIBOR + 1.40% margin per annum. Interest is payable on a quarterly basis.

The above loans are secured against a Corporate Guarantee of USD 140,000,000 from Mahindra & Mahindra Ltd (the "Guarantor"). In that respect, an annual commission of USD 700,000 is payable to the Guarantor until the loans are fully repaid.

**19. PAYABLES AND ACCRUALS**

	2016	2016	2015	2015	Nature of relationship	Nature of Transactions	Volume of transactions	Credit balances at	Debit/(credit) balances at
	USD	INR (Note 1)	USD	INR (Note 1)				31 March 2016	31 March 2015
							INR (Note 1)	INR (Note 1)	INR (Note 1)
Accruals	23,566	1,563,486	34,285	2,274,638					
Commission on Corporate Guarantee (Note 18 (v))	1,400,000	92,883,000	700,000	46,441,500	Holding company	Borrowings	113,316,398	(1,001,285,839)	(988,201,145)
	1,423,566	94,446,486	734,285	48,716,138	Administrator, Secretary and Mauritian Tax Agent	Professional fees	1,865,091	(270,356)	(624,837)

**20. FINANCE INCOME AND FINANCE COSTS**

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
<b>20.1 Finance income</b>				
Interest on loans (Note 14)	14,975	993,516	29,761	1,974,494
Foreign exchange gain	109,610	7,272,075	318,421	21,125,641
Fair value adjustment – Derivative financial instruments (Note 17)	396,073	26,277,464	–	–
	520,658	34,543,055	348,182	23,100,135

**20.2 Finance costs**

	2016	2016	2015	2015
	USD	INR (Note 1)	USD	INR (Note 1)
Interest on borrowings (Note 18)	3,366,760	223,367,692	3,241,352	215,047,498
Interest on swaps (Note 17)	579,630	38,455,552	423,594	28,103,344
Loss on foreign exchange element	101,976	6,765,598	89,070	5,909,349
Commission to shareholder for corporate guarantee (Note 18(v))	700,000	46,441,500	700,000	46,441,500
Fair value adjustment – Derivative financial instruments (Note 17)	–	–	557,762	37,004,720
Depository charges	32,380	2,148,251	16,508	1,095,224
	4,780,746	317,178,593	5,028,286	333,601,635

**21. RELATED PARTY TRANSACTIONS**

During the year ended 31 March 2016, the Company had transactions with related parties. The nature, volume of transactions and balances with the related parties are as follows:

Nature of relationship	Nature of Transactions	Volume of transactions	Credit balances at	Credit balances at
			31 March 2016	31 March 2015
		USD	USD	USD
Holding Company	Borrowings	1,707,987	(15,092,107)	(14,894,885)
Administrator, Secretary and Mauritian Tax Agent	Professional fees	28,112	(4,075)	(9,418)

The terms and conditions of the borrowings are detailed in Note 18 to these financial statements.

**22. CONTINGENT LIABILITIES**

The Company has no litigation claims outstanding, pending or threatened against it which could have a material adverse effect on its financial position or results.

**23. EVENTS AFTER THE REPORTING DATE**

There have been no material events after the reporting period which requires disclosure or adjustment to the 31 March 2015 financial statements.

**24. HOLDING COMPANY**

The directors regard Mahindra & Mahindra Ltd, a quoted company on the National Stock Exchange of India, as the Company's holding company.

**25. CARRYING AMOUNTS OF UNQUOTED INVESTMENTS**

The Company held investments in several unquoted companies and these investments are stated at their carrying amounts as the fair values cannot be reliably measured. The directors have assessed the recoverable amounts of these investments and considered that no sign of impairment has been identified and hence no provision is required at the reporting date. Details of these investments as at 31 March 2016 are as follows:

	31 March 2016	
	USD	INR (Note 1)
<b>Investment in subsidiaries</b>		
Mahindra Graphics Research Design S.r.l.	3,590,851	238,235,010
Mahindra Europe S.r.l.	4,136,634	274,444,983
Mahindra Emirates Vehicle Armouring FZ-LLC	1,394,034	92,487,186
Mahindra Racing S.r.l.	955,725	63,407,575
Mahindra Racing UK Limited	33,700	2,235,827
Mahindra Tractor Assembly, Inc	15,610,000	1,035,645,450
<b>Investment in joint venture</b>		
Mahindra Yueda (Yancheng) Tractor Co., Ltd	39,745,429	2,636,910,487
<b>Available-for-sale financial assets</b>		
Cleartrip Inc	1,046,155	69,407,153
D.Light Design Inc	508,778	33,754,876
Prana Holdings, Inc	1,441,607	95,643,416
<b>Total</b>	<b>68,462,913</b>	<b>4,542,171,963</b>

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Fifth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### Financial Highlights and State of Company Company's Affairs

	<b>(Rs. in Lakhs)</b>	
	<b>For the year ended 31<sup>st</sup> March, 2016</b>	For the year ended 31 <sup>st</sup> March, 2015
Total Income.....	<b>1,500.58</b>	1,293.43
Profit before Interest, Depreciation and Taxation.....	<b>135.79</b>	269.10
Depreciation.....	<b>22.92</b>	24.09
Profit/(Loss) before exceptional item and tax.....	<b>112.87</b>	245.01
Provision for Taxation		
Current Tax.....	<b>71.90</b>	74.96
Deferred Tax.....	<b>(2.91)</b>	(5.06)
Profit after Taxation.....	<b>43.88</b>	175.11
Balance of Profit for prior years.....	<b>416.70</b>	259.65
Amount available for Appropriation.....	<b>460.58</b>	434.76
Appropriations		
Dividend on Equity Shares (Proposed).....	<b>20.25</b>	15.00
Tax on Dividend (Proposed).....	<b>4.12</b>	3.05
Surplus carried to Balance Sheet.....	<b>436.21</b>	416.71
Net Worth.....	<b>586.21</b>	566.70

No material changes and commitments have occurred after the closure of the financial year to which financial statements relate and the date of this report which would affect the financial position of the Company.

### Operations

During the year under review, your Company recorded revenue from operations of Rs. 1500.58 lakh (previous year Rs. 1,293.43 lakh) registering an increase of 16.01%. Profit after tax was lower at Rs. 43.88 lakh (previous year Rs. 175.11 lakh). The year under review represents the 5<sup>th</sup> (fifth) year of your Company. Your Company continues to be in the Business Process Management (BPM) Industry and is providing services of Bill Passing (material, freight, imports and capital expenses) Payroll Processing & HRM services. The Company has already signed up clients other than Mahindra Group in Finance and Accounts Management, HR Management, Insurance Industry and Advisory.

### Dividend

Your Directors are pleased to recommend a dividend of Rupees 1.35 (previous year Rupee 1) per Equity Share i.e. 13.5% (previous year 10%), amounting to Rs. 20.25 lacs (previous year Rs. 15 lacs) on the paid-up equity share capital of the Company for the year ended on 31<sup>st</sup> March, 2016. The total equity dividend for the year under review, inclusive of tax on distributable profits, will absorb a sum of Rs. 24.37 (previous year Rs. 18.05).

### Share Capital

During the year under review, the authorised share capital of your Company stood at Rs. 200 lakh. The issued, subscribed and paid-up share capital was Rs. 150 lakh divided into 15,00,000 equity shares of Rs. 10 each.

### Board of Directors

The composition of the Board of Directors of the Company is as follows:-

SR. NO.	NAMES OF DIRECTORS	DIN	CATEGORY	INDEPENDENT/NON INDEPENDENT
1	MR. S. DURGASHANKAR	00044713	NON-EXECUTIVE	NON INDEPENDENT
2	MR. SANJAY JOGLEKAR	00209394	NON-EXECUTIVE	NON INDEPENDENT
3	MR. VINAY DESHPANDE	01904423	NON-EXECUTIVE	NON INDEPENDENT
4	MR. RAJESHWAR TRIPATHI	06734734	NON-EXECUTIVE	NON INDEPENDENT

All the Directors of your Company have given requisite declarations pursuant to Section 164 of the Companies Act, 2013 that they are not disqualified to be appointed as Directors of your Company.

Mr. Rajeshwar Tripathi (DIN: 06734734) retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

### Number of Meetings

#### Board Meetings

Your Board of Directors met four times during the year under review i.e. on 29<sup>th</sup> April, 2015, 12<sup>th</sup> August, 2015, 18<sup>th</sup> November, 2015 and 10<sup>th</sup> March, 2016.

The attendance at the meetings of the Board was as under:-

SR. NO.	NAME OF DIRECTOR	NO OF MEETINGS ATTENDED OUT OF FOUR
1	MR. S. DURGASHANKAR	4
2	MR. SANJAY JOGLEKAR	4
3	MR. VINAY DESHPANDE	3
4	MR. RAJESHWAR TRIPATHI	3

### General Meetings

The 4<sup>th</sup> Annual General Meeting (AGM) of the Company was held on 13<sup>th</sup> August, 2015. There was no Extra Ordinary General Meeting held during the year.

### Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Companies Act, 2013, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis; and
- (v) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Key Managerial Personnel

The provisions of sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel ) Rules, 2014 are not applicable to your Company.

### Risk Management Policy

Your Company has formulated Risk Management Policy including therein the elements of risks which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding the risks and enabling the Company to manage the same, if confronted with.

### Policy on Prevention of Sexual Harassment

During the year under review, no complaints were received under the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013.

### Auditors

Messrs. B. K. Khare & Co., Chartered Accountants, Mumbai (Firm Registration No. 105102W) were appointed, as Auditors of your Company, at its 3<sup>rd</sup> Annual General meeting held on 26<sup>th</sup> August, 2014 from its conclusion till the conclusion of 8<sup>th</sup> Annual General Meeting to be held in 2019. In terms of Section 139(1) of Companies Act, 2013, such appointment is required to be ratified by members at every annual general meeting.

As required under the provisions of section 139 of the Companies Act, 2013, your Company has obtained a written consent from the above Auditors to the effect that their appointment, if made, would be in conformity with the conditions and criteria specified therein.

The members are requested to ratify the appointment of Auditors at the forthcoming Annual General Meeting and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

### 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 Board under section 143 (12) of the Companies Act 2013, details of which needs to be mentioned in this report.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

### Particulars of Employees as required under Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

### Corporate Social Responsibility (CSR) Initiatives

The provisions relating to CSR enumerated under Section 135 of the Companies Act, 2013 are not applicable to your Company.

### Particulars of public deposits, loans, guarantees or investments

Your Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 from the public or its employees during the year.

Particulars of investments made in mutual funds aggregating to Rs. 268.89 lacs (previous year Rs. 214 lacs) are given in Note No. X to the financial statements, pursuant to Section 186 of the Companies Act, 2013 and the same forms part of this Report.

Your Company has not made any loans, investments and guarantees during the year under review which are required to be disclosed in the annual accounts of the Company pursuant to Section 186 of the Companies Act, 2013.

Your Company has not made any loans/advances which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V applicable to the parent Company, Mahindra and Mahindra Limited.

#### **Particulars of Transactions with Related Parties**

All Related Party Transactions entered during the year were “in the ordinary course of business” and “on arm’s length” basis. The particulars of contracts or arrangements with related parties are given in form AOC – 2 as **Annexure II** and the same forms part of this Report.

#### **Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in the form MGT-9 is attached herewith as **Annexure III** and forms part of this Report.

#### **Internal Financial Controls**

Pursuant to Rule 8 of the Companies (Accounts) Rules, 2014 based on the representation received and after due enquiry,

your Directors confirm that they have laid down internal financial controls with reference to the Financial Statements and these controls are adequate.

#### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (Including Sweat Equity Shares) to employees of the Company under any Scheme.
3. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company’s operations in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3) (c) of the Companies Act, 2013).

#### **Acknowledgements**

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors, all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**S. Durgashankar**  
*Director*  
(DIN: 00044713)

**Rajeshwar Tripathi**  
*Director*  
(DIN: 06734734)

Mumbai,  
12<sup>th</sup> May, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT**

**PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.**

**A. CONSERVATION OF ENERGY**

- (a) the steps taken or impact on conservation of energy:- **Though the activities of the Company are not energy-intensive, necessary measures are taken to contain and bring about savings in power consumption through improved operational methods and better housekeeping.**
- (b) the steps taken by the company for utilizing alternate sources of energy:- **Not Applicable**
- (c) the capital investment on energy conservation equipments:- **Not Applicable**

**B. TECHNOLOGY ABSORPTION**

- i) the efforts made towards technology absorption:- **Not Applicable**
- ii) the benefits derived like product improvement, cost reduction, product development or import substitution:- **Not Applicable**
- iii) in case of imported technology ( imported during the last three years reckoned from the beginning of the financial year):-
  - (a) the details of technology imported:- **Not Applicable**
  - (b) the year of import:- **Not Applicable**
  - (c) whether the technology been fully absorbed:- **Not Applicable**
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof:- **Not Applicable**
- iv) the expenditure incurred on Research and Development:- **Not Applicable**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO: (in terms of actual inflow and outflow)**

Total Foreign Exchange Earned and Used:

	<b>(Rupees in Lakhs)</b>	
	<b>For the Financial Year ended 31<sup>st</sup> March, 2016</b>	<b>For the Financial Year ended 31<sup>st</sup> March, 2015</b>
Total Foreign Exchange Earned	<b>NIL</b>	<b>NIL</b>
Total Foreign Exchange Used	<b>NIL</b>	<b>NIL</b>

For and on behalf of the Board

<b>S. Durgashankar</b>	<b>Rajeshwar Tripathi</b>
<i>Director</i>	<i>Director</i>
<i>(DIN: 00044713)</i>	<i>(DIN: 06734734)</i>

Mumbai,  
12<sup>th</sup> May, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT****FORM No. AOC-2**

**(Pursuant to clause (h) of sub-section 134 of the Companies Act, 2013 and Rule 8(2) of the companies (Accounts) Rules, 2014)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

**1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL****2. Details of Material contracts or arrangements or transactions at Arm's length basis**

<b>Sr. No.</b>	<b>Name(s) of the Related Party &amp; nature of relationship</b>	<b>Nature of contracts/ arrangements/ transactions</b>	<b>Duration of contracts/ arrangements/ transactions</b>	<b>Salient terms of contracts or arrangements or the Transaction including the value</b>	<b>Date of approval by the board, if any</b>	<b>Amount paid as advances, if any</b>
1	Mahindra and Mahindra Limited  (Ultimate Holding Company)	Shared Services Agreements	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Services rendered Rs. 9,34,64,996	12.05.2016	No
2	Mahindra and Mahindra Limited  (Ultimate Holding Company)	Availment of various services	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Services availed Rs. 1,03,69,211	12.05.2016	No

\* The threshold limits mentioned in Notification dated 14<sup>th</sup> August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R. 590(E)) are considered for identifying material contracts.

For and on behalf of the Board

**S. Durgashankar**  
*Director*  
(DIN: 00044713)

**Rajeshwar Tripathi**  
*Director*  
(DIN: 06734734)

Mumbai,  
12<sup>th</sup> May, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT**

Form No. MGT-9

**Extract of Annual Return  
as on the financial year ended on 31<sup>st</sup> March, 2016**[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]**I. REGISTRATION AND OTHER DETAILS:**

1	<b>CIN</b>	U74999MH2011PTC212468
2	<b>Registration Date</b>	18 <sup>th</sup> January, 2011
3	<b>Name of the Company</b>	Mahindra Integrated Business Solutions Private Limited
4	<b>Category/Sub-Category of the Company</b>	Company Limited by Shares/Indian Non- Government Company
5	<b>Address of Registered Office and Contact Details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018 Tel. No: 022-24905828
6	<b>Whether listed Company (Yes/No)</b>	No
7	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

Sr. No.	Name and Description of Main Product/Services	NIC Code of the Product	% to total turnover of the Company.
1.	Accounting, book-keeping and payroll services	74120	100%

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

Sr. No.	Name and Address of the Company	CIN/GIN	Holding/ Subsidiary of the Company	% of shares held	Applicable Section
1.	Mahindra Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400018	U65993MH2007PLC175649	Holding Company	100	2(46)
2.	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder, Mumbai - 400001.	L65990MH1945PLC004558	Holding Company	–	2(46)

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

i. Category-wise Share Holding.

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Govt.	–	–	–	–	–	–	–	–	–
c. State Govt.	–	–	–	–	–	–	–	–	–
d. Bodies Corp.	–	15,00,000	15,00,000	100	–	15,00,000	15,00,000	100	–
e. Bank/FI	–	–	–	–	–	–	–	–	–
f. Any Other	–	–	–	–	–	–	–	–	–
Sub-Total-A(1)	–	15,00,000	15,00,000	100	–	15,00,000	15,00,000	100	–



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Foreign</b>									
a. NRI-Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Body Corporate	–	–	–	–	–	–	–	–	–
d. Bank/FI	–	–	–	–	–	–	–	–	–
e. Any Others	–	–	–	–	–	–	–	–	–
Sub-Total-A(2)	–	–	–	–	–	–	–	–	–
Total Share Holder of Promoters (1+2)	–	15,00,000	15,00,000	100	–	15,00,000	15,00,000	100	–
<b>B. Public Shareholding</b>									
<b>1. Institution</b>	–	–	–	–	–	–	–	–	–
a. Mutual Funds	–	–	–	–	–	–	–	–	–
b. Bank/FI	–	–	–	–	–	–	–	–	–
c. Cent. Govt.	–	–	–	–	–	–	–	–	–
d. State Govt.	–	–	–	–	–	–	–	–	–
e. Venture Capital	–	–	–	–	–	–	–	–	–
f. Insurance Co.	–	–	–	–	–	–	–	–	–
g. FIs	–	–	–	–	–	–	–	–	–
h. Foreign Portfolio Corporate	–	–	–	–	–	–	–	–	–
i. Foreign Venture Capital Fund	–	–	–	–	–	–	–	–	–
j. Others	–	–	–	–	–	–	–	–	–
Sub-Total-B(1)	–	–	–	–	–	–	–	–	–
<b>2. Non-Institution</b>	–	–	–	–	–	–	–	–	–
a. Body Corp.	–	–	–	–	–	–	–	–	–
b. Individual	–	–	–	–	–	–	–	–	–
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	–
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	–	–	–	–	–	–	–	–	–
c. Others	–	–	–	–	–	–	–	–	–
Sub-Total-B(2)	–	–	–	–	–	–	–	–	–
Net Total (1+2)	–	–	–	–	–	–	–	–	–
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	–	–	–	–	–	–	–	–	–
<b>Grand Total (A+B+C)</b>	–	<b>15,00,000</b>	<b>15,00,000</b>	<b>100</b>	–	<b>15,00,000</b>	<b>15,00,000</b>	<b>100</b>	<b>Nil</b>

Note: There is no change in the number of shares held by the promoter companies.

## ii. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Mahindra Holdings Limited	14,99,999	100	0	14,99,999	100	0	0
2	Mahindra Holdings Limited Mr. Narayan Shankar*	1	0	0	1	0	0	0
	<b>Total</b>	<b>15,00,000</b>	<b>100</b>	<b>0</b>	<b>15,00,000</b>	<b>100</b>	<b>0</b>	<b>0</b>

\* Jointly held with Mahindra Holdings Limited for the purpose of Compliance with statutory provisions of Companies Act with regard to minimum number of members.

iii. Change in Promoters' Shareholding (please specify, if there is no change): There is no change in the shareholding of the Promoter Group.

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	For Each of the Directors and KMP Name of the Director/KMP	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	–	–	–	–	–
2.	–	–	–	–	–
3.	–	–	–	–	–

**V. INDEBTEDNESS**

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

(Rs. in Crores)

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2014</b>	N.A	N.A	N.A	N.A
1) Principal Amount				
2) Interest due but not paid				
3) Interest accrued but not due				
<b>Total of (1+2+3)</b>				
<b>Change in Indebtedness during the financial year</b>	N.A	N.A	N.A	N.A
+ Addition				
– Reduction				
Net change				
<b>Indebtedness at the end of the financial year 31.03.2015</b>	N.A	N.A	N.A	N.A
1) Principal Amount				
2) Interest due but not paid				
3) Interest accrued but not due				
<b>Total of (1+2+3)</b>	N.A	N.A	N.A	N.A

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-
5.	Others, please specify Provident Fund & other Funds	-	-	-

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs. in Lacs)
	Performance Bonus	-	-	
	<b>Total (A)</b>			
	Ceiling as per the Act	1% of the Net Profits of the Company		

B. Remuneration of other directors:

I. Independent Directors:-

Particulars of Remuneration	Name of Directors						Total Amount (Rs. in Lacs)
Fee for attending board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (1)</b>	-	-	-	-	-	-	-

II. Other Non-Executive Directors:-

Other Non-Executive Directors							Total Amount (Rs. in Lacs)
Fee for attending Board committee meetings	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total (2)</b>	-	-	-	-	-	-	-
<b>Total B = (1+2)</b>							-

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

Sr. No.	Particulars of Remuneration	Name of the KMP		Total Amount (Rs. in Lacs)
1.	Gross Salary	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act	-	-	-
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of Profit - Others, specify	-	-	-
5.	Others, please specify Contribution to Provident Fund	-	-	-
	Performance Bonus	-	-	-
	<b>Total (C)</b>	-	-	-

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES (Under the Companies Act): None

	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	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	-	Not applicable	Not applicable	Not applicable	Not applicable
<b>B. DIRECTORS</b>						
Penalty	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	-	Not applicable	Not applicable	Not applicable	Not applicable
<b>C. OTHER OFFICERS IN DEFAULT</b>						
Penalty	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Punishment	-	-	Not applicable	Not applicable	Not applicable	Not applicable
Compounding	-	-	Not applicable	Not applicable	Not applicable	Not applicable

For and on behalf of the Board

**S. Durgashankar**  
Director  
(DIN: 00044713)

**Rajeshwar Tripathi**  
Director  
(DIN: 06734734)

Mumbai,  
12<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Mahindra Integrated Business Solutions Private Limited**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Mahindra Integrated Business Solutions Private Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, 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

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its profit and cash flows for the year ended on that date.

