



FIVE STAR 

Business Finance Limited

CHALLENGE ACCEPTED

...towards greater heights

ANNUAL REPORT
2016 - 2017

Annual Report 2016 - 2017

Five Star Group





THE FIVE-STAR TIMELINE

FY 84 Incorporated as a Private Limited company

FY 84 Primary lending was towards two wheelers, used vehicles & consumer durables

FY 88 Transformed into a Public Limited Company

FY 01 AUM of INR 7 Cr across 5 branches

FY 16 Strengthening of the Board & Senior Management Team

FY 16 64 branches and ~ 200 Cr AUM

FY 17 HFC License received for the subsidiary

FY 17 Equity infusion by Morgan Stanley

FY 17 AUM of ~ INR 500 Cr across 103 branches

FY 18 Networth over INR 500 Cr consequent to equity infusion by Norwest Venture Partners and Sequoia Capital

1984 - 2001

2002- 2015

2016 - 2017

FY 02 Mr D Lakshmipathy joined Five Star as an Executive Director

FY 06 Small business loans against house properties piloted

FY 10 Crossed AUM of INR 25 Cr across 6 branches

FY 14 First investment by Matrix Partners

FY 14 Crossed AUM of INR 100 Cr across 30 branches

FY 15 Follow on investment by Matrix Partners

Corporate Information

Board of Directors

D Lakshmipathy	Chairman & Managing Director
A Ramanathan	Independent Director
Kalpana Iyer	Independent Director
Bhama Krishnamurthy	Independent Director
R Anand	Independent Director
B Haribabu	Independent Director
L R Raviprasad	Non-Executive Director
Vasan Thirulokchand	Non-Executive Director
Vikram Vaidyanathan	Investor Director - Matrix Partners
Ling Wei Ong	Investor Director - Morgan Stanley
Arjun Saigal	Alternate Director for Ling Wei Ong
G V Ravishankar	Investor Director - Sequoia Capital

Board Observer

Niren Shah	Norwest Venture Partners
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Board Committees

Audit Committee

Kalpana Iyer (Chairperson)
R Anand
A Ramanathan
Bhama Krishnamurthy

Nomination & Remuneration Committee

A Ramanathan
B Haribabu
L R Raviprasad

Business & Resource Committee

D Lakshmipathy
A Ramanathan
B Haribabu
L R Raviprasad

Corporate Social Responsibility Committee

D Lakshmipathy
Kalpana Iyer
R Anand
Bhama Krishnamurthy

PUBLIC SECTOR BANKS

State Bank of India
Bank of Baroda
IDBI Bank Limited

PRIVATE SECTOR BANKS

Federal Bank Limited
City Union Bank
RBL Bank Limited
HDFC Bank Limited
DCB Bank Limited
Tamilnad Merchantile Bank Limited
Lakshmi Vilas Bank
Karnataka Bank Limited
South Indian Bank Limited
Karur Vysya Bank Limited
SBM Bank (Mauritius) Limited
AU Small Finance Bank Limited

FINANCIAL INSTITUTIONS

Sundaram Finance Limited
Cholamandalam Investement &
Finance Company Limited
MAS Financial Services Limited
IFMR Capital Finance Private Limited
Hinduja Leyland Finance Limited
Nabiksan Finance Limited
A.K. Capital Services Limited

DEVELOPMENTAL FINANCIAL INSTITUTIONS

FMO

REGISTERED OFFICE

39, Outer Circular Road,
Kilpauk Garden Colony,
Kilpauk, Chennai - 600 010.
Phone: 044-23460963

CORPORATE OFFICE

Old No.4, New No.27,
Taylor's Road,
Kilpauk, Chennai - 600 010.
Phone: 044-46106200

Management Team

K Rangarajan	Chief Operating Officer
G Srikanth	Chief Financial Officer
J Vishnuram	Head - Internal Audit
T Sathya Ganesh	Head - Business & Collection
S M Seshathri	Head - Credit, Business Finance
R M Veerappan	Head - Credit, Housing Finance
S Prashanth	Head - Treasury
K Arun Kumar	Head - Accounts
P Shylasree	Head - Human Resources
B Shalini	Company Secretary

