

# BOARD'S REPORT

To the Members of Edelweiss Financial Services Limited,

Your Directors hereby present their 23<sup>rd</sup> Annual Report on the business, operations and state of affairs of the Company together with the audited financial statements for the year ended March 31, 2018:

## FINANCIAL HIGHLIGHTS

### I. Consolidated Financial Performance:

(₹ in million)

	2017-18	2016-17
<b>Total Income</b>	<b>86,225.46</b>	66,335.97
Total Expenditure	<b>72,003.81</b>	56,756.32
<b>Profit before tax</b>	<b>14,221.65</b>	9,579.65
Provision for tax	<b>5,598.52</b>	3,947.28
<b>Profit after tax</b>	<b>8,623.13</b>	5,632.37
Add: Share of Minority Interest	<b>278.17</b>	460.69
<b>Profit for the year after Minority interest</b>	<b>8,901.30</b>	6,093.06
Add: Surplus brought forward from previous year	<b>13,034.78</b>	11,179.08
Add/(Less): Effect of changes in Group's interest	<b>(4.28)</b>	(310.52)
<b>Profit available for appropriation:</b>	<b>21,931.80</b>	16,961.62
Less: Appropriations		
Final Dividend for Financial Year 2016-17	<b>255.92</b>	-
Interim Dividend on Equity Shares	<b>957.28</b>	832.21
Dividend on Preference Shares	<b>85.40</b>	82.88
Transfer to Reserves	<b>3,466.52</b>	2,784.53
Dividend Distribution Tax	<b>224.04</b>	227.22
<b>Surplus carried to the Balance Sheet</b>	<b>16,942.64</b>	13,034.78
Earnings per Equity Share (Face Value – ₹ 1/-)		
Basic (₹)	<b>10.11</b>	7.26
Diluted (₹)	<b>9.80</b>	6.92

## Board's Report (Continued)

### II. Standalone Financial Performance:

(₹ in million)

	2017-18	2016-17
<b>Total Income</b>	<b>4,398.28</b>	4,504.65
Total Expenditure	<b>2,612.26</b>	3,068.76
<b>Profit before tax</b>	<b>1,786.02</b>	1,435.89
Provision for tax	<b>359.42</b>	145.83
<b>Profit after tax</b>	<b>1,426.60</b>	1,290.06
Add: Surplus brought forward from previous year	<b>1,436.33</b>	982.61
<b>Profit available for appropriation</b>	<b>2,862.93</b>	2,272.67
Less: Appropriations		
Final Dividend for Financial Year 2016-17	<b>255.92</b>	-
Interim Dividend	<b>957.28</b>	832.21
Dividend Distribution Tax	<b>33.31</b>	4.13
<b>Surplus carried to the Balance Sheet</b>	<b>1,616.42</b>	1,436.33
Earnings per Equity Share (Face Value – ₹ 1/-)		
<b>Basic (₹)</b>	<b>1.64</b>	1.56
<b>Diluted (₹)</b>	<b>1.59</b>	1.49

### DIVIDEND

During the year under review, your Directors declared and paid an interim dividend of ₹ 1.05 per Equity Share (on the face value of ₹ 1 each).

The Board has recommended a final dividend of ₹ 0.30 per Equity Share (on the face value of ₹ 1 each) for the financial year ended March 31, 2018.

The payment of the final dividend is subject to declaration by the members at the ensuing Annual General Meeting (AGM) and shall be paid to those members whose names appear in the Register of Members of the Company as on July 19, 2018. The Register of Members and the share transfer books will remain closed from July 20, 2018 to July 25, 2018 (both days inclusive). The AGM of the Company is scheduled to be held on July 26, 2018.