### Report on other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in term of Sub-section (11) of Section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in the paragraphs 3 and 4 of the Order.
10. 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 appears from our examination of those books;
  - c. the Balance Sheet, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g. With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended) in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
11. As required by the Companies (Auditor's Report) Order, 2016 ("the order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. : 105102W

**Padmini Khare Kaicker**  
Partner

Mumbai, Dated: 12<sup>th</sup> May, 2016      Membership No. : 044784

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA INTEGRATED BUSINESS SOLUTIONS PRIVATE LIMITED**

### **Report 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 Mahindra Integrated Business Solutions Private Limited (“the Company”) as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. 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 judgement, 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 unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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

For and on behalf of  
**B. K. Khare & Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner

Mumbai, Dated: 12<sup>th</sup> May, 2016

Membership No. 044784

**ANNEXURE “B” TO THE AUDITOR’S REPORT****Referred to in paragraph 9 of our report of even date on the accounts of Members of Mahindra Integrated Business Solutions Private Limited for the year ended 31<sup>st</sup> March, 2016**

- 1 (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) Fixed assets have been physically verified by the management during the year and no material discrepancies were noted on such verification.
- (iii) The title deeds of immovable properties are held in the name of the Company.
- 2 The Company does not carry any inventory and hence reporting under para 3(ii) of the Order is not applicable.
- 3 The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore reporting under para 3(iii) of the Order is not applicable.
- 4 In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 5 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 73 to 76 of the Companies Act, 2013, and the rules framed thereunder.
- 6 The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- 7 (i) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees’ State Insurance, Income Tax, Service Tax, and other statutory dues applicable to it. The provisions of Excise Duty are not applicable to the operations of the Company.
- (ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income Tax and Service Tax that were outstanding, at the year end for a period of more than six months from the date they became payable.
- (iii) There are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder.
- 8 The Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, Government or repayment of dues to debenture holders.
- 9 The Company has not raised money by way of initial public offer or further public offer (including debt instruments) and the term loans were applied for the purposes for which those are raised.
- 10 Based on the audit procedures performed and as per the information and explanations given to us by management, no fraud on or by the Company has been noticed or reported during the year.
- 11 No managerial remuneration has been paid or provided during the year as per the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- 12 The Company, not being a Nidhi Company, the para 3(xii) of the Order is not applicable to the Company.
- 13 According to the information and explanations given to us all transactions with related parties during the year are in compliance with sections 177 and 188 of Companies Act, 2013 and the details of the same have been disclosed in the financial statements as required by the applicable accounting standards.
- 14 The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Hence provisions of para 3(xiv) of the Order are not applicable to the Company.
- 15 According to the information and explanations given to us, the Company has not entered into non-cash transactions with directors or persons connected with him. Hence provisions of para 3(xv) are 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. Hence provisions of para 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm’s Registration No. : 105102W

**Padmini Khare Kaicker**  
Partner

Mumbai, Dated: 12<sup>th</sup> May, 2016 Membership No. : 044784



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	(Rs. in Lacs)	
		31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS:</b>			
(i) Share Capital .....	I	150.00	150.00
(ii) Reserves and Surplus .....	II	436.21	416.70
		<b>586.21</b>	<b>566.70</b>
<b>2 Non-Current Liabilities</b>			
(i) Long term Provision .....	III	101.42	98.93
<b>3 Current liabilities</b>			
(i) Trade Payables .....	IV	86.00	117.72
(ii) Other current liabilities.....	V	104.59	95.36
(iii) Short term provisions .....	VI	213.23	72.81
		<b>403.82</b>	<b>285.88</b>
<b>Total</b> .....		<b>1,091.45</b>	<b>951.52</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(i) Fixed Assets			
(a) Tangible assets .....	VII	45.33	36.43
(b) Intangible assets.....	VII	4.25	2.47
		<b>49.58</b>	<b>38.90</b>
(ii) Long Term Loans & Advances .....	VIII	157.30	94.99
(iii) Deferred tax assets .....	IX	24.33	21.42
		<b>231.21</b>	<b>155.30</b>
<b>2 Current assets</b>			
(i) Investments .....	X	268.89	214.00
(ii) Trade receivables.....	XI	187.15	191.34
(iii) Cash and Bank balances .....	XII	374.36	362.65
(iv) Short term loans and advances.....	XIII	11.42	14.28
(v) Other current assets .....	XIV	18.43	13.94
		<b>860.25</b>	<b>796.21</b>
<b>Total</b> .....		<b>1,091.45</b>	<b>951.52</b>

The Notes referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For **B. K. KHARE & Co.**  
Chartered Accountants  
(FRN: 105102W)

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai,  
12<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**S. Durgashankar**  
Director

**Rajeshwar Tripathi**  
Director

**Sanjay Joglekar**  
Director

**Vinay Deshpande**  
Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	Note	(Rs. in Lacs)	
		Year ended 31 <sup>st</sup> March, 2016	Year ended 31 <sup>st</sup> March, 2015
<b>I. Income</b>			
a) Revenue from operations .....	<b>XV</b>	<b>1,458.10</b>	1,249.03
b) Other.....	<b>XVI</b>	<b>42.48</b>	44.40
<b>II. Total Income</b> .....		<b>1,500.58</b>	1,293.43
<b>III. Expenditure</b>			
Employee benefits expense.....	<b>XVII</b>	<b>975.62</b>	815.98
Depreciation and amortisation expense.....		<b>22.92</b>	24.09
Other expenses .....	<b>XVIII</b>	<b>389.17</b>	208.35
		<b>1,387.71</b>	1,048.42
<b>IV. Profit before tax (II – III)</b> .....		<b>112.87</b>	245.01
<b>V. Less:</b> Tax expense .....			
– Current tax .....		<b>36.98</b>	80.84
– Deferred tax .....		<b>(2.91)</b>	(5.06)
– Income tax liability of earlier year .....		<b>34.92</b>	(5.89)
<b>VI. Profit (Loss) for the year (IV-V)</b> .....		<b>43.88</b>	175.11
<b>VII. Profit (Loss) for the period (IV-V)</b> .....		<b>43.88</b>	175.11
Balance of profit for earlier years .....		<b>416.70</b>	259.65
Balance carried to Balance Sheet.....		<b>436.21</b>	416.70
<b>VIII. Earnings per equity share:</b>			
(1) Basic .....		<b>2.93</b>	11.67
(2) Diluted .....			

The Notes referred to above form an integral part of the Statement of the Profit & Loss

For **B. K. KHARE & Co.**  
Chartered Accountants  
(FRN: 105102W)

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai,  
12<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**S. Durgashankar**  
Director

**Rajeshwar Tripathi**  
Director

**Sanjay Joglekar**  
Director

**Vinay Deshpande**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016 Amount	31 <sup>st</sup> March, 2015 Amount
<b>A. <u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>		
Profit before taxation .....	112.87	245.01
Adjustment for:		
Depreciation/Amortisation .....	22.92	24.09
Investment and Interest Income .....	(28.14)	(28.40)
Dividend Income .....	(12.56)	(12.08)
Interest on Income tax .....	(1.55)	-
Loss on sale of assets .....	0.01	-
Assets written off .....	0.01	-
Operating Profit before Working Capital changes .....	93.54	228.61
Changes in:		
Trade and other receivables .....	(157.28)	(34.29)
Trade and other payables .....	114.11	(60.67)
<b>Cash Generated from Operations .....</b>	<b>50.37</b>	<b>133.66</b>
Income tax refund received .....	25.40	-
<b>NET CASH FROM OPERATING ACTIVITIES .....</b>	<b>75.77</b>	<b>133.66</b>
<b>B. <u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Purchase of fixed assets .....	(40.55)	(15.73)
Purchase of Investments .....	(59.57)	(111.46)
Sale of fixed assets .....	6.93	-
Interest received on liquidated investments .....	29.94	31.50
<b>NET CASH USED IN INVESTING ACTIVITIES .....</b>	<b>(63.25)</b>	<b>(95.68)</b>
<b>C. <u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Payment of Dividend .....	(15.00)	(15.00)
Payment of Dividend Tax .....	(3.05)	(2.55)
<b>NET CASH USED IN FINANCING ACTIVITIES .....</b>	<b>(18.05)</b>	<b>(17.55)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>(5.53)</b>	<b>20.43</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Opening Cash Balance .....	35.34	14.91
<b>Closing cash Balance .....</b>	<b>29.81</b>	<b>35.34</b>
	<b>(5.53)</b>	<b>20.43</b>
<b>Cash &amp; Cash Equivalents At the end of the year</b>		
<b>Balances with Banks</b>		
(i) In Current Account .....	29.81	35.34
(ii) In deposits accounts with less than 3 months maturity .....	-	-

The Notes referred to above form an integral part of the Statement of the Profit & Loss

For **B. K. KHARE & Co.**  
Chartered Accountants  
(FRN: 105102W)

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai,  
12<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**S. Durgashankar**  
Director

**Sanjay Joglekar**  
Director

**Rajeshwar Tripathi**  
Director

**Vinay Deshpande**  
Director

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016**
**NOTE I**
**SHARE CAPITAL:**

Particulars	31 <sup>st</sup> March, 2016		(Rs. in Lacs)	
	Nos	INR	31 <sup>st</sup> March, 2015 Nos	INR
<b>Authorised Share Capital:</b>				
Equity Shares of Rs. 10 Each (20,00,000 Equity Shares of Rs. 10 Each)	20.00	200.00	20.00	200.00
<b>Total</b>	<b>20.00</b>	<b>200.00</b>	<b>20.00</b>	<b>200.00</b>
<b>Issued and Subscribed:</b>				
<b>Equity Share Capital:</b>				
Opening Balance				
(shares of Rs. 10 Each)	15.00	150.00	15.00	150.00
Add: Issued during the year (shares of Rs. 10 Each)	—	—	—	—
<b>Closing Balance (15,00,000 shares of Rs. 10 Each)</b>	<b>15.00</b>	<b>150.00</b>	<b>15.00</b>	<b>150.00</b>
<b>Total Share Capital</b>	<b>15.00</b>	<b>150.00</b>	<b>15.00</b>	<b>150.00</b>

Note:

- 1) Mahindra Holdings Limited along with its nominees hold 100% of the Equity share capital in Mahindra Integrated Business Solutions Pvt. Ltd.

**NOTE II**
**RESERVES AND SURPLUS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Surplus/(Deficit) in statement of Profit &amp; Loss:</b>		
Opening balance	416.70	259.65
Add: Profit/(Loss) for the Current Year	43.88	175.11
	<b>460.58</b>	<b>434.76</b>
Less: Proposed Dividends	20.25	15.00
Less: Dividend Distribution Tax	4.12	3.05
<b>Net Statement of Profit and Loss Surplus/(Deficit)</b>	<b>436.21</b>	<b>416.70</b>

**NOTE III**
**LONG TERM PROVISIONS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Employee benefits Payable</b>		
– Provision for compensated absences	97.68	98.93
– Provision for Gratuity (Funded)	3.73	—
<b>Total</b>	<b>101.42</b>	<b>98.93</b>

**NOTE VII**
**FIXED ASSETS:**

Description of Assets	Cost as at 1 <sup>st</sup> April, 2015	Additions during the year at cost	Deductions during the year	Cost as at 31 <sup>st</sup> March, 2016	Accumulated			Net Balance 31 <sup>st</sup> March, 2016	Net Balance 31 <sup>st</sup> March, 2015
					Depreciation as at 1 <sup>st</sup> April 2015	Depreciation for the year 2015-16	Deductions/ Adjustments		
<b>1: Tangible Assets</b>									
Computers	46.98	28.20	1.04	74.13	28.85	11.71	0.46	40.10	18.13
Car/Vehicles	31.55	0.90	10.00	22.45	13.25	8.90	3.63	18.52	18.30
Office Equipment	—	3.84	—	3.84	—	0.49	—	0.49	—
Furniture & Fixture	—	4.30	—	4.30	—	0.28	—	0.28	—
<b>TOTAL (A)</b>	<b>78.53</b>	<b>37.24</b>	<b>11.04</b>	<b>104.73</b>	<b>42.10</b>	<b>21.39</b>	<b>4.09</b>	<b>59.40</b>	<b>36.43</b>
<b>2: Intangible Assets</b>									
Business Software	3.15	3.31	—	6.46	0.68	1.53	—	2.21	2.47
<b>TOTAL (B)</b>	<b>3.15</b>	<b>3.31</b>	<b>—</b>	<b>6.46</b>	<b>0.68</b>	<b>1.53</b>	<b>—</b>	<b>2.21</b>	<b>2.47</b>
<b>TOTAL (A+B)</b>	<b>81.68</b>	<b>40.55</b>	<b>11.04</b>	<b>111.18</b>	<b>42.78</b>	<b>22.92</b>	<b>4.09</b>	<b>61.60</b>	<b>38.90</b>
<b>Total Assets as on 31/03/2015</b>	<b>65.96</b>	<b>15.72</b>	<b>—</b>	<b>81.68</b>	<b>18.70</b>	<b>24.08</b>	<b>—</b>	<b>42.78</b>	<b>47.26</b>

**NOTE IV**
**TRADE PAYABLES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Trade payables**		
– Micro and small enterprises	—	—
– Others	86.00	117.72
<b>Total</b>	<b>86.00</b>	<b>117.72</b>

\*\* Includes amount outstanding payable to Mahindra & Mahindra Ltd. Rs. 70,70,546 towards Leave Liability.

**NOTE V**
**OTHER CURRENT LIABILITIES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Other Liabilities		
– Statutory Liabilities	101.71	92.30
– Others	2.88	3.06
<b>Total</b>	<b>104.59</b>	<b>95.36</b>

**NOTE VI**
**SHORT TERM PROVISIONS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Employee benefits</b>		
– Provision for compensated absences	23.57	9.59
– Provision for Gratuity (Funded)	—	4.10
<b>2 Provision for Expenses</b>	<b>165.29</b>	<b>41.06</b>
<b>3 Others</b>		
– Proposed Dividend	20.25	15.00
– Provision for tax on Proposed Dividend	4.12	3.05
<b>Total</b>	<b>213.23</b>	<b>72.81</b>

**NOTE VIII  
LONG TERM LOANS & ADVANCES ASSETS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
1 TDS Receivable (Net of Provision for Tax)	157.30	94.99
<b>Total</b>	<b>157.30</b>	<b>94.99</b>

**NOTE IX  
DEFERRED TAX LIABILITY/ASSET:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Deferred Tax Liability</b>		
On fiscal allowances on fixed assets	3.98	2.20
Others	-	-
	<b>3.98</b>	<b>2.20</b>
<b>2 Deferred Tax Assets</b>		
Provision for leave encashable at retirement/cessation	25.24	21.09
On fiscal allowances on fixed assets	-	-
Others	3.07	2.53
	<b>28.31</b>	<b>23.62</b>
Net Deferred Tax Assets	<b>24.33</b>	<b>21.42</b>

**NOTE X  
CURRENT & NON-CURRENT INVESTMENTS:**

Particulars	(Rs. in Lacs)			
	31 <sup>st</sup> March, 2016		31 <sup>st</sup> March, 2015	
	Non Current	Current	Non Current	Current
<b>Investments</b> (At Cost, unless otherwise specified):				
(a) Mutual Fund (including Dividend Reinvested) (Note X-A)	-	268.89	-	214.00
<b>Total</b>	<b>-</b>	<b>268.89</b>	<b>-</b>	<b>214.00</b>

**NOTE X-A  
MARKET VALUE OF MUTUAL FUNDS:**

Particulars	NAV		FY 2015-16		FY 2014-15	
	No of Units	Amount	No of Units	Amount	No of Units	Amount
Investment – Taurus Mutual Funds	1,000.26		9,138.53	9,140,924		
Investment – Principal Mutual Funds	1,000.46		7,017.94	7,021,164		
Investment – IDFC Mutual Funds	1,000.32		5,235.93	5,237,598		
Investment – Kotak Mutual Funds	1,011.62	4,544.64	4,597,453			
Investment – IDFC Mutual Funds	1,001.08	5,180.02	5,185,637			
Investment – ICICI Mutual Funds	209.12	40,021.63	8,369,495			
Investment – ICICI Mutual Funds	100.10	4,930.40	493,528			
Investment – HDFC Mutual Funds	1,019.82	5,630.28	5,741,871			
Investment – JM Financial Mutual Funds	10.43	239,847.32	2,501,655			
<b>Total</b>			<b>26,889,640</b>	<b>21,399,686</b>		

**NOTE XI  
TRADE RECEIVABLE:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Unsecured, considered good</b>		
a) Outstanding for a period exceeding than six months from the date they are due for payment	6.71	-
b) Others	180.44	191.34
	<b>187.15</b>	<b>191.34</b>
<b>2 Unsecured, considered doubtful</b>		
a) Outstanding for a period exceeding than six months from the date they are due for payment	3.51	1.16
b) Others	-	-
	<b>3.51</b>	<b>1.16</b>
Less: Provision for doubtful debts	(3.51)	(1.16)
<b>Total</b>	<b>187.15</b>	<b>191.34</b>

**NOTE XII  
CASH & BANK BALANCES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Cash &amp; Cash Equivalents</b>		
a) On current account	29.81	35.34
<b>2 Other Bank Balances</b>		
a) Fixed Deposit with Banks (with maturity of greater than 3 months)	344.55	327.31
<b>Total</b>	<b>374.36</b>	<b>362.65</b>

**NOTE XIII  
SHORT-TERM LOANS & ADVANCES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Other loans and advances</b>		
a) Unsecured, considered good	11.42	4.21
b) Unbilled revenue	-	10.07
<b>Total</b>	<b>11.42</b>	<b>14.28</b>

**NOTE XIV  
OTHER CURRENT ASSETS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Others</b>		
a) Accrued Interest on F.D	10.95	12.74
b) Prepaid Expenses	2.76	0.70
c) Security Deposits	4.67	0.50
d) Claims receivable	-	-
e) Security Deposit for electricity	0.06	-
<b>Total</b>	<b>18.43</b>	<b>13.94</b>

**NOTE XV  
REVENUE FROM OPERATIONS:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
<b>1 Income from</b>		
a) Rendering services	1,458.10	1,238.97
b) Unbilled Income	-	10.07
<b>Total</b>	<b>1,458.10</b>	<b>1,249.03</b>

**NOTE XVI  
OTHER INCOME:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
1 Dividend income	12.56	12.08
2 Interest income:		
a) Fixed Deposits with Bank	28.15	28.40
b) Income tax refund	1.55	3.91
3 Sale of Scrap	0.22	-
<b>Total</b>	<b>42.48</b>	<b>44.40</b>

**NOTE XVII  
EMPLOYEE BENEFIT EXPENSES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
1 Salaries, wages, bonus, etc	877.81	721.74
2 Contribution to Provident & other funds	53.43	48.59
3 Gratuity expense	11.14	22.64
4 Leave encashable at retirement/ Cessation	17.31	9.32
5 Staff welfare	14.67	12.45
6 Training	1.26	1.24
<b>Total</b>	<b>975.62</b>	<b>815.98</b>

**NOTE XVIII  
OTHER EXPENSES:**

Particulars	(Rs. in Lacs)	
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
1 Office Rent	41.85	29.70
2 Rates and taxes	0.03	0.66
3 Insurance	2.10	3.15
4 Service Contracted	53.37	13.11
5 Postage, Telephone and Communication	9.90	2.23
6 Legal and Professional Charges	159.73	79.29
7 IT Expenses	45.00	33.75
8 Travelling & Conveyance Expenses	38.84	23.24
9 Doubtful Debts	2.35	-
10 Auditor's remuneration		
a) For Statutory Audit	2.80	2.50
b) For Tax Audit	0.50	0.50
11 Loss on sale of assets (net)	0.01	0.07
12 Miscellaneous expenses	31.97	20.16
13 Electricity expenses	0.73	-
<b>Total</b>	<b>389.18</b>	<b>208.35</b>

**NOTE XIX**

Mahindra BPO Services Private Limited was incorporated on 18th January 2011 and it started its operations from 1<sup>st</sup> May, 2011. Mahindra BPO Services Private Limited was renamed as Mahindra Integrated Business Solutions Private Limited from 4<sup>th</sup> January, 2013. The Company is rendering back office accounting & payroll services. Currently though a captive service provider, it intends to extend the services to corporate sector at large. During the year the Company has started rendering new activities in Customer Retention, renewal and verification, KYC fulfillment, setting up and re-organising and customer inward call center.