Statutory Auditors

M/s Brahmayya & Co
Chartered Accountants
48, Masilamani Road, Balaji Nagar,
Royapettah, Chennai - 600 014

Internal Auditors

M/s Sundaram & Srinivasan
Chartered Accountants
39-A, G K Flats, South Boad Road,
T Nagar, Chennai - 600017

Secretarial Auditor

S Sandeep & Associates
Practicing Company Secretary
448, 599, Cathderal Garden Road,
F - 20, Gemini Parsn Apts,
Nungambakkam, Chennai - 600 006

SERVICES OFFERED



Small Business Loans

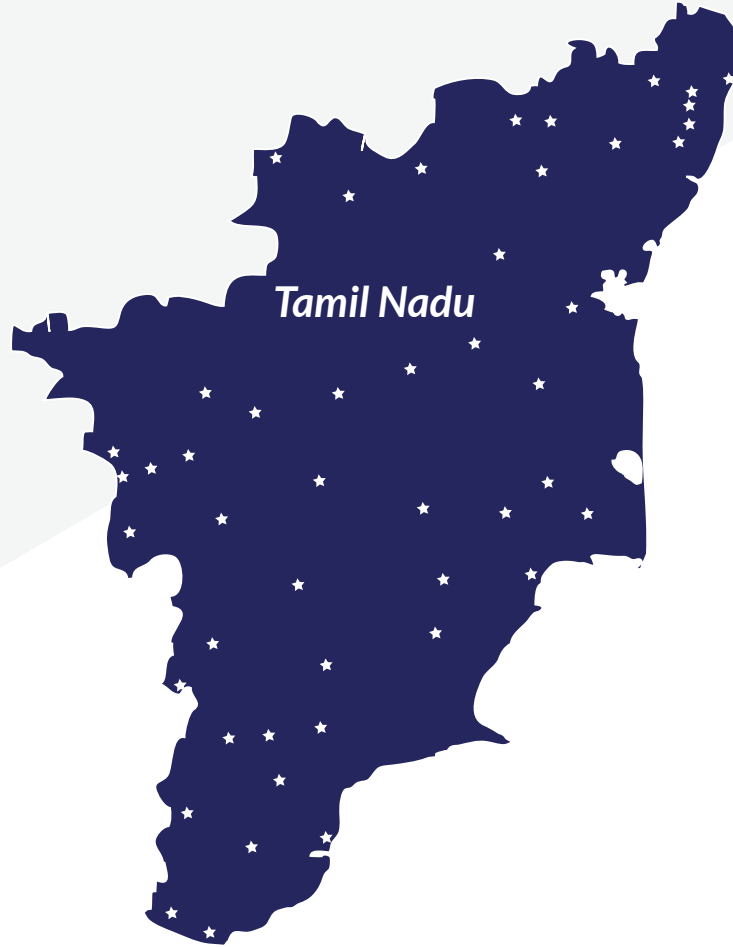


Small Housing Loans



Small Mortgage Loans

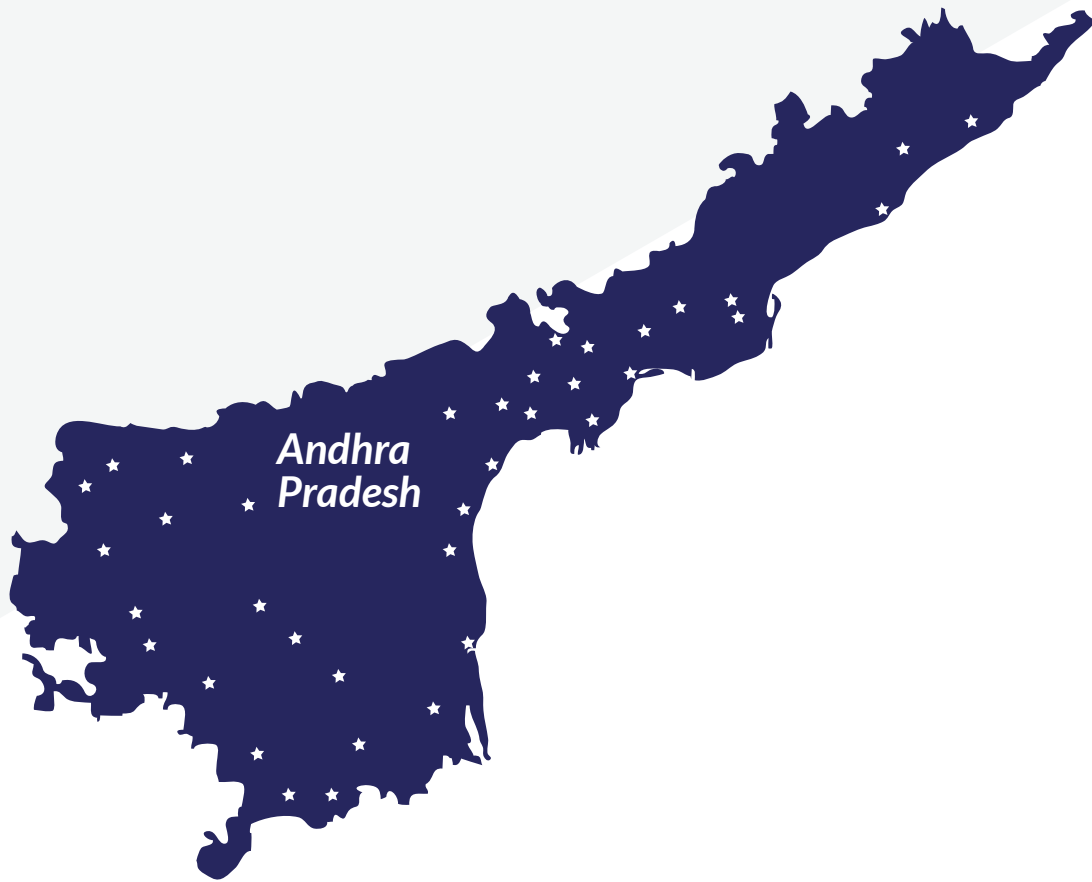
Branches



Aminjikarai
Kumbakonam
Tiruvallur
Tenkasi
Trichy
Rajapalayam
Madurai
Guduvanchery
Karur
Arani
Coimbatore-II
Sulur
Rasipuram
Pattukkottai
Karaikudi
Kanchipuram
Villupuram

Tuticorin
Tambaram
Pudukottai
Coimbatore
Tiruvannamalai
Tiruppur
Krishnagiri
Salem
Marthandam
Tiruvottiyur
Ranipet
Sivakasi
Virudhachalam
Madurai-II
Kallakurichi
Athur
Cumbum

Poonamallee
Theni
Ambattur
Nagercoil
Vellore
Tanjore
Erode
Vaniyambadi
Dindigul
Tiruvarur
Hosur
Aruppukottal
Pollachi
Kovilpatti
Gobichettipalayam
Dharapuram
Tirunelveli



Tirupathi
Anantapur
Ongole
Hindupuram
Guntur
Gudiwada
Prodduttur
Machilipatnam