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company have adopted a Dividend Distribution Policy, which is available on the website of the Company at the link: <https://>

[edelweissfin.com/documents/30595/0/EFSLDividendDistributionPolicy.pdf](https://edelweissfin.com/documents/30595/0/EFSLDividendDistributionPolicy.pdf)

### SHARE CAPITAL

During the year under review, 54,562,488 Equity Shares of ₹ 1 each at a Price of ₹ 280 per Equity Share aggregating to ₹ 15,277.50 million were allotted under the Qualified Institutions Placement and 28,367,350 Equity Shares of ₹ 1 each were allotted on exercise of the Options granted under various Employee Stock Option Schemes of the Company.

Consequently, as at March 31, 2018, the paid-up share capital of the Company stood at ₹ 915.50 million divided into 915,498,927 Equity Shares of ₹ 1 each.

The Company enjoys high credit rating from the Rating Agencies. The credit ratings reflect the Company's financial discipline and prudence.

The disclosures with regard to the Employee Stock Options as required under the SEBI (Share Based Employee Benefits) Regulations, 2014 is available on the website of the Company at the link:

<https://www.edelweissfin.com/web/edelweiss/investor-relation/annual-and-other-reports>

### **INFORMATION ON THE STATE OF AFFAIRS OF THE COMPANY**

Information on the operational and financial performance, among others, is given in the Management Discussion and Analysis Report annexed to this Report and is in accordance with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

### **ABRIDGED FINANCIAL STATEMENTS**

In terms of the provisions of Section 136 of the Companies Act, 2013, the abridged financial statements as at March 31, 2018 and the Auditors' Report on the abridged Financial Statements forms part of the Annual Report. Full version of the Annual Report is available on the website of the Company at the link: <https://www.edelweissfin.com/web/edelweiss/investor-relation/annual-and-other-reports> and will also be made available to the members of the Company on request.

### **SUBSIDIARIES & ASSOCIATES**

During the financial year ended March 31, 2018, Alternative Investment Market Advisors Private Limited became a subsidiary.

The following companies ceased to be subsidiaries during the year ended March 31, 2018:

- Cross Border Synergy Pte. Ltd. (formerly Edelweiss Commodities Pte. Ltd.)
- EW SBI Crossover Advisors LLC
- Edelweiss Tarim Urunleri Anonim Sirketi

The following companies ceased to be subsidiaries with effect from April 21, 2018:

- Eternity Business Centre Limited
- Olive Business Centre Limited
- Burlington Business Solutions Limited
- Auris Corporate Centre Limited
- Serenity Business Park Limited

Edel Commodities Limited and EFSL Trading Limited ceased to be subsidiaries with effect from May 4, 2018.

Aeon Credit Service India Private Limited, ceased to be an associate of the Company during the year ended March 31, 2018.

The salient features of the financial statement of each of the subsidiaries and the associates as required under the Companies Act, 2013 is provided in the consolidated financial statement. The financial statements of the subsidiary companies is available on the website of the Company at the link: <https://edelweissfin.com/web/edelweiss/investor-relation/financials-of-subsidiaries>. Any member interested in obtaining a copy of financial statement of the subsidiaries may write to the Company Secretary, at the Registered Office of the Company.

### **LOANS, INVESTMENTS AND GUARANTEES**

Particulars of loans given, investments made, guarantees given and securities provided are provided in the financial statements.

### **RELATED PARTY TRANSACTIONS**

Particulars of contracts or arrangements with the related parties as referred to in sub-section (1) of Section 188 and forming part of this report is provided in the financial statement. All the Related Party Transactions as required under AS-18 are reported in the Notes to the financial statement.

In accordance with the provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Company has formulated the Related Party Transactions Policy (the Policy). The Policy is available on the website of the Company at the link: <https://edelweissfin.com/documents/30595/0/RelatedPartyTransactionsPolicy.pdf>.

### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

#### **(i) Independent Directors**

Mr. P. N. Venkatachalam, Mr. Berjis Desai, Mr. Sanjiv Misra, Mr. Navtej S. Nandra, and Mr. Kunnasagaran Chinniah were re-appointed as Independent Directors of the Company at the AGM held on August 2, 2017, to hold office till the conclusion of the 27<sup>th</sup> AGM to be held in the year 2022.