**NOTE XX**
**Significant Accounting Policies:**

- A) Basis of Accounting:  
The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).
- B) Operating Cycle:  
Assets and Liabilities are classified as Current or Non-Current as per the provisions of the Schedule III notified under the Companies Act, 2013 and Company's normal operating cycle. Based on the nature of business and its activities, the Company has ascertained its operating cycle as twelve months for the purpose of Current & Non-Current classification of Assets & Liabilities.
- C) Fixed Assets:  
(i) Fixed assets are carried at their original cost less accumulated depreciation. Financing costs that are attributable to the acquisition, construction or production of qualifying assets are included in the cost of that asset up to the date the asset is ready to use.  
(ii) Depreciation on Assets is calculated on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule II to The Companies Act, 2013.
- D) Intangible Assets:  
The Company has purchased Software licenses during the year for business purposes, which will be amortized in next 5 years.
- E) Investments:  
Investment held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.  
Current investments are valued at the lower of cost and fair value.
- F) Revenue Recognition:  
(i) Sale of services is recognized when the services are rendered.  
(ii) Revenues on time & material contracts are recognized as the related services are performed and revenues from the end of the last billing to the Balance sheet date is recognized as Unbilled revenues. The unbilled revenues primarily consists of cost which needs to be billed to client on cost plus margin basis where there is no uncertainty as to measurement or collectability of consideration.  
(iii) Fee based income is accounted for on achieving specified milestones as per mutual agreement.  
(iv) Further, revenue is recognised when there is no uncertainty as to the measurement or collectability of consideration.
- G) Employee Benefits:  
Retirement benefit in respect of gratuity at retirement/cessation are provided for based on valuations as at the balance sheet date, made by independent actuaries.  
i) Defined Contribution Plan:  
Company's contribution paid/payable during the year to Superannuation Fund, ESIC and Labour Fund are recognized in the Profit and Loss Account.  
Contributions to Provident Fund are made to Regional Provident Fund Commissioner Trust administered by Central Government of India and are charged to Profit and Loss Account as incurred.  
ii) Defined Contribution Plan:  
Company's liability towards gratuity, long term compensated absences, are determined by Independent Actuaries, using unit credit method. Past services are recognized on a straight line basis over the average period until the benefits become vested. Actuarial gain & losses are recognized immediately in the statement of Profit & Loss as income or expenses. Obligation is measured at the present

value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds, where the currency and the terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

**NOTE XXI**

**Taxes on Income:**

Tax expense comprises of both current and deferred tax only.

Provision for Current tax is measured at the amount computed under the Income Tax Act, 1961, or Book Profit computed under Section 115JB, whichever is higher, and correspondingly set-off available under Section 115JAA is credited to the Statement of Profit & Loss of the financial year.

MAT credit is recognised as an asset only when, and to the extent, there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent that there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of Deferred Tax is reviewed at each Balance Sheet date.

**NOTE XXII**

**Audit Fees:**

Particulars	(Rs. in lacs)	
	2016	2015
Statutory Audit Fee	2.80	2.50
Tax Audit Fee	0.50	0.50
<b>Total Audit Fees</b>	<b>3.30</b>	<b>3.00</b>

**NOTE XXIII**

**Employee Benefits:**

**A. Defined Contribution Plan:**

On account of defined contribution plans the Company's contribution to Provident Fund aggregating to Rs. 19.83 lacs (PY Rs. 17.98 lacs) has been recognized in Statement of Profit and Loss.

**B. Defined Benefit Plan: Gratuity**

Amount recognised in Balance Sheet

Particulars	(Rs. in lacs)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Present Value of Funded Obligations	156.32	142.96
Fair Value of Plan Assets	(146.05)	(120.33)
Present Value of unfunded Obligations	-	-
<b>Net Liability</b>	<b>10.27</b>	<b>22.64</b>
Amounts in the Balance Sheet		
Liabilities	10.27	22.64
Assets	-	-
<b>Net Liability</b>	<b>10.27</b>	<b>22.64</b>

**Expense recognised in the Statement of Profit and Loss**

Particulars	(Rs. in Lacs)	
	Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
Current Service Cost	17.16	10.63
Interest on Defined Benefit Obligation	12.27	10.98
Expected Return on Plan Assets	(11.20)	(11.13)
Net Actuarial Losses/(Gains) recognised in year	(7.95)	14.23
Past Service Cost	-	-
<b>Total expense, included in "Employee Benefits Expense"</b>	<b>10.27</b>	<b>24.72</b>

**Change in Defined Benefit Obligation**

Particulars	(Rs. in Lacs)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Opening Defined Benefit Obligation	142.96	122.21
Current Service Cost	17.15	10.63
Interest Cost	12.26	10.98
Actuarial Losses/(Gain)	(7.33)	13.98
Liabilities Assumed on acquisition/Settled on Divestiture	-	-
Benefit Paid	(8.73)	(14.86)
<b>Closing Defined Benefit Obligation</b>	<b>156.32</b>	<b>142.96</b>

**Change in Fair Value of Assets**

Particulars	(Rs. in Lacs)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Opening Fair Value of Plan Assets	120.32	124.30
Contribution by Employer	22.63	-
Benefits Paid	(8.73)	(14.86)
Expected return on Planned assets	11.20	11.13
Actuarial Gain/Losses	(0.62)	(0.25)
<b>Closing Fair Value of Plan Assets</b>	<b>146.05</b>	<b>120.32</b>

**Experience Adjustment**

Particulars	(Rs. in Lacs)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Defined Benefit Obligation	156.32	142.96
Plan Assets	146.05	120.32
Surplus/(Deficit)	(10.26)	(22.63)
Expected Adjustment on Plan Liabilities	(0.07)	(4.49)
Expected Adjustment on Plan Assets	0.61	(0.24)

**Financial Assumptions at the Valuation Date**

Particulars	(Rs. in Lacs)	
	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Discount Rate (p.a)	8.40%	7.90%
Expected Rate of return on Assets (p.a)	9.30%	9.30%
Salary Escalation Rate (p.a)	10.00%	10.00%

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

**NOTE XXIV**

The components of Deferred Tax Liability and Assets as at 31<sup>st</sup> March, 2016 are as under:

Particulars	(Rs. in Lacs)	
	2016	2015
<b>Deferred Tax Liability:</b>		
i) On fiscal allowances on fixed assets	3.98	2.20
<b>Deferred Assets:</b>		
ii) Provision for leave encashable at retirement/cessation	25.24	21.09
iii) On fiscal allowances on fixed assets	-	-
iv) Others	3.07	2.53
Net Deferred Tax Asset	<u>24.33</u>	<u>21.42</u>

**NOTE XXV**

Earnings per share:

Particulars	2016	2015
Amount used as numerator Balance of Profits (Rs. in lacs)	43.88	175.11
Average number of equity shares used in computing earnings per share (in lacs)	15.00	15.00
Basic Earnings per share	<u>2.93</u>	<u>11.67</u>

**NOTE XXVI**

Related Party Disclosure:

Related Party where the control exits:

- I. Holding Company:  
Mahindra Holdings Limited
- II. Ultimate Holding Company:  
Mahindra and Mahindra Limited
- III. Associates:
  1. Mahindra First Choice Wheels limited
  2. Mahindra Agri Solutions Limited
  3. Mahindra Intertrade Limited
  4. Mahindra Steel Service Centre Limited
  5. Bristlecone Limited
  6. Mahindra Automobile Distributor Private Limited
  7. Mahindra Trucks and Buses Ltd
  8. Mahindra Lifespace Developers Limited
  9. Mahindra World City (Jaipur) Limited
  10. Mahindra World City Developers Limited
  11. Mahindra Vehicle Manufacturers Limited
  12. Mahindra Logistics Limited
  13. Mahindra Heavy Engines Private Limited
  14. Mahindra Aerospace Private Limited
  15. Mahindra First Choice Services Limited
  16. Mahindra Two Wheelers Limited
  17. Defence Land Systems India Private Limited
  18. Mahindra Conveyor Systems Private Limited
  19. Mahindra Reva Electric Vehicles Private Limited
  20. Mahindra Emirates Vehicles Armoring FZ LLC
  21. Mahindra Aerostructures Private Limited
  22. Mahindra EPC Services Private Limited
  23. Mahindra & Mahindra Contech Limited
  24. Mumbai Mantra Media Limited
  25. Mahindra Marine Private Limited
  26. Mahindra Retail Private Limited
  27. Mahindra Suryaprakash Private Limited

28. Mahindra Defence Naval Systems Private Limited
29. Mahindra Gears & Transmission Private Limited
30. NBS International Limited
31. Mahindra Defence Systems Limited
32. Mahindra Bebanco Developers Limited
33. Mahindra Telephonics Integrated Systems Limited
34. Mahindra Univeg Private Limited
35. Mahindra Auto Steel Private Limited
36. Mahindra Internet Commerce Private Limited
37. Mahindra Investments (International) Private Limited
38. Mahindra Holidays & Resorts India Limited

IV. The related party transactions with Associates are as under:

Sr. No.	Nature of Transactions	(Rs. in Lacs)	
		Fellow Subsidiary 2015-16	Fellow Subsidiary 2014-15
1.	Sale: Services	394.17	359.13
2.	Outstanding: Payable	-	0.83
	Receivable	67.33	42.63
3.	Purchase: Fixed Assets	-	-
	Services	5.73	3.65

V. The related party transactions are as under:

Sr. No.	Nature of Transactions	(Rs. in Lacs)	
		Ultimate Holding 2015-16	Ultimate Holding 2014-15
1.	Issue of share capital	-	-
2.	Dividend Paid	-	17.55
3.	Sale: Services	934.65	980.61
4.	Purchase: Fixed Assets	0.89	-
	Services	96.27	214.15
5.	Rent	7.43	33.37
6.	Others Transactions		
	Reimbursement from Parties	-	-
	Reimbursement made to parties	35.91	-
7.	Outstanding: Payable	83.58	48.34
	Receivable	73.98	130.54

**NOTE XXVII**

Segment Reporting:

**A. Primary Segment - Business Segment**

The Company's business activity falls within a single business segment viz. shared services. All other activities of the Company revolve around its main business. Hence, there are no separate reportable primary segments as defined by Accounting Standard 17 on "Segment Reporting".

**B. Secondary Segment - Geographical Segment**

The Company is doing only domestic sale so there is no secondary segment report.

**NOTE XXVIII**

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For **B. K. KHARE & Co.**  
Chartered Accountants  
(FRN: 105102W)

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai,  
12th May, 2016

For and on behalf of the Board of Directors

**S. Durgashankar**  
Director

**Rajeshwar Tripathi**  
Director

**Sanjay Joglekar**  
Director

**Vinay Deshpande**  
Director



## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

Your Directors present their Fifth Report together with the audited accounts of your Company for the year ended 31<sup>st</sup> March 2016.

### PRINCIPAL ACTIVITY & REVIEW OF BUSINESS

Your Company participates, as a constructor of motorcycles, in FIM MotoGP World Motorcycle Racing Championship and the Junior World Championship in the Moto3 (250cc, 4 stroke class).

Your Company staff consists of 21 employees including contractual employees and administration/technical and managerial staff. The organization works out of a rented office space in Italy at Besozzo, Varese province (near Milan) from where the Company conducts all its design, development and manufacturing activities.

### FINANCIAL HIGHLIGHTS:

	(Amount in Euro/INR.)			
	2016 Euro Lakhs	2016 INR Lakhs	2015 Euro Lakhs	2015 INR Lakhs
Total Income	56.75	4,254.23	51.03	3,825.54
Profit before Depreciation & Taxation	1.10	81.99	(0.12)	(8.79)
Depreciation	0.56	41.92	0.12	8.85
Profit before Tax	0.54	40.07	(0.24)	(17.64)
Taxation	0.52	38.75	0.56	42.10
Profit/(Loss) for the year	0.02	1.32	(0.80)	(59.74)
Profit/(Loss) carried to Balance Sheet	0.02	1.32	(0.80)	(59.74)

The Financial Statements at March 31, 2016 highlight a Profit equal to Euro 1,762 (INR 1,32,132) which represents an acceptable outcome taking into account that, on one hand, your Company has been winning races and, on the other hand, we have entered into manufacturing activities, with the purpose to achieve and maintain a good standing in FIM World & Junior World Motorcycle Moto3 Championship (250cc 4 stroke) and in the Italian championship, has been incurring several expenses and also making for medium- and long-term investments which were met from the sponsorship income received from Mahindra & Mahindra Limited.

### SHARE CAPITAL

The Equity share capital of your Company is Euro 801,000 (INR 60,050,970), this year fresh equity infusion of Euro 250,000 (INR 1,87,42,500) was done for carrying out the design, development and manufacturing activities. Working capital loan has been taken from Barclays Bank to meet the working capital needs of the Company.

Mahindra Racing S.p.A. has three major partnerships- Mahindra & Mahindra Ltd for sponsorship, Suter Racing Technology for technical development and manufacture of the racing bikes and Box 55 (Team Aspar) for participating in the Moto3 World and Junior World Championships.

### Major Achievements for F 2016:

- Three podium finishes – the best ever for an Indian Constructor in the 2015 season of the FIM Moto GP World Motorcycle Racing Championship in the Moto 3 class
- Overall 3<sup>rd</sup> Place in Constructors' Rankings in the above championship
- Started work for new engine facility at Brebbia (10,000 sq. ft). This facility will have state of art engine test bench from AVL, dynojet vehicle test bench, engine assembly workstations and parts storage, along with engine design office.

### DIRECTORS

The Directors of your Company are Mr. Ruzbeh Irani – (Chairman of the Company), Mr. Rajesh Jejurikar, Mr. Nicola Paglietti, Mr. Mufaddal Abbas Choonia – Director and Chief Executive Officer of the Company & Mr. Chandrashekar Joshi – Director and Chief Financial Officer.

### HOLDING COMPANY

Your Company's holding company is Mahindra Overseas Investment Company (Mauritius) Limited, which is a subsidiary of Mahindra & Mahindra Limited. Hence, Mahindra & Mahindra Limited is the ultimate Parent company.

**For & on Behalf of the Board**

**Ruzbeh Irani**  
Chairman

Place: Mumbai  
Date: 27<sup>th</sup> April, 2016.

## AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF MAHINDRA RACING S.P.A.

1. We have audited the annual accounts for the business year of Mahindra Racing S.p.A. as at 31 March 2016. It is the responsibility of the directors of Mahindra Racing S.p.A. to draw-up the annual accounts. It is our responsibility to express our professional opinion on the annual accounts based on our auditing.
2. Our audit was made according to the CONSOB principles and criteria for auditing. In conformity with the aforesaid principles and criteria, the audit was planned and carried out to acquire every element necessary to control if the annual accounts were invalidated by important errors and if they, on the whole, result as reliable. Auditing procedures include the examination, by spot checking, of the elements supporting the totals and the information contained in the annual accounts, as well as an evaluation of the adequacy and correctness of the accounting criteria used and the reasonableness of the estimates made by the directors. We believe that the work carried

out supplies us a reasonable basis on which to express our professional opinion.

For the opinion on the previous year's annual accounts, the data for which were presented for comparison according to the legal requisites, we would refer you to our report issued on 30th April 2015.

3. In our opinion, the annual accounts of Mahindra Racing S.p.A. at 31 March 2016 conform to the regulations governing the criteria for their drawing-up; they have therefore been drawn-up with clarity and represent the financial situation and the economic result of the Company in a true and correct manner.

RB Audit Italia S.r.l.  
Dott. Roberto Mallardo  
*(Partner)*

Rome, 27<sup>th</sup> April, 2016

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	2016	2016	2015	2015
	EURO	INR	EURO	INR
<b>INCOME</b>				
Sponsorship.....	4,004,450	300,213,617	3,846,502	288,372,255
Manufacturing Income.....	1,669,905	125,192,794	1,253,668	93,987,455
Bank Interest.....	227	17,009	2,590	194,190
	<u>5,674,582</u>	<u>425,423,419</u>	<u>5,102,760</u>	<u>382,553,899</u>
<b>EXPENSES</b>				
Repairs and maintenance .....	3,684,224	276,206,278	2,720,625	203,965,256
Depreciation.....	55,915	4,191,981	11,810	885,419
Rent .....	111,050	8,325,394	201,262	15,088,612
Legal and professional fees.....	1,313,249	98,454,255	1,640,038	122,953,686
Miscellaneous Expenses .....	135,297	10,143,253	13,893	1,041,535
Bank charges.....	21,023	1,576,105	12,311	922,956
Conveyance .....	222,400	16,673,306	487,811	36,571,191
Audit Fees.....	33,134	2,484,048	10,000	749,700
Telephone & Postal Expenses .....	1,354	101,518	6,510	488,061
Staff Welfare.....	-	-	4,417	331,165
Transportation .....	43,484	3,260,026	17,610	1,320,222
	<u>5,621,131</u>	<u>421,416,163</u>	<u>5,126,288</u>	<u>384,317,803</u>
<b>OPERATING (LOSS)/PROFIT.....</b>	<b>53,451</b>	<b>4,007,256</b>	<b>(23,528)</b>	<b>(1,763,904)</b>
Investment written off .....	-	-	-	-
Impairment of available for sale financial asset .....	-	-	-	-
Realised gain on disposal of investment.....	-	-	-	-
<b>(LOSS)/PROFIT BEFORE TAX .....</b>	<b>53,451</b>	<b>4,007,256</b>	<b>(23,528)</b>	<b>(1,763,904)</b>
Tax expense .....	51,689	3,875,124	56,161	4,210,370
<b>(LOSS)/PROFIT FOR THE YEAR .....</b>	<b><u>1,762</u></b>	<b><u>132,132</u></b>	<b><u>(79,689)</u></b>	<b><u>(5,974,274)</u></b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR .....</b>	<b><u>1,762</u></b>	<b><u>132,132</u></b>	<b><u>(79,689)</u></b>	<b><u>(5,974,274)</u></b>

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH 2016

	2016	2016	2015	2015
	EURO	INR	EURO	INR
<b>ASSETS</b>				
<b>Tangible Assets</b>				
Computers .....	1,947	145,967	2,325	174,313
Plant & Machinery .....	481,152	36,071,965	117,475	8,807,101
<b>Intangible Assets</b>				
R & D Cost.....	40,000	2,998,800	-	-
Software .....	22,000	1,649,340	-	-
	<u>545,099</u>	<u>40,866,072</u>	<u>119,800</u>	<u>8,981,413</u>
<b>Current Assets</b>				
Miscellaneous Expenditure .....	-	-	772	57,880
Sundry Debtors.....	245,928	18,437,239	134,316	10,069,665
Tax credits.....	348,579	26,132,968	110,162	8,258,832
Prepayments.....	-	-	338,116	25,348,538
Closing Stock.....	717,233	53,770,924	365,709	27,417,239
Cash and cash equivalents.....	18,306	1,372,387	213,205	15,983,987
Other Current Assets.....	9,544	715,514	30,258	2,268,467
	<u>1,339,590</u>	<u>100,429,032</u>	<u>1,192,538</u>	<u>89,404,608</u>
<b>Total Assets .....</b>	<u><b>1,884,689</b></u>	<u><b>141,295,104</b></u>	<u><b>1,312,339</b></u>	<u><b>98,386,021</b></u>
<b>EQUITY AND LIABILITIES</b>				
Share capital.....	801,000	60,050,970	551,000	41,308,470
(Accumulated losses)/Retained earnings .....	(79,808)	(5,983,210)	(81,571)	(6,115,376)
	<u>721,192</u>	<u>54,067,760</u>	<u>469,429</u>	<u>35,193,094</u>
<b>Current Liabilities</b>				
Payables and accruals .....	984,014	73,771,559	554,703	41,586,094
Bank Loan short term.....	161,977	12,143,426	240,160	18,004,768
Other Payables .....	17,505	1,312,359	48,047	3,602,065
	<u>1,163,497</u>	<u>87,227,344</u>	<u>842,910</u>	<u>63,192,927</u>
<b>Total equity and liabilities.....</b>	<u><b>1,884,689</b></u>	<u><b>141,295,104</b></u>	<u><b>1,312,339</b></u>	<u><b>98,386,021</b></u>