Madanapalle
Kandukur
Naidupet
Dhone
Rajahmundry

Kakinada
Kadapa
Nuzvid
Eluru
Palamaneru
Kurnool
Samarlakota
Tadepalligudem
Rajampet
Adoni
Dharmavaram
Bhimavaram
Srikakulam

Nellore
Narasaraopet
Vijayawada
Guntakkal
Tenali
Kadiri
Chirala
Vishakapatnam
Nandyal
Nellore - II
Chittoor
Vijayanagaram
Yemmiganur



Bangalore
Tumkur

Peenya
Ranebennur

Yelahanka
Tiptur



Karim Nagar
Wanaparthy
Mahaboob Nagar
Warangal
Mancherial

Bhuvanagiri
Hyderabad
Hyderabad - II
Gadwal
Miriyalaguda

Sanga Reddy
Nizamabad
Shad Nagar
Suryapet

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CHAIRMAN'S MESSAGE

Message from the Chairman & Managing Director



Dear Shareholders,

I am happy to connect with you again to share some of my thoughts on the financial year that just went by. FY 2017 would go down as a year of significant structural reforms and policy changes rung in by the Government, which brought along the way, unforeseen challenges and opportunities. I am glad to declare that your company not only faced the challenges bravely, but also made the best use of these opportunities. And that's also the reason why we have kept the theme of this Annual report as "Challenges Accepted".