Mr. Sunil Mitra did not offer himself for re-appointment for a second term at the AGM held on August 2, 2017.

## Board's Report (Continued)

Mr. Biswamohan Mahapatra holds office as an Independent Director till the conclusion of the ensuing AGM. Mr. Mahapatra has offered himself for re-appointment for a second term of 5 years from the conclusion of this AGM till the conclusion of the 28<sup>th</sup> AGM to be held in the year 2023.

In accordance with the provisions of Section 149 of the Companies Act, 2013, the Independent Directors have given a declaration that they meet the criteria of independence as provided in the said Section and in terms of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

### (ii) Executive Directors

The members at the AGM held on August 2, 2017 re-appointed Mr. Rashesh Shah as the Managing Director & CEO and Mr. Venkatchalam Ramaswamy as an Executive Director for a period of 5 years w.e.f. April 1, 2017.

### (iii) Other Directors

Ms. Vidya Shah and Mr. Himanshu Kaji retire by rotation at the ensuing AGM and being eligible, offer themselves for re-appointment.

### (iv) Change in Key Managerial Personnel

There was no change in the Key Managerial Personnel (KMPs) during the year under review. Some of the KMPs of the Company are also the KMPs of the subsidiaries and draw remuneration from those subsidiaries.

## NUMBER OF BOARD MEETINGS HELD

During the year ended March 31, 2018, the Board met 5 times.

## REMUNERATION POLICY

The Company has formulated a Remuneration Policy pursuant to Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Policy is provided as Annexure I to this Report.

## EVALUATION OF THE PERFORMANCE OF THE BOARD

A Board Evaluation Policy (the Policy) for evaluating the performance of the Board, Chairman, Managing Director, Executive Directors, Non-executive Directors, Independent

Directors and the Committees has been adopted by the Company.

The Policy inter alia provides the criteria for performance evaluation such as Board effectiveness, quality of discussion, contribution at the meetings, business acumen, strategic thinking, time commitment, relationship with the stakeholders, corporate governance practices, contribution of the Committees to the Board in discharging its functions, etc.

A meeting of the Independent Directors was held during the year under review. An evaluation was carried out based on the Policy and the parameters on the performance evaluation as laid down in the Guidance Note issued by the SEBI.

## INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT

The Company has in place adequate internal financial control with reference to financial statement and the Risk Management Committee of the Board of Directors of the Company has formulated and implemented a Risk Management Policy for the Company.

## AUDIT COMMITTEE

The Audit Committee presently comprises of:

Mr. P. N. Venkatachalam (Chairman)	} Independent Director
Mr. Berjis Desai	
Mr. Sanjiv Misra	
Mr. Biswamohan Mahapatra	
Mr. Kunnasagaran Chinniah (w.e.f. May 3, 2018)	

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee presently comprises of:

Mr. Venkatchalam Ramaswamy (Chairman)	} Executive Director
Mr. Himanshu Kaji	
Mr. Rujan Panjwani	
Mr. P. N. Venkatachalam	} Independent Director

The CSR Policy of the Company is available on the website of the Company at the link: <https://edelweissfin.com/documents/30595/0/CSRPoly.pdf>.

Further details in this regard are provided in the Annexure II to this Report.

## AUDITORS

In accordance with the provisions of Section 139 of the Companies Act, 2013 and the Rules framed thereunder ('the Act'), M/s. Price Waterhouse, Chartered Accountants LLP (PwC), was appointed as the Auditors of the Company at the 22<sup>nd</sup> Annual General Meeting (AGM) held on August 2, 2017, to hold office till the conclusion of the 27<sup>th</sup> AGM. PwC has since tendered its resignation as the Auditors of the Company vide letter dated May 22, 2018, resulting in casual vacancy in the office of the Auditors.

The Board has recommended to the Members the appointment of M/s. S. R. Batliboi & Co. LLP (SRB), as the Auditors of the Company:

- (a) to fill the casual vacancy caused by the resignation of PwC and to hold the office up to the conclusion of this AGM; and
- (b) for a period 5 years from the conclusion of this AGM till the conclusion of the 28<sup>th</sup> AGM of the Company to be held in the year 2023.