Approved by the Board of Directors on 28.04.2016 and signed on its behalf by:

Director

Director

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	2016	2016	2015	2015
	EURO	INR	EURO	INR
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation .....	53,451	4,007,256	(23,528)	(1,763,904)
Adjustments for:				
Depreciation.....	55,915	4,191,981	11,810	885,419
Impairment loss on available-for-sale financial asset.....	-	-	-	-
Realised gain on disposal of investment.....	-	-	-	-
Unrealised foreign exchange loss/(gain) .....	-	-	-	-
Interest income .....	-	-	-	-
Interest expense .....	-	-	-	-
Dividend income.....	-	-	-	-
	<b>109,367</b>	<b>8,199,237</b>	<b>(11,719)</b>	<b>(878,485)</b>
Adjustments for working capital changes:				
(Increase)/Decrease in Current Assets .....	<b>(358,222)</b>	<b>(26,855,936)</b>	413,011	30,963,412
Increase/(Decrease) in Current Liabilities.....	<b>398,770</b>	<b>29,895,755</b>	(1,012,236)	(75,887,342)
<b>Cash flows generated from operating activities.....</b>	<b>149,914</b>	<b>3,039,818</b>	<b>(610,944)</b>	<b>(44,923,930)</b>
Taxes paid.....	<b>(51,689)</b>	<b>(3,875,124)</b>	(56,161)	(4,210,370)
Interest paid.....	-	-	-	-
<b>Net cash flows generated from/(used in) operating activities .....</b>	<b>98,224</b>	<b>7,363,856</b>	<b>(667,105)</b>	<b>(50,012,860)</b>
<b>Cash flows from investing activities</b>				
Purchase of available-for-sale financial assets.....	-	-	-	-
Purchase of property, plant & equipment .....	<b>(464,941)</b>	<b>(34,856,627)</b>	(127,000)	(9,521,190)
Proceeds from disposal of available-for-sale financial assets .....	-	-	-	-
Dividend received .....	-	-	-	-
<b>Net cash flows (used in)/from investing activities.....</b>	<b>(464,941)</b>	<b>(34,856,627)</b>	<b>(127,000)</b>	<b>(9,521,190)</b>
<b>Cash flows from financing activities</b>				
Share Capital .....	<b>250,000</b>	<b>18,742,500</b>	531,000	39,809,070
Loans repaid to bank .....	<b>(78,183)</b>	<b>(5,861,344)</b>	-	-
Loans from bank.....	-	-	240,160	18,004,768
Loan repayment received.....	-	-	-	-
Proceeds from issue of shares .....	-	-	-	-
Loans given.....	-	-	-	-
Shareholder's loan.....	-	-	-	-
<b>Net cash flows generated from/(used in) financing activities.....</b>	<b>171,817</b>	<b>12,881,156</b>	<b>771,160</b>	<b>57,813,838</b>
<b>(Decrease)/increase in cash and cash equivalents .....</b>	<b>(194,899)</b>	<b>(14,611,614)</b>	<b>(22,945)</b>	<b>(1,720,211)</b>
<b>Cash &amp; Bank Balances</b>				
Opening Balance.....	<b>213,205</b>	<b>15,983,987</b>	236,150	17,704,166
Closing Balance.....	<b>18,306</b>	<b>1,372,387</b>	213,205	15,983,987
<b>Cash and cash equivalents made up of:</b>				
Cash at bank .....	<b>18,306</b>	<b>1,372,387</b>	213,205	15,983,987

# NOTES TO THE FINANCIAL STATEMENTS AT 31/03/2016

Registry of Trading Companies. 11736751006  
Rea 1324589

## MAHINDRA RACING S.P.A.

Registered office in VIA DELLA MERCEDE, 11 - 00187 ROMA (RM) Share Capital Euro 801.000,00 i.v.  
Notes to the financial statements at 31/03/2016

### Introduction

Dear Partners/Shareholders,

The present financial statement, presented to your attention for examination and approval, shows an operating profit equal to Euro 1,762.

### General

Your company is engaged in the field of management and organization of technical and race teams for the participation in sports competition in the motorcycle sector, at professional level, in national and international competitions. Your company is also active in the field of promotion and management of the brand and merchandising activities.

### Basis of Preparation of Financial Statements

These financial statements have been drawn up in accordance with articles 2423 ff of the Italian Civil Code, as appears from these Notes, which have been prepared pursuant to articles. 2427 of the Italian Civil Code and are an integral part of the financial statements within the meaning and for the purposes of articles 2423.

The financial statements' values are represented in units of Euro by rounding of the related amounts. Any rounding difference has been indicated under the heading "Reserve rounding Euro" between the items "Quota-holders capital" and "Rounding in Euro" under the item "extraordinary income and charges" in the Profit and Loss Account.

### Basis of Accounting

The criteria used for drawing up the financial statements at March 31, 2016 do not differ from those used for the drafting of the financial statements of the previous financial year, particularly in terms of evaluations and in the continuity of the same principles.

The evaluation of the financial statements' items has been carried out on the basis of the general criteria of prudence and accrual, on a continuative basis of the activities, by evaluating the economic function of the assets as well as of the liabilities taken into account. The application of the prudential basis of the accounting resulted in the evaluation of the single components of each value or asset or liability, in order to avoid any offset between losses that should have been recognized and/or profits that should have not been recognised if not realised.

In compliance to the accruals method, the effects of the transactions and of the other events have been reflected on the accounts and attributed to the fiscal year to which the transactions and the events refer, and not to the one in which the related collections and payments have occurred.

The fact that the evaluations considers the economic function of the assets or liabilities taken into account, which expresses the principle of prevalence of the substance over the form - mandatory where not conflicting with other specific rules governing the financial statements - makes it possible to represent the transactions according to the economic reality underlying the formal aspects.

In particular, the following accounting policies have been applied:

### Fixed assets

#### Tangible assets

The Tangible Assets have been recorded at their purchase cost and are adjusted by the relevant accumulated depreciation funds.

The book value includes the ancillary costs as well as the costs incurred for the use of the fixed tangible asset, less any trade discounts and any significant cash discounts.

The depreciation charged to the Profit and Loss Account has been calculated on the basis of the remaining "useful life" of the assets, taking into account their use, destination and economic-technical life, and we believe that this is well reflected by the following rates, in the year in which the asset has been put to use:

- Computers : 25%

### Accounts receivable

The Account receivables have been recorded at their presumed realisable value.

### Misc. Expenditure to the extent not written off.

The start-up and expansion costs, having a utility that stretches over the years, have been recorded as assets with the approval of the Board of Statutory Auditors and are to be written off over 4 years.

### Accounts payable

Accounts payable have been recorded at their nominal value, adjusted by any returns of goods or credit notes.

### Accrued liabilities/income – prepayments/deferred income

These have been determined on an actual accruals basis of the financial period.

For long term accruals have been verified the conditions that led to its original registration, adopting, if necessary, appropriate changes.

The Accrued Incomes measure the income and expenses which competence is anticipated or delayed with respect to the numeracy and/or documental evidence; said incomes are independent from the date of payment or collection of the connected income and expenses, related to two or more financial years and divisible on a time basis.

### Income taxes

The income taxes are accrued in accordance with the competence principle and include as following indicated:

- the accruals for the taxes paid or to be paid in the financial year, determined according to the current rates and regulation;

### Recognition of income

The financial revenues and those deriving from the carrying out of services are acknowledged on an accrual basis.

### Assets

#### A) Application of Funds

Values shown in Euro's & Rupees (1 Euro=74.97) for convenient conversion terms

	As At 31.03.2016		As At 31.03.2015	
	Euro	Rs.	Euro	Rs.
<b>1. Fixed Assets</b>				
<b>Tangible Assets</b>				
Computers	7,742	580,397	7,742	580,397
Less : Acc.				
Depreciation	(5,795)	(434,447)	(5,417)	(406,084)
	<u>1,947</u>	<u>145,949</u>	<u>2,325</u>	<u>174,313</u>
Plant & Machinery	529,942	39,729,728	127,000	9,521,190
Less : Acc.				
Depreciation	(48,790)	(3,657,792)	(9,525)	(714,089)
	<u>481,152</u>	<u>36,071,935</u>	<u>117,475</u>	<u>8,807,101</u>
<b>Intangible Assets</b>				
R & D Cost	50,000	3,748,500	-	-
Less : Amortization	(10,000)	(749,700)	-	-
	<u>40,000</u>	<u>2,998,800</u>	-	-
Software	27,500	2,061,675	-	-
Less : Amortization	(5,500)	(412,335)	-	-
<b>Total Fixed Assets</b>	<u>545,098</u>	<u>40,866,025</u>	<u>119,800</u>	<u>8,981,413</u>

	As At 31.03.2016		As At 31.03.2015	
	Euro	Rs.	Euro	Rs.
<b>2. Current Assets</b>				
<b>Accounts Receivable</b>				
a) Tax credits	348,579	26,132,988	115,330	8,646,255
b) Prepaid Expenses	-	-	338,116	25,348,538
c) Receivables	245,928	18,437,245	134,316	10,069,665
d) Deposits	9,544	715,535	25,091	1,881,045
	<u>604,052</u>	<u>45,285,768</u>	<u>612,852</u>	<u>45,945,502</u>
<b>e) Cash &amp; Bank Balances</b>				
Bank Account (Rome)	11,459	859,107	105,618	7,918,185
Bank Account (Bancari UBS)	5,000	374,850	105,641	7,919,906
Cash in Hand	1,846	138,430	1,946	145,892
	<u>18,306</u>	<u>1,372,387</u>	<u>213,205</u>	<u>15,983,987</u>
<b>f) Closing Stock</b>	<u>717,233</u>	<u>53,770,924</u>	<u>365,709</u>	<u>27,417,239</u>
<b>e) Misc. Expenditure to the extent not written off.</b>				
Start up cost	772	57,877	1,544	115,757
Less : Expensed out this year	<u>772</u>	<u>57,877</u>	<u>772</u>	<u>57,877</u>
Balance not written off	-	-	772	57,880
<b>Total Application of Funds</b>	<u>1,884,689</u>	<u>141,295,104</u>	<u>1,312,339</u>	<u>98,386,021</u>
<b>B) Sources of Funds</b>				
<b>1. Share Capital</b>				
Share Capital	801,000	60,050,970	551,000	41,308,470
Retained Earnings	(79,808)	(5,983,210)	(81,571)	(6,115,376)
	<u>721,192</u>	<u>54,067,760</u>	<u>469,429</u>	<u>35,193,094</u>
<b>2. Current Liabilities</b>				
Accounts Payable to Suppliers	984,014	73,771,559	554,703	41,586,094
Bank Loan	161,977	12,143,426	240,160	18,004,768
Other accounts payable	17,505	1,312,359	48,047	3,602,065
	<u>1,163,497</u>	<u>87,227,344</u>	<u>842,910</u>	<u>63,192,927</u>
<b>Total Sources of Funds</b>	<u>1,884,689</u>	<u>141,295,104</u>	<u>1,312,339</u>	<u>98,386,021</u>

Note:

- a) The company has no revaluation reserve and no statutory reserve

- b) Misc. Expenses to the extent not written off consist of start up cost

**Profit & Loss Account**

	01.4.2015 to 31.03.2016		01.04.2014 to 31.03.2015	
	Euro	INR	Euro	INR
<b>A) Revenue</b>				
Sponsorship	4,004,450	300,213,617	3,846,502	288,372,255
Manufacturing Income	1,669,905	125,192,794	1,253,668	93,987,455
Bank Interest	227	17,009	2,590	194,190
	<u>5,674,582</u>	<u>425,423,419</u>	<u>5,102,760</u>	<u>382,553,899</u>
<b>B) Expenses</b>				
Repairs & Maintenance	3,684,224	276,206,278	2,720,625	203,965,256
Depreciation	55,915	4,191,981	11,810	885,419
Rent	111,050	8,325,394	201,262	15,088,612
Legal & Professional Fees	1,313,249	98,454,255	1,640,038	122,953,686
Miscellaneous Expenses	135,297	10,143,253	13,893	1,041,535
Bank Charges	21,023	1,576,105	12,311	922,956
Conveyance	222,400	16,673,306	487,811	36,571,191
Audit Fees	33,134	2,484,048	10,000	749,700
Telephone & Postal Expenses	1,354	101,518	6,510	488,061
Staff Welfare	-	-	4,417	331,165
Transportation	43,484	3,260,026	17,610	1,320,222
	<u>5,621,131</u>	<u>421,416,163</u>	<u>5,126,288</u>	<u>384,317,803</u>
<b>C) Taxes</b>	<u>51,689</u>	<u>3,875,124</u>	<u>56,161</u>	<u>4,210,370</u>

**Information on the financial instruments issued by the company**

The company did not issue any financial instrument.

**Information related to the fair value of the derived financial instruments**

The company does not possess any derived financial instrument.

**Information related to operations carried out with related parties**

The company has not carried out any operation with related parties.

**Information related to agreements not resulting from the balance sheet**

The company does not have any agreement that does not result from the balance sheet.

**Other information**

The Directors receive no compensation for their activity.

These financial statements, composed of the balance sheet, profit and loss account and notes, are a true and fair view of the company's state of affairs and economic result for the year and correspond to the underlying accounting records.

## Directors' Report to the Shareholders

Dear Shareholders

Your Directors present their Second Report together with the audited accounts of your Company for the year ended 31<sup>st</sup> March 2016.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgments and accounting estimates that are reasonable and prudent;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of

### FINANCIAL HIGHLIGHTS:

	(Amount in GBP/INR.)			
	2016	2016	2015	2015
	GBP Lakhs	INR Lakhs	GBP Lakhs	INR Lakhs
Total Income	59.13	5,629.70	36.55	3,480.01
Profit before depreciation & Taxation	0.08	7.65	(0.08)	(7.92)
Depreciation	0.01	0.57	–	0.15
Profit before Tax	0.07	7.08	(0.08)	(8.07)
Taxation	0.23	21.95	–	–
Profit/(Loss) for the year	(0.16)	(14.87)	(0.08)	(8.07)
Profit/(Loss) carried to Balance Sheet	(0.16)	(14.87)	(0.08)	(8.07)

The Financial Statements at 31<sup>st</sup> March, 2016 highlight a loss equal to GBP 15,616 (INR 14,86,839) which represents an acceptable outcome taking into account that, on one hand, your Company has been winning races and, on the other hand, we have entered into being a constructor, with the purpose to achieve and maintain a good standing in Formula E Racing, has been incurring several expenses and also making for medium- and long-term investments as constructor which were met from the sponsorship income received from Mahindra & Mahindra Limited and other sponsor's.

### SHARE CAPITAL

The Equity share capital of your Company is GBP 20,000 (INR 1,904,200)

the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### PRINCIPAL ACTIVITIES

The Company's principal activity is the operation of a Formula E racing team.

### DIRECTORS

The Directors of your company are Dr. Pawan Goenka – (Chairman of the Company), Mr. S. P. Shukla, Mr. RuzbehIrani, Mr Chetan Mani, Mr. Dilbagh Gill – Director and Chief Executive Officer of the company, Mr. Chandrashekar Joshi – Director and Chief Financial Officer.

### DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

So far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and

That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to the companies subject to the small companies regime.

### Holding Company

Your Company's holding Company is Mahindra Overseas Investment Company (Mauritius) Limited, which is a subsidiary of Mahindra & Mahindra Limited. Hence, Mahindra & Mahindra Limited is the ultimate Parent Company.

For & on Behalf of the Board

Place:

Date: 26<sup>th</sup> April, 2016.



## AUDITORS' REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAHINDRA RACING UK LIMITED

We have audited the financial statements of Mahindra Racing UK Limited for the period ended 31 March 2016, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.

**MHA Macintyre Hudson**  
John Coverdale FCA  
(Senior Statutory Auditor)

Place: London  
Date: May 23<sup>rd</sup> 2016

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

Notes	2016	2016	2015	2015
	GBP	INR	GBP	INR
<b>INCOME</b>				
Sponsorship.....	4,440,001	422,732,493	3,224,498	307,004,434
Other Sponsorship .....	945,983	90,067,072	430,595	40,996,974
Other Income.....	526,947	50,170,659	–	–
	<b>5,912,932</b>	<b>562,970,224</b>	3,655,093	348,001,407
<b>EXPENSES</b>				
FIA, Campos Carlin & Constructor Cost .....	4,656,175	442,267,145	2,947,082	280,591,657
Legal & Professional Charges .....	909,884	86,630,098	346,787	33,017,566
Conveyance Expenses.....	70,611	6,722,898	56,853	5,413,003
Telephone & Postal Expense .....	–	–	883	84,081
Insurance Expenses .....	36,262	3,452,488	118,394	11,272,258
Marketing Expenses .....	223,041	21,235,731	154,742	14,732,979
Bank Charges.....	3,918	373,046	1,176	111,996
Depreciation.....	594	56,555	160	15,234
Miscellaneous Expenses .....	16,009	1,524,227	37,491	3,569,502
	<b>5,905,495</b>	<b>562,262,188</b>	3,663,568	348,808,277
<b>OPERATING (LOSS)/PROFIT</b> .....	<b>7,437</b>	<b>708,037</b>	<b>(8,475)</b>	<b>(806,870)</b>
Investment written off .....	–	–	–	–
Impairment of available for sale financial asset .....	–	–	–	–
Realised gain on disposal of investment.....	–	–	–	–
	<b>7,437</b>	<b>708,037</b>	<b>(8,475)</b>	<b>(806,870)</b>
<b>(LOSS)/PROFIT BEFORE TAX</b> .....	<b>7,437</b>	<b>708,037</b>	<b>(8,475)</b>	<b>(806,870)</b>
Tax expense .....	23,053	2,194,876	–	–
	<b>(15,616)</b>	<b>(1,486,839)</b>	<b>(8,475)</b>	<b>(806,870)</b>
<b>(LOSS)/PROFIT FOR THE YEAR</b> .....	<b>(15,616)</b>	<b>(1,486,839)</b>	<b>(8,475)</b>	<b>(806,870)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b> .....				
	–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> .....	<b>(15,616)</b>	<b>(1,486,839)</b>	<b>(8,475)</b>	<b>(806,870)</b>

Director

Director

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

Notes	2016	2016	2015	2015
	GBP	INR (Note 1)	GBP	INR (Note 1)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Computer .....	1,324	126,017	811	77,215
Intangible Assets .....	2	190	–	–
	<u>1,326</u>	<u>126,207</u>	<u>811</u>	<u>77,215</u>
<b>Current assets</b>				
Sundry Debtors.....	618,780	58,914,031	669,454	63,738,674
VAT Receivable .....	119,097	11,339,193	55,292	5,264,308
Deposits .....	24,000	2,285,040	24,000	2,285,040
Prepayments .....	546,486	52,030,900	146,667	13,964,206
Cash and cash equivalents.....	69,842	6,649,617	338,385	32,217,683
	<u>1,378,204</u>	<u>131,218,781</u>	<u>1,233,798</u>	<u>117,469,910</u>
<b>Total assets</b> .....	<u><u>1,379,529</u></u>	<u><u>131,344,988</u></u>	<u><u>1,234,609</u></u>	<u><u>117,547,126</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital .....	20,000	1,904,200	20,000	1,904,200
(Accumulated losses)/Retained earnings .....	(24,091)	(2,293,709)	(8,475)	(806,905)
	<u>(4,091)</u>	<u>(389,509)</u>	<u>11,525</u>	<u>1,097,295</u>
<b>Non-current liabilities</b>				
Borrowings.....	–	–	–	–
<b>Current liabilities</b>				
Payables and accruals .....	1,315,835	125,280,685	687,819	65,487,250
Other Payables .....	67,785	6,453,812	535,265	50,962,581
	<u>1,383,620</u>	<u>131,734,497</u>	<u>1,223,084</u>	<u>116,449,831</u>
<b>Total equity and liabilities</b> .....	<u><u>1,379,529</u></u>	<u><u>131,344,988</u></u>	<u><u>1,234,609</u></u>	<u><u>117,547,126</u></u>

Approved by the Board of Directors on 26.04.2016 and signed on its behalf by:

Director

Director

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	2016	2016	2015	2015
	GBP	INR	GBP	INR
<b>Cash flows from operating activities</b>				
(Loss)/profit before taxation .....	7,437	708,037	(8,475)	(806,870)
<i>Adjustments for:</i>				
Depreciation.....	594	56,555	160	15,234
Impairment loss on available-for-sale financial asset.....	-	-	-	-
Realised gain on disposal of investment.....	-	-	-	-
Unrealised foreign exchange loss/(gain).....	-	-	-	-
Interest income .....	-	-	-	-
Interest expense .....	-	-	-	-
Dividend income.....	-	-	-	-
	<b>8,031</b>	<b>764,592</b>	<b>(8,315)</b>	<b>(791,636)</b>
<i>Adjustments for working capital changes:</i>				
Increase in Current Assets .....	<b>(412,950)</b>	<b>(39,316,936)</b>	(895,413)	(85,252,228)
Increase/(decrease) in Current Liabilities .....	<b>160,535</b>	<b>15,284,574</b>	1,223,083	116,449,732
<b>Cash flows generated from operating activities.....</b>	<b>(244,384)</b>	<b>(24,032,362)</b>	319,356	31,197,504
Taxes paid.....	<b>(23,053)</b>	<b>(2,194,876)</b>	-	-
Interest paid.....	-	-	-	-
<b>Net cash flows generated from/(used in) operating activities .....</b>	<b>(267,647)</b>	<b>(25,462,646)</b>	<b>319,356</b>	<b>30,405,869</b>
<b>Cash flows from investing activities</b>				
Purchase of available-for-sale financial assets.....	-	-	-	-
Purchase of property, plant & equipment .....	<b>(1,107)</b>	<b>(105,419)</b>	<b>(917)</b>	<b>(92,449)</b>
Proceeds from disposal of available-for-sale financial assets .....	-	-	-	-
Dividend received .....	-	-	-	-
<b>Net cash flows (used in)/from investing activities.....</b>	<b>(1,107)</b>	<b>(105,419)</b>	<b>(917)</b>	<b>(92,449)</b>
<b>Cash flows from financing activities</b>				
Share Capital .....	-	-	<b>20,000</b>	<b>1,904,200</b>
Loans repaid to bank .....	-	-	-	-
Loans from bank.....	-	-	-	-
Loan repayment received.....	-	-	-	-
Proceeds from issue of shares .....	-	-	-	-
Loans given.....	-	-	-	-
Shareholder's loan.....	-	-	-	-
<b>Net cash flows generated from/(used in) financing activities.....</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>1,904,200</b>
<b>(Decrease)/increase in cash and cash equivalents .....</b>	<b>(268,544)</b>	<b>(25,568,066)</b>	<b>338,385</b>	<b>32,217,620</b>
<b>Cash &amp; Bank Balances</b>				
Opening Balance.....	<b>338,385</b>	<b>32,317,620</b>	-	-
Closing Balance.....	<b>69,842</b>	<b>6,649,617</b>	<b>338,385</b>	<b>32,317,620</b>
<b>Cash and cash equivalents made up of:</b>				
Cash at bank .....	<b>69,842</b>	<b>6,649,617</b>	<b>338,385</b>	<b>32,317,620</b>

## Notes to the financial statements at 31/03/2016

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015). The financial statements have also been prepared on the going concern basis which is dependent upon the financial support of the company's ultimate parent undertaking.