The financial year for your company began on a very positive note with couple of important milestones

being achieved, namely the receipt of Housing Finance Company license for the subsidiary Five-Star Housing Finance Private Limited, and the infusion of sizeable capital by Morgan Stanley. Both these developments augured very well for your company and we embarked on a phase of aggressive yet robust growth.

However the second half of the year threw up major challenges, the most significant one being that of demonetization of certain rupee denominations and the widespread belief was that this move would have a critical impact on the operations of NBFCs. As the adage goes, "Every adversity, every failure, every heartache carries with it the seed of an equal or greater benefit", we chose to see the greater benefits

that can be achieved even in such a scenario. And I am proud to inform you that we managed to scale new peaks, both in our business volumes and in our collection efficiencies, during the period immediately post demonetization. This is an unimpeachable testimony to the strength of the business model and conservative lending practices of the company.

Towards the end of FY 2017, we also had the inauguration of our new corporate office. Expansion in business volumes and branches meant more number of corporate staff and the existing premises proved to be inadequate. Further we also wanted all our department heads and staff to be under the same roof as it helps facilitate face to face discussions, conduct important meetings at short notice, etc. To this effect, we moved into a state of the art premises, well spacious and which could house all the Head Office departments and have a dedicated space for storing the customer property papers. It was a pleasure to see the enthusiasm and excitement on the faces of our employees, which is very critical as we embark upon a phase of rapid growth.

During the year, we also scaled many more peaks overcoming challenges that we had taken upon ourselves. From a numbers perspective, FY 2017 saw your company achieving a disbursement of over Rs 380 Cr, growth of over 180% over the previous year disbursements, which resulted in about 150% growth in the loan portfolio.

One of the major challenges that we managed to overcome was the expansion of operations in AP. Our AP operations were in a nascent stage last financial year and we were committed to take it to the next level during the current financial year. I am very glad to inform you that we have managed to ramp up operations in AP without any compromise on our underwriting controls or portfolio quality. During the year, we opened 20 additional branches in AP, which facilitated the diversification of risk. We had also made our presence in the states of Karnataka and

Telangana, which are going to be our focus areas in the forthcoming financial year.

Another achievement of great significance is the reduction in the GNPA numbers during the year. Not just reduction in numbers, but I also take pride in mentioning that your company is one of the very few companies which have moved from a 180 day GNPA recognition norm to a 90 day GNPA recognition norm within a span of 12 months. The adoption of these guidelines by your company was also done one year ahead of the applicable RBI regulations.

FY 2017 also saw your company's subsidiary starting operations as a Housing Finance Company. Despite having only one full quarter of operations, your company managed to build a portfolio of about Rs 10 Cr and I am very confident that we would be able to scale this up in the forthcoming years as we introduce the housing loan product across all our branches in the coming months. With the loan products of the parent and the subsidiary complementing each other, Five Star stands well poised to take advantage of the potential available in the market towards catering to the credit needs of the small borrowers.

During the year, both ICRA and CARE upgraded their rating of your company to BBB+, their endorsement of the developments that have taken place at Five Star. I am also confident that the strides made by your company would bring in more upgrades in the months to come.

Not with standing demonetization and the credit quality issues faced by banks, we managed to attract many new banks and other lenders who took significant exposures in Five Star. State Bank of India, Karur Vysya bank, Nabkisan Finance Limited (subsidiary of NABARD), AU Finance (currently a Small Finance Bank), AK Capital, SBM Bank (Mauritius) lent to the company for the first time along with existing lenders across banks and NBFCs increasing their exposures. We also issued a

number of Non-Convertible Debentures on a private placement basis and it is heartening to note that we managed to attract a number of investors from different segments of the industry to subscribe to these issuances. My thanks to all the lenders and I look forward to your continued support to take credit to the unbanked / underbanked.

I would be failing in my duty if I don't highlight 3 important developments that have taken place in the company during the last few months (after the close of FY 2017).