SRB has confirmed its eligibility to act as the Auditors of the Company.

## SECRETARIAL AUDIT

M/s. BNP & Associates, Practising Company Secretaries, was appointed as the Secretarial Auditor, to conduct the Secretarial Audit for the financial year ended March 31, 2018. The Report of the Secretarial Auditor is provided as Annexure III to this Report.

## PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has a Policy on Prevention of Sexual Harassment of Women at Workplace. No case was reported during the year under review.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

### 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 for conservation of energy wherever possible.

- ii. The steps taken by the Company for utilising alternate sources of energy – though the operations of the Company are not energy intensive, the Company explore alternative source of energy, as and when the necessity arises.

- iii. The capital investment on energy conservation equipments – Nil

### B. Technology absorption

- i. The efforts made towards technology absorption – The minimum technology required for the business has been absorbed.
- 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 has 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

Foreign exchange earnings and outgo (including dividend) during the year under review were ₹ 189.74 million (previous year ₹ 322.02 million) and ₹ 56.63 million (previous year ₹ 37.45 million) respectively.

## OTHERS

No disclosure is required in respect of the details relating to the deposits covered under Chapter V of the Companies Act, 2013, as the Company has not accepted any deposit. There was no significant or material order passed by any regulator or court or tribunal which would impact the status of the Company as a going concern and the operations in future. The Company has complied with the Secretarial Standards issued by the Institute of Company Secretaries of India.

## Board's Report (Continued)

### EXTRACT OF THE ANNUAL RETURN

In accordance with the provisions of Section 92 of the Companies Act, 2013 and the Rules framed thereunder, the extract of the Annual Return in Form MGT – 9 is provided as Annexure IV to this Report.

### WHISTLE BLOWER POLICY/ VIGIL MECHANISM

The Company has a Whistle Blower Policy for the employees to report genuine concerns/grievances. The Policy is available on the website of the Company at the link: <https://www.edelweissfin.com/documents/30595/0/WhistleBlowerPolicy.pdf>

The Policy provides for adequate safeguards against the victimisation of the employees who use the vigil mechanism. The vigil mechanism is overseen by the Audit Committee.

### DISCLOSURE UNDER SECTION 197 OF THE COMPANIES ACT, 2013

The information as required under Section 197 of the Companies Act, 2013 ('the Act') read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, forms part of this Annual Report.

Disclosures as required under Rule 5(1) of the aforesaid Rules are provided as Annexure V to this Report.

In terms of the provisions of Section 136 of the Act, any member interested in obtaining a copy of information under Rule 5(2) of the aforesaid Rules, may write to the Company Secretary, at the Registered Office of the Company.

### CORPORATE GOVERNANCE

Pursuant to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Report on Corporate Governance together with the certificate issued by M/s. BNP & Associates, Practicing Company Secretaries, on compliance in this regard forms part of this Annual Report.

A Business Responsibility Report pursuant to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 is provided as Annexure VI to this Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013 ('the Act'), the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) such accounting policies have been selected 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, 2018 and of the profits of the Company for the financial year ended on that date;
- iii) proper and sufficient care had 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) internal financial controls have been laid down and the same are adequate and were operating effectively; and
- vi) proper systems had been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### ACKNOWLEDGEMENTS

The Board of Directors wish to place on record their gratitude for the valuable guidance and continued support extended by the Securities Exchange Board of India, Reserve Bank of India, Stock Exchanges, Insurance Regulatory and Development Authority of India, Ministry of Corporate Affairs, other government authorities, Banks and other stakeholders. Your Directors would also like to take this opportunity to express their appreciation for the dedicated efforts of the employees of the Company.

For and on behalf of the Board of Directors  
**Edelweiss Financial Services Limited**

**Rashesh Shah**  
Chairman, Managing Director & CEO  
DIN No.: 00008322

May 23, 2018