#### 1.2 Turnover

Turnover comprises revenue recognised by the company in respect of sponsorship income receivable in the period.

#### 1.3 Intangible fixed assets and amortization

Intangible fixed assets represents intellectual property rights.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment - 33% straight line

#### 1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

#### 1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

#### 1.7 Research and development

The company incurs costs in developing cars for racing. The degree of technological change and constant revisions to cars for these purposes means that the company has adopted a policy of charging all such costs to the Profit and Loss Account as they are incurred.

### 2. RELATED PARTY TRANSACTIONS

During the period the company received sponsorship income amounting to £4,440,001 (2015 :£3,224,498) from Mahindra & Mahindra Limited, its ultimate parent undertaking. At the balance sheet date there was an amount of £38,970 (2015 :£199,540 ) owed by this company and an amount of £221,068 (2015 : £144,443) owed to that same company.

### 3. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Mahindra Overseas Investment Company (Mauritius) Limited, a company incorporated in Mauritius. The ultimate parent undertaking is Mahindra & Mahindra Limited, a company incorporated in India.

### Assets

#### A) Application of Funds

Values shown in GBP's & Rupees (1 GBP = 95.21) for convenient conversion terms.

	As At 31.03.2016		As At 31.03.2015	
	GBP	Rs.	GBP	Rs.
<b>1. Fixed Assets</b>				
Gross Block	2,078	197,868	971	92,449
Less: Depreciation	755	71,851	160	15,234
Net Block	<u>1,324</u>	<u>126,017</u>	<u>811</u>	<u>77,215</u>
<b>2. Current Assets</b>				
<b>Accounts receivable</b>				
a) Receivables	618,780	58,914,031	669,454	63,738,674
b) Tax Credits	119,097	11,339,193	55,292	5,264,308
c) Deposits	24,000	2,285,040	24,000	2,285,040
d) Prepaid	546,486	52,030,900	146,667	13,964,206
	<u>895,413</u>	<u>124,569,164</u>	<u>895,413</u>	<u>85,252,228</u>
<b>e) Cash &amp; Bank Balances</b>				
HSBC Account (GBP Account)	2,483	236,424	65,924	6,276,624
HSBC Account (Euro Account)	67,358	6,413,193	272,461	25,941,058
(The Balance reflects the liquid assets And the cash in hand and cash Equivalents at the year end)	69,842	6,649,617	338,385	32,217,683
<b>Total Application of Funds</b>	<u>1,379,529</u>	<u>131,344,988</u>	<u>1,234,609</u>	<u>117,547,126</u>

#### B) Sources of Funds

##### 1. Share Capital

Share Capital	20,000	1,904,200	20,000	1,904,200
Retained earnings	(24,091)	(2,293,709)	(8,475)	(806,905)
	<u>(4,091)</u>	<u>(389,509)</u>	<u>11,525</u>	<u>1,097,295</u>

##### 2. Current Liabilities

Accounts Payable to Suppliers	1,315,835	125,280,685	687,819	65,487,250
Other accounts payable	67,785	6,453,812	535,265	50,962,581
	<u>1,383,620</u>	<u>131,734,497</u>	<u>1,223,084</u>	<u>116,449,831</u>
<b>Total Sources of Funds</b>	<u>1,379,529</u>	<u>131,344,988</u>	<u>1,234,609</u>	<u>117,547,126</u>

#### Note:

a) The company has no revaluation reserve and no statutory reserve

**Profit & Loss Account**

	As At 31.03.2016		As At 31.03.2015	
	GBP	Rs.	GBP	Rs.
<b>A) Revenue</b>				
M & M Sponsorship income	4,440,001	442,732,493	3,224,498	307,004,434
Other Sponsorship	945,983	90,067,072	430,595	40,996,974
Other Income	526,947	50,170,659	–	–
	<u>5,912,932</u>	<u>562,970,224</u>	<u>3,655,093</u>	<u>48,001,407</u>
<b>B) Expenses</b>				
FIA, Campos Carlin & Constructor Cost	4,645,175	442,267,145	2,947,082	280,591,657
Legal & Professional Charges	909,884	86,630,098	346,787	33,017,566
Conveyance Expenses	70,611	6,722,898	56,853	5,413,003
Telephone & Postal Expense	–	–	883	84,081
Insurance Expenses	36,262	3,452,488	118,394	11,272,258
Marketing Expenses	223,041	21,235,731	154,742	14,732,979
Bank Charges	3,918	373,046	1,176	111,996
Depreciation	594	56,555	160	15,234
Miscellaneous Expenses	16,009	1,524,227	37,491	3,569,502
	<u>5,905,495</u>	<u>562,262,188</u>	<u>3,663,568</u>	<u>348,808,277</u>

**Information on the financial instruments issued by the company**

The company did not issue any financial instrument.

**Information related to the fair value of the derived financial instruments**

The company does not possess any derived financial instrument.

**Information related to operations carried out with related parties**

The company has not carried out any operation with related parties.

**Information related to agreements not resulting from the balance sheet**

The company does not have any agreement that does not result from the balance sheet.

**Other information**

The Directors receive no compensation for their activity.

These financial statements, composed of the balance sheet, profit and loss account and notes, are a true and fair view of the company's state of affairs and economic result for the year and correspond to the underlying accounting records.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their third Report, together with the Audited Financial Statements of your Company for the year ended 31<sup>st</sup> March, 2016.

### BUSINESS OF YOUR COMPANY

Your Company is registered under Section 8 of the Companies Act, 2013 to carry on the operations of an electoral trust pursuant to the Electoral Trusts Scheme, 2013, issued by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance vide notification dated 31<sup>st</sup> January, 2013, i.e. for distributing and allocating the contributions, payments, etc. received or gathered by the Company to/for the use of the political party or political parties which are registered under Section 29A of the Representation of the People Act, 1951.

### FINANCIAL HIGHLIGHTS AND STATE OF AFFAIRS OF THE COMPANY

Particulars	(Amount in Rupees)	
	For the year ended 31 <sup>st</sup> March, 2016	For the period ended 31 <sup>st</sup> March, 2015
Income	-	-
Expenses	(38,333)	(20,480)
Deficit before taxation	(38,333)	(20,480)
Provision for taxation	-	-
Deficit for the year after taxation	(38,333)	(20,480)
Balance of deficit of earlier years	(58,910)	(38,430)
Deficit carried forward to Balance Sheet	(97,243)	(58,910)
Net Worth	(4,02,757)	(4,41,090)

No material changes and commitments have occurred after the closure of current financial year till the date of this report which would affect the financial position of the Company.

### OPERATIONS

Your Company is not registered as an electoral trust. During the year under review, it has not accepted any contribution from anyone for distributing the same to the political parties.

### DIVIDEND

Being a non-profit making company, distribution of dividend by your Company is prohibited.

### SHARE CAPITAL

The authorised share capital of your Company as on 31<sup>st</sup> March, 2016 stood at Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each and the paid-up share capital as on the same day stood at Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each.

### BOARD OF DIRECTORS

Composition of the Board of Directors is as follows:

Name of Directors	Directors' Identification Number	Category
Mr. Rajesh Parte	07005987	Non – Executive Non – Independent
Mr. Feroze Baria	03315262	Non – Executive Non – Independent
Mrs. Anita Halbe	07041040	Non – Executive Non – Independent

Mr. Feroze Baria retires by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.

### BOARD MEETINGS AND ANNUAL GENERAL MEETING

Your Board of Directors met 5 times during the year under review on 19<sup>th</sup> May, 2015, 22<sup>nd</sup> May, 2015, 21<sup>st</sup> August, 2015, 6<sup>th</sup> November, 2015 and 12<sup>th</sup> February, 2016. The 2<sup>nd</sup> Annual General Meeting (AGM) of the Company was held on 30<sup>th</sup> September, 2015.

The attendance at the meetings of the Board was as under:-

Name of Directors	Number of meetings attended out of 5 meetings
Mr. Feroze Baria	5
Mr. Rajesh Parte	5
Mrs. Anita Halbe	5

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, after due enquiry, confirm that:

- in the preparation of the annual financial statements for the year ended 31<sup>st</sup> March 2016 the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and

fair view of the state of affairs of the Company at the end of the financial year 31<sup>st</sup> March, 2016 and of the deficit of the Company for the year ended on that date;

- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they have prepared the annual accounts on a going concern basis; and
- e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **STATUTORY AUDITORS AND AUDITORS' REPORT**

M/s. B. K. Khare & Co., Chartered Accountants, (ICAI Registration Number 105102W) were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the First Annual General Meeting until the conclusion of Sixth Annual General Meeting.

As required under the provisions of Section 139(1) of the Companies Act, 2013, the Company has received a written consent from M/s. B. K. Khare & Co., Chartered Accountants, to their appointment and a certificate to the effect that ratification of their appointment, if made, would be in accordance with the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in Section 141 of the Companies Act, 2013.

The members are requested to ratify the appointment of Statutory Auditors of the Company at the ensuing Annual General Meeting and fix their remuneration. The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **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 Board under Section 143(12) of the Companies Act, 2013.

#### **RISK MANAGEMENT POLICY**

Your Company is yet to commence its operations. In the opinion of the Board, there are no apparent risks which may threaten the existence of the Company.

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

The particulars relating to the Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given as **Annexure I** to this Report.

#### **DISCLOSURE OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Being unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013 AND DEPOSIT UNDER CHAPTER V OF THE COMPANIES ACT, 2013**

Your Company has neither given any loan, guarantee or provided any security in connection with a loan nor made any investment pursuant to Section 186 of the Companies Act, 2013 during the year under review.

Your Company has not made any loans/advances and investment which are required to be disclosed in the annual accounts of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the the parent Company, Mahindra and Mahindra Limited.

Your Company has not accepted any deposits from the public or its employees during the year under review. There were no deposits which are not in compliance with the requirements of chapter V of the Companies Act, 2013.

#### **INTERNAL FINANCIAL CONTROLS**

Your Company has in place, adequate internal financial controls with reference to Financial Statements, commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

#### **CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

Your Company has not entered into any contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013.

#### **EXTRACT OF ANNUAL RETURN**

Pursuant to Sections 134(3)(a) and 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31<sup>st</sup> March, 2016 in Form No. MGT - 9 is annexed as **Annexure II** and forms part of this Report.

#### **THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for prevention of sexual harassment.



## GENERAL DISCLOSURE

Your Directors state that no disclosure or reporting is required in respect of the following items as they were not applicable to your Company during the year:

- a) Issue of equity shares with differential rights as to dividend, voting or otherwise.
- b) Issue of shares (including sweat equity shares) to employees of the Company under any ESOP scheme, etc.
- c) Voting rights which are not directly exercised by the employees in respect of shares for the subscription/purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under Section 67(3)(c) of the Companies Act, 2013).

No significant or material orders were passed by the regulators or courts or tribunals which impact the Company's going concern status and operations in future.

## ACKNOWLEDGEMENTS

Your Directors are pleased to take this opportunity to thank the all the stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

<b>Rajesh Parte</b>	<b>Feroze Baria</b>
Director	Director
(DIN : 07005987)	(DIN : 03315262)

Mumbai, 20<sup>th</sup> May, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

SECTION 134(3)(M) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 IS FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

**A. CONSERVATION OF ENERGY**

- (a) The steps taken or impact on conservation of energy: None
- (b) The steps taken by the company for utilizing alternate sources of energy: None
- (c) The capital investment on energy conservation equipments: Nil

**B. TECHNOLOGY ABSORPTION**

- i) The efforts made towards technology absorption: None
- ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable
- iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – None
  - (a) The details of technology imported: None
  - (b) The year of import: Not Applicable
  - (c) Whether the technology has been fully absorbed: Not Applicable
  - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Not Applicable
- iv) The expenditure incurred on Research and Development : Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO (in terms of actual inflow and outflow)**

<b>Total Foreign Exchange Earned and Used:</b>	<b>(Rupees in Lakhs)</b>	<b>(Rupees in Lakhs)</b>
	<b>For the Year ended 31<sup>st</sup> March, 2016</b>	<b>For the Period ended 31<sup>st</sup> March, 2015</b>
Total Foreign Exchange Earned	<b>Nil</b>	Nil
Total Foreign Exchange Used	<b>Nil</b>	Nil

**For and on behalf of the Board**

**Rajesh Parte**      **Feroze Baria**  
Director                      Director

(DIN : 07005987) (DIN : 03315262)

Mumbai, 20<sup>th</sup> May, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT**

Form No. MGT - 9

Extract of Annual Return as on the period ended on 31<sup>st</sup> March, 2016[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1)  
of the Companies (Management and Administration) Rules, 2014]**I. REGISTRATION AND OTHER DETAILS:**

1.	<b>CIN</b>	U93000MH2013NPL251507
2.	<b>Registration Date</b>	30 <sup>th</sup> December, 2013
3.	<b>Name of the Company</b>	Mahindra 'Electoral Trust' Company
4.	<b>Category/Sub-Category of the Company</b>	Indian Non-Government Company Limited by shares
5.	<b>Address of Registered office and contact details</b>	Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.  Tel.: +91-22-24905620
6.	<b>Whether listed Company (Yes/No)</b>	No
7.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	None

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

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

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1.	Carry on the operations of an electoral trust pursuant to the Electoral Trusts Scheme, 2013	–	–

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate of the Company	% of shares held	Applicable Section
1.	MAHINDRA & MAHINDRA LIMITED Gateway Building, Apollo Bunder, Mumbai - 400 001	L65990MH1945PLC004558	Holding Company	100%	2(46)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity):**

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corporate	–	50,000	50,000	100	–	50,000	50,000	100	–
e) Banks/Fl	–	–	–	–	–	–	–	–	–
f) Any Other	–	–	–	–	–	–	–	–	–
<b>Sub-total (A)(1):-</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100</b>	–	<b>50,000</b>	<b>50,000</b>	<b>100</b>	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A)=(A)(1)+ (A)(2)</b>	-	50,000	50,000	100	-	50,000	50,000	100	-
<b>B. Public Shareholding</b>	-	-	-	-	-	-	-	-	-
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>	-	-	-	-	-	-	-	-	-
a) Bodies Corporate	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	50,000	50,000	100	-	50,000	50,000	100	-

## ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1.	Mahindra and Mahindra Limited	49,994	100	-	49,994	100	-	-
2.	Mahindra and Mahindra Limited jointly with Mr. Narayan Shankar*	1	-	-	1	-	-	-

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
3.	Mahindra and Mahindra Limited jointly with Mr. Bharat Doshi*	1	-	-	1	-	-	-
4.	Mahindra and Mahindra Limited jointly with Mr. Arun Nanda*	1	-	-	1	-	-	-
5.	Mahindra and Mahindra Limited jointly with Mr. K. Chandrasekar*	1	-	-	1	-	-	-
6.	Mahindra and Mahindra Limited jointly with Mr. S. Durgashankar*	1	-	-	1	-	-	-
7.	Mahindra and Mahindra Limited jointly with Mr. Shantanu Rege*	1	-	-	1	-	-	-
	<b>Total</b>	<b>50,000</b>	<b>100</b>	<b>-</b>	<b>50,000</b>	<b>100</b>	<b>-</b>	<b>-</b>

\* Held jointly with Mahindra & Mahindra Limited by its nominees to comply with the statutory provisions in respect of minimum numbers of members.

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	For Each of the Promoters	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
1	<b>Mahindra and Mahindra Limited (including 6 equity shares held jointly with its nominees)</b>				
	<b>At the beginning of the year</b>	50,000	100%	-	-
	Date wise Increase/Decrease in Promoters Shareholding during the period specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc.):	No change			
	<b>At the end of the year</b>	-	-	50,000	100%

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

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>At the beginning of the year</b>	-	-	-	-
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	-	-
	<b>At the end of the year (or on the date of separation, if separated during the year)</b>	-	-	-	-

v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name of Director/Key Managerial Personnel	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
1	<b>At the beginning of the year</b>	-	-	-	-
	Date wise Increase/Decrease in Shareholding during the period specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	-	-
	<b>At the end of the year</b>	-	-	-	-

**V. INDEBTEDNESS:**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
Total (i+ii+iii)	-	-	-	-
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
1.	Gross salary				
	a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	-	-	-	-
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total (A)	-	-	-	-
	Ceiling as per the Act	-	-	-	-

**B. Remuneration to other directors:**

Sr. No.	Particulars of Remuneration	Name of Directors			Total Amount
1.	Independent Directors				
	• Fee for attending board/committee meetings	-	-	-	-
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	<b>Total (1)</b>	-	-	-	-
2.	Other Non-Executive Directors				
	• Fee for attending board/committee meetings	-	-	-	-
	• Commission	-	-	-	-
	• Others, please specify	-	-	-	-
	<b>Total (2)</b>	-	-	-	-
	Total (B)=(1+2)	-	-	-	-
	Total Managerial Remuneration	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-

**C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD**

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

**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	-	-	-	-	-
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**

**Rajesh Parte**      **Feroze Baria**  
 Director                      Director  
 (DIN : 07005987)      (DIN : 03315262)

Mumbai, 20<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF MAHINDRA "ELECTORAL TRUST" COMPANY

#### Report on the Financial Statements

We have audited the accompanying financial statements of MAHINDRA "ELECTORAL TRUST" COMPANY ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Income and Expenditure for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements

give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its deficit for the period ended on that date.

#### Report on Other Legal and Regulatory Requirements

The Company is licensed to operate under section 8 of Companies Act, 2013. Therefore on facts, the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), is not applicable to the Company.

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 and the Statement of Income and Expenditure dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure I.
- (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:
  - a. As there are no pending litigations as on the date of financial statements by or against the Company, the Company is not required to disclose the impact of pending litigations on its financial position in its financial statements,.
  - b. The Company has not entered into any long-term contracts including derivative contract, hence no provision for foreseeable losses on such contracts is required to be made in the financial statements;
  - c. There are not amounts which are required to be transferred to Investor Education and Protection Fund.

**For B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 044784

Date: 20<sup>th</sup> May, 2016  
Mumbai.