1. Implementation of a new ERP solution – Five Star has implemented a new ERP solution – Finn One Neo – product of Nucleus Software Exports Limited, which is a lending solution being used a number of banks and larger NBFCs. This is a state of the art lending solution which will bring in a lot of benefits right from reducing our turnaround time to providing us with significant Management Information, which will facilitate better and quicker decisions. This has come in at a significant cost however we are very clear on leveraging the benefits of technology towards business and operating efficiencies in the years to come.

2. Appointment of a new Internal Auditor for the company – Five-Star has appointed Sundaram & Srinivasan, (S&S), Chartered Accountants, a well reputed audit firm, for carrying out its Internal Audit function from FY 2018. We are well aware of the fact that a strong Internal Audit function is of paramount importance to bring in the necessary checks and balances to the processes and also address and fix any deficiencies at the earliest possible time. We are confident that the experience of S&S would complement the strengths of Five Star and would eventually result in a best in class process for the company.

3. Fresh round of equity infusion – I am also very happy to share the news that the company has raised a significant amount of equity capital from two marquee investors, Norwest Venture Partners and Sequoia Capital, who have been significant players in the field of financial services over the past many years. We are happy to have them on board and look to leverage on their learnings and experience in the sector.

Every stakeholder of the company, be it the directors or the employees, investors or the lenders have played their part in bringing the company to where it is today. My sincere thanks and appreciation for all their efforts and contribution. Five Star is committed to make a positive difference to the lives of its customers by making access to formal credit a reality. It is my pleasure and privilege to have been given the opportunity to lead your company at such exciting times and I assure you that we will continue our unwavering focus towards the realization of our objectives.

Best Wishes

D Lakshmipathy
Chairman & Managing Director



BOARD OF DIRECTORS

Board of Directors



Standing Left to Right: Niren Shah, G V Ravishankar, D Lakshmipathy, Arjun Saigal, Vasan Thirulokchand
Sitting Left to Right: Kalpana Iyer, B Haribabu, A Ramanathan, R Anand, Bhama Krishnamurthy

Mr D Lakshmipathy – Chairman & Managing Director

He is an Engineering graduate from Madras University and hails from a business family. Before joining Five-Star he was the Executive Director at RKV Finance Limited, which was subsequently amalgamated with Five-Star. In 2002 he joined the Board of Five-Star as Executive Director and his wide exposure in lending to Small Business Customers helped him to develop similar advance portfolio at Five-Star with great success. He is responsible for the wider presence of the company in a short span of 7 years from 6 branches in the year 2009 to 110 currently, helped grow the portfolio to over 500 cr and has helped the company make its presence in Tamil Nadu, Andhra Pradesh, Telangana and Karnataka.

Mr A Ramanathan – Independent Director

He is a retired Chief General Manager from NABARD. His expertise lies in Institutional Development, Organisational Development, Organisational Behaviour, Small Business Development, Training need assessment, Training techniques etc. He has more than 35 years of rich experience in the banking industry.

Ms Kalpana Iyer – Independent Director

She is a Chartered Accountant and a veteran banker with over 21 years of work experience at Citibank across various functions like business, credit, operations. Presently she is a management consultant based in Mumbai.

Ms Bhama Krishnamurthy – Independent Director

She was Country Head and Chief General Manager of SIDBI. She has closely dealt with Multilateral and Bilateral Agencies in close co-ordination with the Government of India. Her areas of specialisation include, inter-alia, handling of Human Resources Development Division covering recruitment, training and promotion aspects. She was also associated with drafting of CSR Policy guidelines for the Bank.

Mr R Anand – Independent Director

He is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP covering Tax and Regulatory aspects of various industries like Financial Services, Real Estate, Auto and Auto components, Media and Entertainment. His specializations include NBFC Regulations, Corporate Tax and Foreign Investment and Exchange control regulation and Corporate restructuring. He has also been appointed as a Non-official Independent Director in MMTC Limited.

Mr Haribabu – Independent Director

He hails from a business family and continues the family business of brick manufacturing. He is also the Founder Trustee of Sri Venkateswara College of Technology, Vadakal Village, Mathur Post, Tamil Nadu. He has been associated with the Company for the last 20 years.

Mr L R Raviprasad – Non-Executive Director

He hails from a business family and continues the family business of brick manufacturing. He has been associated with the Company for the last 15 years.