## ANNEXURE I TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA "ELECTORAL TRUST" COMPANY

### REPORT 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 **Mahindra "Electoral Trust" Company** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For B. K. Khare & Co.**  
**Chartered Accountants**  
Firm's Registration No. 105102W

**Padmini Khare Kaicker**  
**Partner**  
Membership No. 044784

Mumbai,

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

(Currency: Indian Rupees)

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital.....	1	500,000	500,000
(b) Reserves and surplus.....	2	(97,243)	(58,910)
		<u>402,757</u>	<u>441,090</u>
<b>(2) Current liabilities</b>			
(a) Trade payables.....	3	40,179	26,098
		<u>40,179</u>	<u>26,098</u>
<b>TOTAL</b>		<u><u>442,936</u></u>	<u><u>467,188</u></u>
<b>II. ASSETS</b>			
<b>(1) Current Assets</b>			
(a) Cash and cash equivalents.....	4	442,936	467,188
(b) Other Current assets.....	5	-	-
		<u>442,936</u>	<u>467,188</u>
<b>TOTAL</b> .....		<u><u>442,936</u></u>	<u><u>467,188</u></u>

See accompanying Notes forming part of the financial statements

Significant Accounting Policies  
Notes to the Balance Sheet

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K KHARE & CO.****MAHINDRA 'ELECTORAL TRUST' COMPANY**

Chartered Accountants

Firm Registration No.105102W

**Padmini Khare Kaicker****Anita Halbe****Rajesh Parte****Feroze Baria**

Partner

Director

Director

Director

Member Registration No. 44784

Place : Mumbai

Date : 20<sup>th</sup> May, 2016

**INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2016**

(Currency: Indian Rupees)

Particulars	Note No.	For the Period ended	For the Period ended
		March 31, 2016	March 31, 2015
I Revenue from operations.....	6	-	-
II Other income.....	7	-	-
III <b>Total Revenue (I + II)</b> .....		<u>-</u>	<u>-</u>
IV Expenses:			
Other expenses .....	8	<b>38,333</b>	20,480
Interest Others .....		-	-
<b>Total Expenses</b> .....		<u><b>38,333</b></u>	<u>20,480</u>
V Profit before tax (III - IV) .....		<b>(38,333)</b>	(20,480)
VI Tax Expenses:			
(1) Tax Expenses including for earlier years.....		-	-
(2) Deferred Tax.....		-	-
VII Profit/(Loss) for the year (XI + XIV) .....		<u><b>(38,333)</b></u>	<u>(20,480)</u>
VII Earnings per equity share:			
Basic/Diluted.....		<b>(0.77)</b>	(0.41)

See accompanying Notes forming part of the financial statements

Significant Accounting Policies  
Notes to Income and Expenditure Account

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K KHARE & CO.**

**MAHINDRA 'ELECTORAL TRUST' COMPANY**

Chartered Accountants

Firm Registration No.105102W

**Padmini Khare Kaicker**

**Anita Halbe**

**Rajesh Parte**

**Feroze Baria**

Partner

Director

Director

Director

Member Registration No. 44784

Place : Mumbai

Date : 20<sup>th</sup> May, 2016

**CASH FLOW STATEMENT FOR PERIOD ENDED 31<sup>ST</sup> MARCH, 2016**

(Currency: Indian Rupees)

<b>Particulars</b>	<b>For the Period ended March 31, 2016</b>	<b>For the Period ended March 31, 2015</b>
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before taxation	(38,333)	(20,480)
<u>Adjustments for:</u>		
Depreciation on fixed assets	-	-
Loss on sale of fixed assets	-	-
Interest expense	-	-
<u>Deduct:</u>		
Profit on sale of fixed assets	-	-
Interest income	-	-
<b>Operating Profit before Working Capital changes</b>	<b>(38,333)</b>	<b>(20,480)</b>
<u>Adjustments for:</u>		
(Increase)/Decrease in loans and advances	-	-
Increase/(Decrease) in liabilities	14,081	20,480
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(24,252)</b>	<b>-</b>
Income tax Paid (Including provisions)	-	-
<b>Net Cash inflow from/(outflow) from Operating activities</b>	<b>(24,252)</b>	<b>-</b>
<b>B. Cash Flow from Investing Activities</b>	<b>-</b>	<b>-</b>
Net Cash inflow from/(outflow) from Investing activities	-	-
<b>C. Cash Flow from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Cash inflow from/(outflow) from Financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(24,252)</b>	<b>-</b>
<b>Opening Cash and Cash Equivalents</b>		
Cash in hand	467,188	467,188
Bank balances	-	-
	<b>442,936</b>	<b>467,188</b>
<b>Closing Cash and Cash Equivalents</b>		
Cash in hand	-	-
Bank balances	442,936	467,188
<b>Non cash transactions:</b>	<b>442,936</b>	<b>467,188</b>

In terms of our report of even date

For and on behalf of the Board of Directors

**For B K KHARE & CO.****MAHINDRA 'ELECTORAL TRUST' COMPANY**

Chartered Accountants

Firm Registration No.105102W

**Padmini Khare Kaicker****Anita Halbe****Rajesh Parte****Feroze Baria**

Partner

Director

Director

Director

Member Registration No. 44784

Place : Mumbai

Date : 20<sup>th</sup> May, 2016

## NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31<sup>ST</sup> MARCH, 2016

(Currency: Indian Rupees)

### NOTE 1: Significant Accounting Policies

#### Nature of Operations

Mahindra 'Electoral Trust' Company, a subsidiary of Mahindra & Mahindra Ltd, was incorporated in India as a section 25 Company (under Companies Act, 1956) on 30<sup>th</sup> December, 2013. The main object of the company is to distribute, allocate or solely utilize the contributions, payments, funds or donations received or gathered by the company to/for the use of the political parties which are registered under section 29A of the Representation of People Act, 1951.

#### 1. Significant Accounting Policies

##### a) Basis of Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the **Companies Act, 2013** ('the Act'), and the accounting principles generally accepted in India and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

The financial statement are prepared and presented in the form set out in Schedule III of the Act, so far as they are applicable thereto.

These financial statements are presented in Indian rupees.

##### b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial Statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### c) 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.

- *Interest income*

Interest income is recognized on time proportion basis.

##### d) Taxation

###### *Current tax*

Provision for current tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the prevailing tax laws.

##### e) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares which will convert into equity shares at a later stage. Profit/loss is adjusted by the expenses incurred on such PES. Adjusted profit/loss is divided by the weighted average number of ordinary plus potential equity shares.

##### f) Provisions and Contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event and 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. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### 2. Notes to Accounts

- a) The company has not received any intimation, from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/ payable as required under the said Act have not been given.
- b) Previous year figures have been regrouped/reclassified wherever applicable.

In terms of our report of even date

**For B K KHARE & CO.**

Chartered Accountants

Firm Registration No.105102W

**Padmini Khare Kaicker**

Partner

Member Registration No. 44784

Place : Mumbai

Date : 20<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**MAHINDRA 'ELECTORAL TRUST' COMPANY**

**Anita Halbe**

Director

**Rajesh Parte**

Director

**Feroze Baria**

Director

**NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDED 31<sup>ST</sup> MARCH, 2016**

(Currency: Indian Rupees)

**1 - SHARE CAPITAL**
**a. Details of authorised, issued and subscribed share capital**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Authorised Capital</b>		
50000 Equity Shares of Rs. 10/- each.....	<b>500,000</b>	500,000
<b>Issued Subscribed and Paid up</b>		
50000 Equity Shares of Rs. 10/- each .....	<b>500,000</b>	500,000
	<b>500,000</b>	500,000

**b. Information on shareholders**

Name of Shareholder	Relationship	As at March 31, 2016		As at March 31, 2015	
		No. of Equity shares held	Percentage	No. of Equity shares held	Percentage
Mahindra & Mahindra Ltd	Holding Company	50,000	100%	50,000	100%

**c. Reconciliation of number of shares**

Particulars	Equity Shares	
	Number	Rs.
Shares outstanding at the beginning of the year.....	50,000	-
Shares issued during the year.....	-	-
Shares bought back during the year.....	-	-
Shares outstanding at the end of the year.....	50,000	-

**2 - RESERVES AND SURPLUS**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Reserve and Surplus:</b>		
Balance as per last Balance Sheet.....	(58,910)	(38,430)
Add/(Less): Profit/(Loss) for the Current year.....	(38,333)	(20,480)
	<b>(97,243)</b>	(58,910)

**3 - TRADE PAYABLES**

Particulars	As at March 31, 2016	As at March 31, 2015
Trade Payables *	-	-
Due to Micro and Small Enterprises.....	40,179	26,098
Other than Micro and Small Enterprises...	40,179	26,098

Based on the information available with the Company, there are no parties who have been identified as micro, small and medium enterprises based on the confirmations circulated and responses received by the management.

**4 - CASH AND CASH EQUIVALENT**

Particulars	As at March 31, 2016	As at March 31, 2015
Balances with banks		
(i) On Current account.....	442,936	467,188
(ii) On Fixed Deposit account (for more than 12 months).....	-	-
	<b>442,936</b>	467,188

**5 - REVENUE FROM OPERATIONS**

Particulars	As at March 31, 2016	As at March 31, 2015
Sale of Products (Gross)	-	-
Less: Excise Duty	-	-
	-	-

**6 - OTHER INCOME**

Particulars	As at March 31, 2016	As at March 31, 2015
Interest Income	-	-
Creditors written off	-	-
	-	-

**7 - OTHER EXPENSES**

Particulars	As at March 31, 2016	As at March 31, 2015
Rates and Taxes		
Auditor's remuneration	8,225	5,618
Bank Charges	-	-
Professional fees	30,108	7,500
Formation and Registration expenses	-	7,362
	<b>38,333</b>	20,480

**EARNINGS PER EQUITY SHARES**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Basic Earnings per Share</b>		
Profit/(Loss) attributable to Equity shareholders	(38,333)	(20,480)
Weighted average number of equity shares	50,000	50,000
<b>Basic Earnings Per Share</b>	<b>(0.77)</b>	(0.41)
<b>Face value per Share</b>	<b>10</b>	10

In terms of our report of even date

**For B K KHARE & CO.**  
Chartered Accountants  
Firm Registration No.105102W

**Padmini Khare Kaicker**  
Partner  
Member Registration No. 44784

Place : Mumbai

 Date : 20<sup>th</sup> May, 2016

For and on behalf of the Board of Directors

**MAHINDRA 'ELECTORAL TRUST' COMPANY**

**Anita Halbe**  
Director

**Rajesh Parte**  
Director

**Feroze Baria**  
Director

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Twentieth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### 1) Financial Results and State of the Company's Affairs

Particulars	(Rupees)	
	For the year ended 31 <sup>st</sup> March 2016	For the year ended 31 <sup>st</sup> March 2015
Income	14,47,678	13,75,108
Expenditure	1,02,973	37,984
Profit before Tax	13,44,705	13,37,124
Provision for current Tax	4,15,514	4,14,411
Profit for the Year	9,29,191	9,22,713
Profit/Loss brought forward from earlier years	4,17,578	(5,05,135)
Surplus carried to Balance Sheet	13,46,769	4,17,578
Net Worth	1,89,46,769	1,80,17,578

No material changes and commitments have occurred after the closure of the financial year ended 31<sup>st</sup> March, 2016 till the date of this Report, which would affect the financial position of the Company.

### 2) Change of Name

During the year under review, the name of your Company was changed from 'Gateway Housing Finance Corporation Limited' to 'Orizonte Solutions Limited' and subsequently, to the present 'Gateway Housing Company Limited' with effect from 30<sup>th</sup> November, 2015 in order to reflect the new business activities that were proposed to be carried out by the Company.

### 3) Change of Object Clause

During the year under review, the Objects Clause of the Memorandum of Association of your Company was changed with effect from 21<sup>st</sup> September, 2015 to include inter-alia, the carrying of the business of mobility and transportation related services for all types of goods and materials and digital or logistic solutions in respect thereof.

### 4) Your Company becoming a Subsidiary

During the year under review, your Company became a subsidiary of Mahindra Holdings Limited, which is a subsidiary of Mahindra and Mahindra Limited.

### 5) Operations

During the year under review, your Company has not commenced any operations due to lack of viable business propositions. Efforts are being made to locate suitable business opportunities.

### 6) Dividend

With a view to conserve resources, your Directors do not recommend dividend.

### 7) Board of Directors

Presently the Board comprises of the following directors:

Director (DIN)	Designation	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Mr. Narayan Shankar (00109111)	Director	Non-Executive	Non-Independent
Mr. Feroze Baria (03315262)	Director	Non-Executive	Non-Independent
Mr. Akhil Kumar (02336899)	Director	Non-Executive	Non-Independent

Mr. Akhil Kumar retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

### 8) Number of Board Meetings

The Board of Directors held seven meetings during the year under review on 20<sup>th</sup> April, 2015, 22<sup>nd</sup> May, 2015, 19<sup>th</sup> August, 2015, 14<sup>th</sup> September, 2015, 30<sup>th</sup> September, 2015, 15<sup>th</sup> December, 2015 and 10<sup>th</sup> March, 2016.

### Attendance of directors

	Mr. Narayan Shankar	Mr. Feroze Baria	Mr. Akhil Kumar
<b>Board Meetings (Seven meetings)</b>	7	7	2

### 9) Directors' Responsibility Statement

Pursuant to section 134(3) (c) of the Companies Act, 2013, your Directors, after due enquiry, confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;

- (ii) They have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31<sup>st</sup> March, 2016 and of the Profit of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **10) Statutory Auditors**

At the 18<sup>th</sup> Annual General Meeting ('AGM') held on 21<sup>st</sup> July, 2014 Messrs. V. R. Velhankar & Co., Chartered Accountants, (ICAI registration Number 30652) were appointed as Statutory Auditors, to hold office from the conclusion of that AGM till the conclusion of the 23<sup>rd</sup> AGM, as per the provisions of Section 139 of the Companies Act, 2013.

Messrs. V. R. Velhankar & Co., Chartered Accountants, have given a written consent to act as the Statutory Auditors of your Company, and have also confirmed that the said ratification, if made, would be in conformity with the provisions of Section 139 & 141 of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014.

The members are requested to ratify the appointment of Statutory Auditors of the Company at the ensuing AGM and fix their remuneration.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### **Reporting of frauds by Statutory Auditors**

During the year under review, the Statutory Auditors have not reported to the Board any instances of frauds committed in the Company by its officers or employees, details of which are required to be mentioned in this report pursuant to section 143 (12) of the Companies Act 2013.

#### **11) Risk Management Policy**

Your Company has formulated a policy for the Management of Risks including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding risks and enabling the Company to manage the same, if confronted with.

#### **12) Internal Financial Controls**

Your Company has effective systems for Internal Controls with reference to financial Statements, commensurate with the

size, scale and complexity of its operations. Your Company conducts reviews, at regular intervals, to assess the adequacy of financial and operating controls for the business of the Company. Significant issues, if any, are brought to the attention of the Board. Corrective actions, if required, are being taken up to ensure that the internal financial control system remains robust and as an effective tool.

#### **13) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of The Companies (Accounts) Rules, 2014 are given as Annexure I to this Report.

#### **14) Disclosure of Particulars of Employees as required under Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014**

Being an unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

#### **15) Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013.**

Your Company has not accepted deposits from the public or its employees during the year under review.

Also, your Company has not granted loans, or provided securities, or made investments under Section 186 of the Act during the year under review.

Further, your Company has not made any loans/advances and investment which are required to be disclosed in the financial statements of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Schedule V thereto, applicable to the Parent company, Mahindra & Mahindra Limited.

#### **16) Particulars of Transactions with Related Parties**

Your Company has no contracts or arrangements with related parties referred to in sub section 1 of Section 188 during the year under review. Accordingly, the disclosure of Related Party Transactions required to be provided pursuant to Section 134(3) (h) of the Companies Act, 2013, in Form AOC – 2 is not applicable.

#### **17) Extract of Annual Return**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual return as on 31<sup>st</sup> March, 2016 is attached herewith as Annexure II and forms part of this report.

#### **18) Policy on prevention of Sexual Harassment**

During the year under review no complaints were received under The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.



### 19) General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise or issue of sweat equity.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the 'going concern' status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

### 20) Acknowledgements

Your Directors are pleased to take this opportunity to thank the bankers and other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Akhil Kumar**  
*Director*  
*DIN: 02336899*

**Feroze Baria**  
*Director*  
*DIN: 03315262*

Mumbai, 18<sup>th</sup> May, 2016

## ANNEXURE I TO THE DIRECTORS' REPORT

### Particulars as per the Companies (Accounts) Rules, 2014 and Forming Part of the Directors' Report for the Year Ended 31<sup>st</sup> March, 2016.

#### A. CONSERVATION OF ENERGY

- (i) The steps taken or impact on conservation of energy: Not applicable
- (ii) The steps taken by the company for utilizing alternate sources of energy : None
- (iii) The capital investment on energy conservation equipments : Nil

#### B. TECHNOLOGY ABSORPTION

- (i) The efforts made towards technology absorption : Not applicable
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution : Not applicable
- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) : Not applicable
  - a) The details of technology imported : None
  - b) The year of import : Not applicable
  - c) Whether the technology been fully absorbed : Not applicable
  - d) If not fully absorbed areas where absorption has not taken place, and the reasons thereof : Not applicable
- (iv) Expenditure incurred on Research and Development: Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earnings and outgo during the year under review is as follows:

Rs. in Lakh

	F.Y. 2015-16	F.Y. 2014-15
Total foreign exchange earned	Nil	Nil
Total foreign exchange used	Nil	Nil

For and on behalf of the Board

**Akhil Kumar**  
Director  
DIN: 02336899

**Feroze Baria**  
Director  
DIN: 03315262

Mumbai, 18<sup>th</sup> May, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT**  
Form No. MGT-9

Extract of Annual Return  
as on the financial year ended on 31<sup>st</sup> March, 2016

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

**I. REGISTRATION AND OTHER DETAILS:**

i.	<b>CIN</b>	U60231MH1996PLC100436
ii.	<b>Registration Date</b>	24/06/1996
iii.	<b>Name of the Company</b>	Gateway Housing Company Limited (Formerly known as 'Orizonte Solutions Limited')
iv.	<b>Category/Sub-Category of the Company</b>	Indian Non-Government Company Limited by shares
v.	<b>Address of the Registered office and contact details</b>	Gateway Building, Apollo Bunder, Mumbai – 400001 Contact: BADE.KIRAN@mahindra.com Tel : 022-24905619
vi.	<b>Whether listed company Yes/No</b>	No
vii.	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	Not Applicable

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

All the business activities contributing 10% or more of the total turnover of the Company: The Company's operations suspended, hence, not applicable.

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1.	NA	NA	NA

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1	Mahindra Holdings Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018	CIN: U65993MH2007PLC175649	Immediate Holding company	100%	S. 2 (46)
2	Mahindra and Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	CIN: L65990MH1945PLC004558	Ultimate Holding company	–	S. 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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corporate	–	50,000	50,000	100	–	50,000	50,000	100	–

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>	-	50,000	50,000	100	-	50,000	50,000	100	-
<b>(2) Foreign</b>									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	50,000	50,000	100	-	50,000	50,000	100	-
<b>B. Public Shareholding</b>	-	-	-	-	-	-	-	-	-
<b>1. Institutions</b>	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>	-	-	-	-	-	-	-	-	-
a) Bodies Corporate	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c. Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	50,000	50,000	100	-	50,000	50,000	100	-

**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change In share holding during the year
		No. of Shares	% of Total Shares of the company	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of Total Shares of the company	%of Shares Pledged/ encumbered to total shares	
1.	Mahindra Holdings Limited	24,994	49.99	–	49,994	99.99	–	50
2.	Mahindra Holdings Limited Jt. With Mr. Zoooben Bhiwandiwala	1		–	1		–	–
3.	Mahindra Holdings Limited Jt. With Mr. V .S. Parthasarathy	1		–	1		–	–
4.	Mahindra Holdings Limited Jt. With Mr. S. Durgashankar	1	0.01	–	1	0.01	–	–
5.	Mahindra Holdings Limited Jt. With Mr. Narayan Shankar	1		–	1		–	–
6.	Mahindra Holdings Limited Jt. With Mr. Feroze Baria	1		–	1		–	–
7.	Mahindra Holdings Limited Jt. With Mr. Mario Anthony Nazareth	1		–	1		–	–
8.	Prudential Management & Services Private Limited	24,994	49.99	–	–	–	–	(49.99)
9.	Prudential Management & Services Private Limited Jt. With Mr. Arun Kumar Nanda	1		–	–	–	–	
10.	Prudential Management & Services Private Limited Jt. With Mr. Mario Anthony Nazareth	1	0.01	–	–	–	–	(0.01)
11.	Prudential Management & Services Private Limited Jt. With Ms. Angarika Achwal Baviskar	1		–	–	–	–	
12.	Prudential Management & Services Private Limited Jt. With Mr. Narayan Shankar	1		–	–	–	–	
13.	Prudential Management & Services Private Limited Jt. With Mr. S Krishnan	1		–	–	–	–	
14.	Prudential Management & Services Private Limited Jt. With Mr. Feroze Hoshang Baria	1		–	–	–	–	
	<b>Total</b>	<b>50,000</b>	<b>100</b>	<b>–</b>	<b>50,000</b>	<b>100</b>	<b>–</b>	<b>–</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mahindra Holdings Limited, with joint holders	25,000	50	50,000	100
	Prudential Management & Services Private Limited, with joint holders	25,000	50	–	–
	Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. Allotment/transfer/bonus/sweat equity/etc.)	On 10th March, 2016, Prudential Management & Services Private Limited and joint holders transferred 25,000 shares to Mahindra Holdings Limited.			
	At the end of the year	50,000	100	50,000	100

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

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year	-	-	-	-
	Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. Allotment/transfer/bonus/sweat equity/etc.)	-	-	-	-
	At the end of the year	-	-	-	-

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

Sr. No.	Name of the Director	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
1.	At the beginning of the year	-	-	-	-
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	-	-
	At the end of the year	-	-	-	-

**V. INDEBTEDNESS:**

**Indebtedness of the Company including interest outstanding/accrued but not due for payment - NIL**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i + ii + iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
• Addition	-	-	-	-
• Reduction	-	-	-	-
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i + ii + iii)</b>	-	-	-	-

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: Not Applicable

B. Remuneration to other directors: Not Applicable

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: Not Applicable

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: None**

For and on behalf of the Board

**Akhil Kumar**  
Director  
DIN: 02336899

**Feroze Baria**  
Director  
DIN: 03315262

Mumbai, 18<sup>th</sup> May, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of **GATEWAY HOUSING COMPANY LIMITED**  
(formerly known as **Orizonte Solutions Limited**).

### Report on the Financial Statements

We have audited the accompanying financial statements of **Gateway Housing Company Limited (formerly known as Orizonte Solutions Limited)** ("the Company"), which comprise the balance Sheet as at March 31, 2016 and the Statement of Profit and Loss for the year then ended, 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 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 includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

We conducted our audit in accordance with the Standards on Auditing specified under the 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 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, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: of the state of affairs of the Company as at March 31, 2016, and its Profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by Companies (Auditor's Report) order, 2016 ('The order') issued by the Government of India – Ministry of Corporate Affairs, in terms of Sub-section (11) of Section 143 of the Act, we enclose in the annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the said order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Cash Flow Statement, dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure-B.
  - g) With respect to the other matters to be included in Auditors report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigation which would impact its financial position.
    - ii. The Company does not have any long term contracts having material foreseeable losses. The Company does not have and derivative contracts.
    - iii. The company is not liable to make any payments towards Investor Education Protection Fund.

**For V. R. Velhankar & Co.**  
Chartered Accountants  
Firm's Registration Number: 111353W

**V. R. VELHANKAR**  
Proprietor  
Membership No. 030652

**Place:** Mumbai,  
**Date:** 18<sup>th</sup> May 2016

## ANNEXURE A TO THE AUDITOR'S REPORT

(Referred to in para 1 under the heading 'Report on other Legal and Regulatory Requirements' of our Report of even date on the Financial Statements for the year ended on March 31, 2016 of Gateway Housing Company Limited (formerly known as Orizonte Solutions Limited))

- (i) In the absence of any Fixed assets, clause i(a) and (i) (b) and i(c) of the order are not applicable to the Company.
- (ii) In the absence of inventories, clause ii of the order is not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted loans secured or unsecured to Companies, Firms, Limited Liability Partnerships or other parties listed in the register maintained under section 189 of the Companies Act, 2013.
- (iv) According to the information and explanations given to us, the company has not advanced any loans investments, guarantees and security to which provisions of sec 185 and 186 of the Companies Act 2013 applies.
- (v) The Company has not accepted any deposits from the public to which provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 or the Companies ( Acceptance of Deposit) Rules 2014 or the directives issued by the Reserve Bank of India apply.
- (vi) We have been informed that the Company is not required to maintain cost records under sub-section (1) of Section 148 of the Companies Act, 2013, which has been relied upon.
- (vii) (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Income Tax, Wealth Tax and other statutory dues. Based on our Audit procedures and according to the information and explanations given to us, there are no arrears of undisputed statutory dues which remained outstanding as at 31<sup>st</sup> March 2016, for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us and records of the company, there are no outstanding dues of Income Tax, Wealth Tax and any other tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, clause viii of the order is not applicable to the company as Co has not borrowed any loans from Banks, financial institutions or others.
- (ix) No moneys were raised by way of initial public offer or further public offer . Further no term loans were raised by the Company in the year under reference. Accordingly clause (ix) of the order is not applicable to the Company.
- (x) According to the information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the year.
- (xi) Clause (xi) of the order is not applicable to the company as no managerial remuneration was paid in the year under reference.
- (xii) Clause (xii) of the order is not applicable to the Co as Company is not a Nidhi Company.
- (xiii) Clause (xiii) of the order is not applicable to the Co as there are no transactions with related parties.
- (xiv) Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) Company has not entered into any non cash transactions with directors or persons connected with them accordingly provisions of sec 192 are not attracted.
- (xvi) Clause xvi of the order is not applicable to the company.

**For V. R. Velhankar & Co.**  
Chartered Accountants  
Firm's Registration Number: 111353W

**V. R. VELHANKAR**  
Proprietor  
Membership No. 030652

**Place:** Mumbai,  
**Date:** 18<sup>th</sup> May 2016



## **ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Gateway Housing Company Limited (formerly known as Orizonte Solutions Limited)**

### **Report 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 Gateway Housing Company Limited (formerly known as Gateway Housing Finance Corporation Limited) ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

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

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**For V. R. Velhankar & Co.**

Chartered Accountants

Firm's Registration Number: 111353W

**V. R. VELHANKAR**

Proprietor

Membership No. 030652

**Place:** Mumbai,

**Date:** 18<sup>th</sup> May 2016

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

Particulars	Notes	As at 31 March 2016		As at 31 March 2015	
		Rupees	Rupees	Rupees	Rupees
<b>I. EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds:</b>					
(a) Share capital .....	3	17,600,000		17,600,000	
(b) Reserves & surplus.....	4	1,346,769		417,578	
			<b>18,946,769</b>		<b>18,017,578</b>
<b>2. Current Liabilities:</b>					
(a) Trade payables .....	5	154,103		54,776	
(b) Other current liabilities.....	6	276,318		–	
			<b>430,421</b>		<b>54,776</b>
			<b>19,377,190</b>		<b>18,072,354</b>
<b>II. ASSETS</b>					
<b>1. Non-Current Assets:</b>					
(a) Long-term loans and advances...	7	223,100		223,100	
			<b>223,100</b>		<b>223,100</b>
<b>2. Current Assets:</b>					
(a) Cash and cash equivalents.....	8	18,592,082		17,298,545	
(b) Other current assets .....	9	562,008		550,709	
			<b>19,154,090</b>		<b>17,849,254</b>
			<b>19,377,190</b>		<b>18,072,354</b>

See accompanying notes forming  
part of the financial statements

In terms of our report attached

**For V. R. Velhankar & Co.**  
Chartered Accountants  
Firm Regn No. 105102W

**V. R. Velhankar**  
Proprietor

Mumbai, 18<sup>th</sup> May, 2016

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

**Narayan Shankar**

**Feroze Baria**

**Akhil Kumar**

}  
}  
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*Directors*

Mumbai, 18<sup>th</sup> May, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2016

Particulars	Notes	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
<b>Income:</b>			
Revenue from Operations (gross) .....		-	-
Less: Excise duty .....		-	-
Revenue from Operations (net) .....		-	-
Other Income	10	<b>1,447,678</b>	1,375,108
<b>Total Revenue</b>		<b>1,447,678</b>	1,375,108
<b>Expenses:</b>			
Other expenses .....	11	<b>102,973</b>	37,984
		<b>102,973</b>	37,984
<b>Profit before taxation</b> .....		<b>1,344,705</b>	1,337,124
<b>Tax expense:</b>			
Current tax .....		<b>415,514</b>	414,411
<b>Profit for the year</b> .....		<b>929,191</b>	922,713
<b>Earnings per equity share [nominal value of share Rs.10 (31 March 2015: Rs.10)]</b>	12		
<b>Basic</b>			
Computed on the basis of total profit for the year .....		<b>18.58</b>	18.45
<b>Diluted:</b>			
Computed on the basis of total profit for the year .....		<b>4.20</b>	4.18

See accompanying notes forming part of the financial statements

In terms of our report attached

**For V. R. Velhankar & Co.**  
Chartered Accountants  
Firm Regn No. 105102W

**V. R. Velhankar**  
Proprietor

Mumbai, 18<sup>th</sup> May, 2016

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

**Narayan Shankar**  
**Feroze Baria**  
**Akhil Kumar**

} Directors

Mumbai, 18<sup>th</sup> May, 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	For the year ended 31 March 2016 Rupees	For the year ended 31 March 2015 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before taxation .....	1,344,705	1,337,124
Adjustments for:		
Interest on bank deposits .....	(1,447,678)	(1,375,108)
	<u>(1,447,678)</u>	<u>(1,375,108)</u>
Operating Profit before Working capital changes.....	(102,973)	(37,984)
Changes in:		
Trade and other receivables .....	-	-
Trade and other payables .....	99,327	(26,968)
	<u>99,327</u>	<u>(26,968)</u>
Cash generated from operations.....	(3,646)	(64,952)
Income taxes paid (including Fringe benefit tax) .....	(139,196)	(672,432)
<b>NET CASH FROM OPERATING ACTIVITIES .....</b>	<b>(142,842)</b>	<b>(737,384)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Investment in Bank deposits (Net) .....	(18,097,859)	(17,157,047)
Proceeds from sale of long-term investment.....	17,157,047	16,084,428
Interest received .....	1,436,379	1,416,316
<b>NET CASH FROM INVESTING ACTIVITIES .....</b>	<b>495,567</b>	<b>343,697</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
<b>NET CASH FROM FINANCING ACTIVITIES .....</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>1,293,537</b>	<b>678,932</b>
CASH AND CASH EQUIVALENTS (See Note below)		
Opening balance.....	141,498	535,185
Closing balance.....	<u>494,223</u>	<u>141,498</u>
Note:		
Cash and cash equivalents includes:		
Cash on hand.....	-	-
Balances with Scheduled Banks:		
(l) on Current Accounts.....	494,223	141,498
	<u>494,223</u>	<u>141,498</u>

Note: Cash and cash equivalents as per Balance Sheet include fixed deposits having maturity of more than three months but less than 12 months amounting to Rs. 1,80,97,859 (2015: 1,71,57,047)

In terms of our report attached

**For V. R. Velhankar & Co.**  
Chartered Accountants  
Firm Regn No. 105102W

**V. R. Velhankar**  
Proprietor

Mumbai, 18<sup>th</sup> May, 2016

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

**Narayan Shankar**

**Feroze Baria**

**Akhil Kumar**

}  
}

*Directors*

Mumbai, 18<sup>th</sup> May, 2016

## NOTES FORMING PART OF THE ACCOUNTS AS AT 31 MARCH 2016

### Note 1 Significant Accounting Policies:

#### a) Basis for preparation of accounts:

The accounts have been prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Indian Companies Act, 1956.

#### b) Investments:

Long term investments are valued at cost or lower, if written down in case of permanent diminution in value.

#### c) Revenue Recognition:

Dividend from investments is recognised in the statement of Profit and Loss when the right to receive payment is established.

#### d) Income Taxes:

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for taxes on income" (AS-22) issued by the Institute of Chartered Accountants of India. Tax expense comprises both current and deferred tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each balance sheet date.

### Note 2 Preference Share Capital:

- a) 120,000 - 7% non-cumulative redeemable preference shares issued during the year ended 31st March, 2004, are redeemable at par at the option of the Company at any time after 2 years but before twenty years from the date of allotment of the preference shares.
- b) 51,000 - 7% non-cumulative redeemable preference shares issued during the year ended 31st March, 2005 are redeemable at par at the option of the Company or Shareholders at any time after 18th January, 2006. The shares remaining outstanding will be compulsorily redeemed on 23rd September, 2019.

### Note 3 Share Capital:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Rupees	Number of shares	Rupees
<b>(a) Authorised</b>				
Equity shares of Rs. 10 each with voting rights	30,000,000	300,000,000	30,000,000	300,000,000
Preference Shares of Rs. 100 each	2,000,000	200,000,000	2,000,000	200,000,000
		<u>500,000,000</u>		<u>500,000,000</u>
<b>(b) Issued, subscribed and fully paid-up shares</b>				
Equity shares of Rs. 10 each	50,000	500,000	50,000	500,000
7% Non-Cumulative Redeemable Preference Shares of Rs. 100 each, fully paid-up	171,000	17,100,000	171,000	17,100,000
		<u>17,600,000</u>		<u>17,600,000</u>

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Rupees	Number of shares	Rupees
<b>(i) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period</b>				
Opening balance		17,600,000		17,600,000
Add: Issued during the year	-	-	-	-
Less: Buy back during the year	-	-	-	-
<b>Closing balance</b>	<u>-</u>	<u>17,600,000</u>	<u>-</u>	<u>17,600,000</u>

#### TERMS/RIGHTS ATTACHED TO EQUITY SHARES

The Company is having only one class of equity shares having par value of Rs. 10 each. Each holder of equity share is entitled to one vote per share

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders after satisfying the claims of Preference shareholders.

#### (ii) Details of equity shares held by each shareholder holding more than 5% shares

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Mahindra Holdings Limited	49,994	99.99%	24,994	49.99%
Prudential Management & Services Private Limited	-	-	24,994	49.99%

#### (iii) Details of Preference shares held by each shareholder holding more than 5% shares

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Mahindra Holdings Limited	171,000	100.00%	171,000	100.00%

### Note 4 Reserves and Surplus:

Particulars	As at	
	31 March 2016	31 March 2015
	Rupees	Rupees
<b>Surplus in the statement of profit and loss</b>		
Opening balance	417,578	(505,135)
Add: Profit for the year	929,191	922,713
Closing balance	<u>1,346,769</u>	<u>417,578</u>

### Note 5 Trade Payables:

Particulars	Current	
	As at 31 March 2016	As at 31 March 2015
	Rupees	Rupees
Trade Payables		
- Trade Payables - Micro & Small Enterprises	-	-
- Trade Payables - Other than Micro & Small Enterprises	154,103	54,776
	<u>154,103</u>	<u>54,776</u>

**Note 6 Other current liabilities:**

Particulars	Current	
	As at 31 March 2016	As at 31 March 2015
	Rupees	Rupees
Provision for Tax	276,318	-
	<b>276,318</b>	<b>-</b>

**Note 7 Long-term loans and advances:**

Particulars	Non-current	
	As at 31 March 2016	As at 31 March 2015
	Rupees	Rupees
Advance income tax (net of provision)	223,100	223,100
	<b>223,100</b>	<b>223,100</b>

**Note 8 Cash & Cash Equivalents:**

Particulars	Current	
	As at 31 March 2016	As at 31 March 2015
	Rupees	Rupees
Cash on hand	-	-
<b>Balances with Bank</b>		
On current account	494,223	141,498
Deposits with original maturity for more than 3 months but less than 12 months maturities	18,097,859	17,157,047
	<b>18,592,082</b>	<b>17,298,545</b>

**Note 9 Other Current Assets:**

Particulars	Current	
	As at 31 March 2016	As at 31 March 2015
	Rupees	Rupees
Others:		
Interest accrued but not due on term deposits	562,008	550,709
	<b>562,008</b>	<b>550,709</b>

**Note 10 Other Income:**

Particulars	For the period ended	For the year ended
	31 March 2016	31 March 2015
	Rupees	Rupees
Interest income on Bank deposits	1,447,678	1,375,108
	<b>1,447,678</b>	<b>1,375,108</b>

**Note 11 Other Expenses:**

Particulars	For the period ended	For the year ended
	31 March 2016	31 March 2015
	Rupees	Rupees
Payment to Auditors towards Audit Fees	13,740	13,483
Professional charges	64,387	16,460
General and miscellaneous expenses	24,846	8,041
	<b>102,973</b>	<b>37,984</b>

**Note 12 Earnings Per Share:**

The computation of the "Earnings per share" in line with Accounting Standard 20 issued by the Institute of Chartered Accountants of India is as under:

	2016	2015
A. Net Profit after tax available for equity shareholders (Rs.)	929,191	922,713
B. Nominal value per Share (Rs.)	10	10
C. Weighted Average number of Equity Shares (No.)	50,000	50,000
D. Basic Earnings per share (Re.)	18.58	18.45
E. Total Weighted Average number of Equity Shares (No.)	221,000	221,000
F. Diluted Earnings per share (Re.)	4.20	4.18

**Note 13** No Companies have been identified under the Micro Small and Medium Enterprises Development Act, 2006 as on 31<sup>st</sup> March, 2016 and hence the disclosures as required by Notification No. G.S.R. 719 (E), dated 16<sup>th</sup> November, 2007 issued by the Ministry of Corporate Affairs is not applicable.

**Note 14** Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

**For V. R. Velhankar & Co.**  
Chartered Accountants

Firm Regn No. 105102W

**V. R. Velhankar**  
Proprietor

Mumbai, 18<sup>th</sup> May, 2016

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

**Narayan Shankar**

**Feroze Baria**

**Akhil Kumar**

} Directors

Mumbai, 18<sup>th</sup> May, 2016

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Fifteenth Report along with the Audited Financial Statements of your Company for Financial Year ended 31<sup>st</sup> March, 2016.

### 1) FINANCIAL HIGHLIGHTS AND STATE OF THE COMPANY'S AFFAIRS

(Rs. in Lakh)

Particulars	For the year ended 31 <sup>st</sup> March	
	2016	2015
Total Income.....	58.98	–
Profit before Depreciation, Finance Costs and Taxation .....	(174.92)	(0.30)
Less: Depreciation & Amortization.....	2.00	0.01
Profit before Finance Costs and Taxation .....	(176.92)	(0.31)
Less: Finance Costs.....	–	–
Profit before Tax.....	(176.92)	(0.31)
Less: Taxation .....	–	–
Profit for the Year.....	(176.92)	(0.31)
Balance of Profit for earlier years .....	(132.85)	(123.54)
Less: Transfer to/(from) Debenture Redemption Reserve .....	–	–
Less: Depreciation on transition to schedule II of Companies Act, 2013.....	–	–
Profit available for Appropriation.....	(309.77)	(132.85)
Proposed Dividend on Equity Shares .....	–	–
Income Tax on proposed Dividend.....	–	–
Balance of Profit carried forward .....	(309.77)	(132.85)
Net worth.....	268.22	(54.85)

No material changes and commitments have occurred after the closure of the financial year ended 31<sup>st</sup> March, 2016 till the date of this Report, which would affect the financial position of the Company.

### 2) Change of Name

During the year under review, the name of your Company was changed from 'Mega One Stop Farm Services Limited' to 'Orizonte Business Solutions Limited' with effect from 27<sup>th</sup> October, 2015 in order to reflect the new business activities to be carried out by the Company.

### 3) Change of Objects Clause

During the year under review, the Objects Clause of the Memorandum of Association of your Company was changed with effect from 27<sup>th</sup> October, 2015.

In line with the altered Objects Clause, your Company is now engaged in the business of providing digital services. It is an online platform that connects transporters with those who need to transport cargo.

### 4) Operations

Your Company has commenced operations during the year under review. During the year the Company has launched its digital services in Mumbai. In the current financial year, the Company is expected to launch the services in select other cities.

### 5) Dividend

Your Directors do not recommend any dividend for the year under review.

### 6) Share Capital

During the year under review, the Authorised Share Capital of your Company was increased from Rs. 2 crore to Rs. 15 crore and the necessary amendments to the Memorandum and Articles of Association of the Company were carried out with respect to the same.

Your Company made an issue of 50,00,000 equity shares of Rs. 10/- each on Rights basis and pursuant to the same, the issued, subscribed and paid up capital of your Company stands increased to Rs. 5,78,00,000 as at the last date of the year under review.

### 7) As a Subsidiary of Mahindra and Mahindra Limited

During the year under review, your Company became a subsidiary of Mahindra and Mahindra Limited.

### 8) Board of Directors

During the year under review, Dr. Shanta Ram Maley (DIN: 01242164) resigned as Director w. e. f. 19<sup>th</sup> October, 2015.

Mr. Vikram Puri (DIN: 00234881) and Mr. Shyam Sunder Vembar (DIN: 02370838) resigned as Directors w.e.f. 20<sup>th</sup> October, 2015.

During the year under review, Dr. Anish Shah (DIN: 02719429), Mr. Bharat Moossaddee (DIN: 02166403) and Mr. Rajeshwar Tripathi (DIN: 06734734) were appointed as Additional Directors w.e.f. 19<sup>th</sup> October, 2015. Ms. Charulata Ravi Kumar (DIN: 02269674) was appointed as an Additional Director w.e.f. 14<sup>th</sup> March, 2016. As per the provisions of Section 161 of the Companies Act, 2013 ("the Act"), they hold office up to the date of the 16<sup>th</sup> Annual General Meeting.

The Company has received notices pursuant to Section 160 of the Act, together with the prescribed deposits of Rs. one lakh each, proposing the names of Dr. Anish Shah, Mr. Bharat Moossaddee, Mr. Rajeshwar Tripathi and Ms. Charulata Ravi Kumar for appointment as Directors at the 16<sup>th</sup> Annual General Meeting of the members of the Company. Your Directors recommend for your consideration, their appointment as Directors at the 16<sup>th</sup> Annual General Meeting.

#### 9) Number of Board Meetings

During the year under review, the Board of Directors conducted eight meetings on 2<sup>nd</sup> May, 2015, 27<sup>th</sup> July, 2015, 18<sup>th</sup> September, 2015, 19<sup>th</sup> October, 2015, 20<sup>th</sup> October, 2015, 30<sup>th</sup> October, 2015, 25<sup>th</sup> November, 2015 and 14<sup>th</sup> March, 2016.

#### Attendance of directors

	<b>Dr. Anish Shah (Chairman, Non-executive)</b>	<b>Mr. Bharat Moossaddee (Non-executive)</b>	<b>Mr. Rajeshwar Tripathi (Non-executive)</b>	<b>Ms. Charulata Ravi Kumar (Non-executive)</b>
Board Meetings (Eight meeting)	5 (Appointed w.e.f. 19 <sup>th</sup> October, 2015)	4 (Appointed w.e.f. 19 <sup>th</sup> October, 2015)	2 (Appointed w.e.f. 19 <sup>th</sup> October, 2015)	1 (Appointed w. e. f. 14 <sup>th</sup> March, 2016)

#### 10) Appointments of Key Managerial Personnel (KMP)

Pursuant to the provisions of Section 203 of the Act, the following appointments of Key Managerial Personnel were effected during the year: -

Mrs. Kausalya Nandakumar was appointed as the Chief Executive Officer w.e.f. 20<sup>th</sup> October, 2015.

Mr. Pradeep Jape (Membership No. 104034) was appointed as the Chief Financial Officer w.e.f. 14<sup>th</sup> March, 2016.

Ms. Sanjana Doshi (ACS 39642), was appointed as the Company Secretary w.e.f. 29<sup>th</sup> March, 2016.

#### 11) Directors' Responsibility Statement

Pursuant to section 134(3)(c) of the Act, your Directors, based on the representation received, and after due enquiry, confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) They have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable 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 as at 31st March, 2016 and of the Loss of the Company for the year ended on that date;
- (iii) Proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis;
- (v) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### 12) Statutory Auditors

M/s. B. K. Khare & Co., Chartered Accountants (Firm Registration No. 105102W) were appointed as the Statutory Auditors of the Company to hold office till the conclusion of the 16<sup>th</sup> Annual General Meeting to fill-in casual vacancy caused by the resignation of Mr. Suhas N. Bapat, the Statutory Auditor. It is now proposed to appoint them as the Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the 21<sup>st</sup> Annual General Meeting.

M/s. B. K. Khare & Co. have submitted a written consent to act as Statutory Auditors of your Company, if appointed, and have also confirmed that the said appointment would be in conformity with the provisions of Sections 139 and 141 of the Act read with the Companies (Audit and Auditors) Rules, 2014.

The members are requested to appoint Statutory Auditors to hold office from the conclusion of the forthcoming Annual General Meeting until the conclusion of 21<sup>st</sup> Annual General Meeting and fix their remuneration.

There were no qualifications, reservations or adverse remarks made by the Auditors in their report.

#### Reporting of frauds by Statutory Auditors:

During the year under review, the Statutory Auditors have not reported to the Board any instances of frauds committed in the Company by its officers or employees, details of which are required to be mentioned in this report pursuant to section 143 (12) of the Companies Act, 2013.



### 13) Risk Management Policy

Your Company has formulated a policy for the Management of Risks including therein the elements of risk which in the opinion of Board may threaten the existence of the Company.

Your Board is hopeful that the implementation of the policy will be helpful to the Company in avoiding risks and enabling the Company to manage the same, if confronted with.

### 14) Internal Financial Controls

Your Company has adopted an Internal Financial Control System, commensurate with the size, scale and complexity of its operations. Your Company conducts reviews, at regular intervals, to assess the adequacy of financial and operating controls for the business of the Company. Significant issues, if any, are brought to the attention of the Board. Corrective actions, if required, are being taken up to ensure that the internal financial control system remains robust and as an effective tool.

### 15) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with the Companies Rule 8 (3) of The Companies(Accounts) Rules, 2014 are given as Annexure I to this Report.

### 16) Disclosure of Particulars of Employees as required under Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014

Being an unlisted company, provisions of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company.

### 17) Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

Your Company has not accepted deposits from the public or its employees during the year under review.

Your Company has not granted loans, or provided securities, or made investments under Section 186 of the Act during the year under review.

Your Company has not made any loans/advances and investment which are required to be disclosed in the financial statements of the Company pursuant to Regulations 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Schedule V thereto, applicable to the Parent company, Mahindra & Mahindra Limited.

### 18) Particulars of Transactions with Related Parties

All Related Party Transactions entered during the year were in the ordinary course of business and on arm's length basis. The particulars of the material Related Party Transactions referred to under section 188(1) of the Companies Act, 2013 are given in the prescribed form AOC – 2 as Annexure II and the same forms part of this Report.

### 19) Extract of Annual Return

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual return as on 31st March, 2016 is attached herewith as Annexure III and forms part of this report.

### 20) Policy on prevention of Sexual Harassment

During the year under review no complaints were received under The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### 21) General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise or issue of sweat equity.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the 'going concern' status and the Company's operations in future.
- There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

### 22) Acknowledgements

Your Directors are pleased to take this opportunity to thank the bankers, customers, vendors and all the other stakeholders for their co-operation to the Company during the year under review.

For and on behalf of the Board

**Dr. Anish Shah**  
Chairman  
DIN: 02719429

Mumbai, 19<sup>th</sup> May, 2016

## ANNEXURE I

### PARTICULARS AS PER THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016.

#### A. CONSERVATION OF ENERGY

- (i) The steps taken or impact on conservation of energy: **Though the activities of the Company are not energy – intensive, necessary measures are taken to contain and bring about savings in power consumption through improved operational methods and better housekeeping.**
- (ii) The steps taken by the Company for utilizing alternate sources of energy : **Not Applicable**
- (iii) The capital investment on energy conservation equipments : **Not Applicable**

#### B. TECHNOLOGY ABSORPTION

- (i) The efforts made towards technology absorption : **Not Applicable**
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution : **Not Applicable**
- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):-
  - a) The details of technology imported : **Not Applicable**
  - b) The year of import : **Not Applicable**
  - c) Whether the technology been fully absorbed : **Not Applicable**
  - d) If not fully absorbed areas where absorption has not taken place, and the reasons thereof : **Not Applicable**
- (iv) The expenditure incurred on Research and Development: **Not Applicable**

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earnings and outgo during the year under review is as follows:

	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Foreign Exchange earnings	Nil	Nil
Foreign Exchange outgo	Nil	Nil

For and on behalf of the Board

**Dr. Anish Shah**  
Chairman  
DIN: 02719429

Mumbai, 19<sup>th</sup> May, 2016

## ANNEXURE II

### Particulars of Transactions with Related Parties for the year ended 31<sup>st</sup> March, 2016

#### FORM NO. AOC.2

(PURSUANT TO CLAUSE (H) OF SUB-SECTION (3) OF SECTION 134 OF THE ACT AND RULE 8(2)  
OF THE COMPANIES (ACCOUNTS) RULES, 2014)

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis - NIL
2. Details of material contracts or arrangements or transactions at Arm's length basis: #

Sr. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mahindra & Mahindra Limited –holding company
b)	Nature of contracts/arrangements/transaction	Reimbursement of Expenses
c)	Duration of the contracts/arrangements/transaction	1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Rs. 181.08 Lakh
e)	Date of approval by the Board	NA
f)	Amount paid as advances, if any	Nil

# Pursuant to notification dated 14th August, 2014 issued by the Ministry of Corporate Affairs, New Delhi (G.S.R.590 (E)).

For and on behalf of the Board

**Dr. Anish Shah**  
Chairman  
DIN: 02719429

Mumbai, 19<sup>th</sup> May, 2016

## ANNEXURE III

Form No. MGT-9

**Extract of Annual Return  
as on the financial year ended on 31<sup>st</sup> March, 2015**

*[PURSUANT TO SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULE 12(1) OF THE COMPANIES  
(MANAGEMENT AND ADMINISTRATION) RULES, 2014]*

### I. REGISTRATION AND OTHER DETAILS:

i.	Corporate Identification Number (CIN)	:	U60231MH2000PLC128757
ii.	Registration Date	:	18/09/2000
iii.	Name of the Company	:	Orizonte Business Solutions Limited (Formerly Known as 'Mega One Stop Farm Services Limited')
iv.	Category/Sub-Category of the Company	:	Indian Non-Government Company Limited by shares
v.	Address of the Registered office and contact details	:	Mahindra Towers, Dr. G.M. Bhosale Marg, P. K. Kurne Chowk, Worli, Mumbai – 400018 Contact: BADE.KIRAN@mahindra.com
vi.	Whether listed company Yes/No	:	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	Not Applicable

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

All the business activities contributing 10% or more of the total turnover of the Company:

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Other Land Transportation Services	52219	100%

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001	L65990MH1945PLC004558	Holding	100%	2(46)

### IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

#### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	–
b) Central Govt	–	–	–	–	–	–	–	–	–
c) State Govt(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	6,80,000	6,80,000	87.18	–	57,80,000	57,80,000	100	12.82

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Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):</b>	-	6,80,000	6,80,000	87.18	-	57,80,000	57,80,000	100	12.82
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other -Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+ (A)(2)</b>	-	6,80,000	6,80,000	87.18	-	57,80,000	57,80,000	100	12.82
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Company	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	1,00,000	1,00,000	12.82	-	-	-	-	-
c. Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):</b>	-	1,00,000	1,00,000	12.82	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	-	1,00,000	1,00,000	12.82	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	7,80,000	7,80,000	100	-	57,80,000	57,80,000	100	12.82

**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/encumbered to total shares	
1.	Mahindra & Mahindra Limited	3,50,994	44.99	–	5,77,994	99.99	–	55
2.	Mahindra & Mahindra Limited Jt. With Mr. K. J. Davasia*	1		–	1		–	–
3.	Mahindra & Mahindra Limited Jt. With Mr. Vikram Puri*	1		–	1		–	–
4.	Mahindra & Mahindra Limited Jt. With Mr. Kairas Vakharia*	1		–	1		–	–
5.	Mahindra & Mahindra Limited Jt. With Mr. V .S Parthasarathy*	1	0.01	–	1	0.01	–	–
6.	Mahindra & Mahindra Limited Jt. With Mr. Kamlesh Tripathi*	1		–	1		–	–
7.	Mahindra & Mahindra Limited Jt. With Mr. Suhas S. Borgaonkar*	1		–	1		–	–
8.	Mahindra & Mahindra Contech Limited	3,29,000	42.18	–	–	–	–	42.18
	<b>Total</b>	<b>6,80,000</b>	<b>87.18</b>	<b>–</b>	<b>57,80,000</b>	<b>100</b>	<b>–</b>	<b>12.82</b>

\* Shares held by Mahindra & Mahindra Limited jointly with Nominees to comply with the statutory provisions of Companies Act, with regard to minimum number of members.

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mahindra and Mahindra Limited	3,51,000	45.00	57,80,000	Note: On 25 <sup>th</sup> November, 2015, Mahindra and Mahindra Limited purchased 1,00,000 shares from an individual shareholder and 3,29,000 shares from Mahindra and Mahindra Contech Limited. Subsequently, 50,00,000 equity Shares of Rs. 10 each were allotted to Mahindra and Mahindra Limited for cash as par Right basis.
2	Mahindra and Mahindra Contech Limited	3,29,000	42.18	<b>NIL- Shares were transferred to Mahindra and Mahindra Limited as stated above.</b>	

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

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Mr. P. V. Parthasarathy	1,00,000	12.82	<b>Nil - Shares were transferred to Mahindra and Mahindra Ltd. during the year under review</b>	

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

Sr. No.	For Each of the Top Ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	Name of the Director/KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
–	–	–	–	–	–

**V. INDEBTEDNESS:**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>	Nil	Nil	Nil	Nil
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i + ii + iii)</b>	Nil	Nil	Nil	Nil
<b>Change in Indebtedness during the financial year</b>	Nil	Nil	Nil	Nil
• Addition				
• Reduction				
<b>Net Change</b>	Nil	Nil	Nil	Nil
<b>Indebtedness at the end of the financial year</b>	Nil	Nil	Nil	Nil
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i + ii + iii)</b>	Nil	Nil	Nil	Nil

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

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

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
1.	Gross salary		
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	–	–
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	–	–
2.	Stock Option	–	–
3.	Sweat Equity	–	–
4.	Commission		
	– as % of profit	–	–
	– others, specify...	–	–
5.	Others, please specify SAR's	–	–
	Total (A)	–	–
	Ceiling as per the Act	–	–

**B. Remuneration to other directors:**

Sr. No.	Particulars of Remuneration	Name of Directors	Total Amount (Rs.)
1	Independent Directors		
	• Fee for attending board/committee meetings	–	–
	• Commission	–	–
	• Others, please specify	–	–
	<b>Total (1)</b>	–	–

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Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount (Rs.)
2	Other Non-Executive Directors	-	-	-
	• Fee for attending board/committee meetings	-	-	-
	• Commission	-	-	-
	• Others, please specify	-	-	-
	<b>Total (2)</b>	-	-	-
	Total (B)=(1+2)	-	-	-
	Total Managerial Remuneration	-	-	-
	Overall Ceiling as per the Act	-	-	-

**C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD**

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
		Ms. Kausalya Nandakumar	Ms. Sanjana Doshi	Mr. Pradeep Jape	
1.	Gross salary	-	-	-	-
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others, specify...	-	-	-	-
5.	Others, please specify - Fees	-	-	-	-
	<b>Total</b>	-	-	-	-

**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	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Punishment	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Compounding	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
<b>B. DIRECTORS</b>					
Penalty	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Punishment	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Compounding	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Punishment	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Compounding	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

For and on behalf of the Board

**Dr. Anish Shah**  
Chairman  
DIN: 02719429

Mumbai, 19<sup>th</sup> May, 2016



## INDEPENDENT AUDITOR'S REPORT

To the Members of

**Orizonte Business Solutions Limited**

### Report on the Financial Statements

1. We have audited the accompanying financial statements of Orizonte Business Solutions Limited ("the Company"), which comprise the balance sheet as at 31<sup>st</sup> March, 2016, and the statements of profit and loss and cash flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. 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.
5. 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.
6. 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.

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

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March, 2016, and its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
10. 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 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 it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
- ii. The Company does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses that need provision.
- iii. During the year, there were no amounts which were required to be transferred by the Company to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
*Chartered Accountants*  
(Firm's Registration No. 105102W)

**H. P. Mahajani**  
*Partner*  
(Membership No. 030168)

*Place: Mumbai*  
*Date: 19<sup>th</sup> May, 2016*

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of Orizonte Business Solutions Limited for the year ended 31<sup>st</sup> March, 2016.

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (ii) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
  - (iii) The title deeds of immovable properties, as disclosed in Note on fixed assets to the financial statements, are held in the name of the Company.
2. The Company is in the business of providing digital services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
  3. There are no parties covered in the register maintained under sec 189 of the Act. Accordingly the provisions of clause (iii), (iii)(a), (iii)(b) and (iii)(c) of the order are not applicable to the company.
  4. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and Section 186. Therefore the provisions of Clause 3(iv) of the Order are not applicable to the company.
  5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore the provisions of Clause 3(v) of the Order are not applicable to the company.
  6. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
  7. (i) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax,, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it with the concerned authorities.
  - (ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable.
  - (iii) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income-tax, sales tax, service tax, excise duty, customs duty and value added tax and cess which have not been deposited on account of any dispute.
8. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
  9. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are 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 the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management
  11. The Company has not paid/provided any managerial remuneration covered by the provisions of Section 197. Therefore provisions of clause 3(xi) are not applicable to the Company.
  12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
  13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  14. The Company has made a preferential allotment during the year under review, in compliance with the requirements of Section 42 of the Act. The amounts raised have been used for the purpose for which funds were raised
  15. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**

*Chartered Accountants*  
(Firm's Registration No. 105102W)

**H. P. Mahajani**  
*Partner*

*Place: Mumbai*  
*Date: 19<sup>th</sup> May, 2016*

(Membership No. 030168)

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ORIZONTE BUSINESS SOLUTIONS LIMITED

### Report 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 Orizonte Business Solutions Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date

### Management's Responsibility for Internal Financial Controls

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 judgement, 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

For **B. K. Khare & Co.**

*Chartered Accountants*  
(Firm's Registration No. 105102W)

**H. P. Mahajani**

*Partner*

(Membership No. 030168)

Place: Mumbai

Date: 19<sup>th</sup> May, 2016

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2016**

Particulars	Note No.	As at 31 <sup>st</sup> March, 2016 Rupees	As at 31 <sup>st</sup> March, 2015 Rupees
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share capital.....	2	57,800,000	7,800,000
(b) Reserves and surplus .....	3	(30,977,243)	(13,284,976)
		<u>26,822,757</u>	<u>(5,484,976)</u>
<b>2. Current liabilities</b>			
(a) Other current liabilities .....	4	21,612,004	5,487,990
		<u>21,612,004</u>	<u>5,487,990</u>
<b>Total.....</b>		<u><u>48,434,761</u></u>	<u><u>3,014</u></u>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
(i) Fixed assets	5		
(a) Tangible Assets.....		818	1,831
(b) Intangible Assets.....		11,778,694	-
		<u>11,779,512</u>	<u>1,831</u>
<b>2. Current assets</b>			
(a) Short-term Loan & Advances .....	6	1,911,233	
(b) Cash and Bank Balances .....	7	34,744,016	1,183
		<u>36,655,249</u>	<u>1,183</u>
<b>Total.....</b>		<u><u>48,434,761</u></u>	<u><u>3,014</u></u>
<b>Significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

In terms of our report attached

**For B. K. Khare**  
Chartered Accountants  
(FRN: 105102W)

**H. P. Mahajani**  
Mem. No. 030168

For and on behalf of the Board of Directors

**Dr. Anish Shah**  
**Bharat Moossadde**  
**Rajeshwar Tripathi**  
**Charulata Ravikumar**

Directors

**Pradeep Jape**

CFO

**Sanjana Doshi**

Company Secretary

Place : Mumbai  
Date : 19<sup>th</sup> May, 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

Particulars	Note No.	Year ended 31 <sup>st</sup> March, 2016 Rupees	Year ended 31 <sup>st</sup> March, 2015 Rupees
<b>Income</b>			
Sale of services .....	8	10,853	-
Other income .....	9	5,887,387	-
		5,898,240	-
<b>Expenses</b>			
Employee benefits expenses .....	10	3,401,515	-
Depreciation & Amortisation .....		200,652	1,013
Other expenses.....	11	19,988,340	29,850
<b>Total expenses</b> .....		<b>23,590,507</b>	<b>30,863</b>
<b>Profit/(Loss) before tax</b> .....		<b>(17,692,267)</b>	<b>(30,863)</b>
Provision for tax .....		-	-
<b>Profit/(Loss) for the year</b> .....		<b>(17,692,267)</b>	<b>(30,863)</b>
<b>Earnings per equity share:</b>			
Basic and diluted earnings per equity share (nominal value of share Rs. 10).....		(10.42)	(0.04)
<b>Significant accounting policies</b>	1		

The accompanying notes are an integral part of the financial statements

In terms of our report attached

**For B. K. Khare**  
*Chartered Accountants*  
(FRN: 105102W)  
**H. P. Mahajani**  
Mem. No. 030168

For and on behalf of the Board of Directors

**Dr. Anish Shah**  
**Bharat Moossaddee**  
**Rajeshwar Tripathi**  
**Charulata Ravikumar**

} *Directors*

**Pradeep Jape**

*CFO*

**Sanjana Doshi**

*Company Secretary*

Place : Mumbai  
Date : 19<sup>th</sup> May, 2016



**Mahindra**  
*Rise.*

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