Mr Vasan Thirulokchand – Non-Executive Director

He is a Hotel Management Graduate with over 17 years of experience in the Hospitality business. His areas of expertise include Team Management, Customer satisfaction and Process Optimisation.

Mr Vikram Vaidyanathan – Investor Director, Matrix Partners

He is a Managing Director at Matrix Partners. He is an MBA graduate from IIM Bangalore, and interned at Procter & Gamble Singapore. He joined McKinsey & Co., after his MBA and worked across a variety of sectors including mobile media, TV, retail, engineering construction and manufacturing.

Mr Ling Wei Ong – Investor Director, NHPEA Chocolate Holding B.V.

He is an Executive Director of Morgan Stanley. He joined Morgan Stanley in 2005 and monitors the group's investments including structuring and valuation, finance and compliance. Prior to joining Morgan Stanley, Ling was with Deloitte & Touche in Singapore for over seven years.

Mr Arjun Saigal – Alternate Director to Mr Ling Wei Ong

He is an Executive Director of Morgan Stanley. He joined Morgan Stanley in 2012 and focuses on the group's private equity transactions in India. Prior to joining Morgan Stanley, Arjun was with Baring Private Equity Partners India. He is a graduate of the London School of Economics and received his MBA from Columbia Business School.

Mr G V Ravishankar – Investor Director, Sequoia Capital

He is the Managing Director of Sequoia Capital India. Prior to joining Sequoia, GV has worked at McKinsey in the capacity of an advisor to management teams of top Indian companies. He had also worked at Wipro prior to McKinsey, where helped several venture-backed networking start-up clients on a wide variety of issues. GV has a Masters in Business Administration from Indian Institute of Management, Ahmedabad where he was awarded the President's Gold Medal. He also holds a BE in Computer Science and Engineering from REC Trichy.

Mr Niren Shah – Board Observer, Norwest Venture Partners

He is a professional with over 20 years of entrepreneurial, finance, operational and investment banking experience from leading consumer oriented companies and global financial institutions. He has advised Norwest's investments in Cholamandalam Finance, Shriram City and many other banks and other institutions. He had served as the senior Director of Strategy and Ventures at eBay Inc., KPMG, Bombay Stock Exchange prior to moving with Norwest. Niren is a rank holder Chartered Accountant and a Gold medallist Masters in Commerce from University of Mumbai.



KEY DEVELOPMENTS

Equity Raise



Morgan Stanley



SEQUOIA 

Five Star has been the beneficiary of capital funds from Matrix Partners and NHPEA Chocolate Holding B.V., a fund managed by Morgan Stanley Private Equity Asia during the last few financial years.

The current financial year in vogue, FY 2018, has ensured that the company continues its trend of raising significant quantum of funds from very reputed investors. During the month of August 2017, Five Star has raised a total of INR 333 Crores from 4 investors – 2 existing and 2 new investors. This is a significant event not only from the quantum of capital received but also for the impressive pedigree of investors that the company has been able to attract.

In addition to Matrix and Morgan Stanley, the company has on-boarded 2 new investors – Norwest Venture Partners and Sequoia Capital, 2 of the very large private equity investors with investments across the globe. Both these investors bring in significant level of experience and expertise in the field of financial services and would be able to add tremendous knowledge and inputs to the company.

As part of the current transaction which includes INR 318 crores of Primary Infusion and INR 15 Crores of Secondary sale of shares, Norwest Venture Partners and Sequoia Capital have invested INR 135 crores each. The existing investors, including a fund managed by Morgan Stanley Private Equity Asia invested INR 61 crores and Matrix Partners infused the balance funds.

D Lakshmiopathy, Chairman and Managing Director of the Company remarked, “Five Star plays a very niche role in today’s markets by serving the large multitudes of small enterprises which are typically not catered to by most formal financial services players. Over the years, we have developed an expertise in assessing their cash flows and in underwriting their credit, while keeping the asset quality intact. It’s a great pleasure to invite two marquee investors – Norwest and Sequoia as our partners for growth. They, along with our existing investors – Morgan Stanley and Matrix Partners coupled with our 15+ Bank relationships, add tremendous strength to our balance sheet and growth plans, as we aim to emerge as a leading player in the small business and small housing loans segment”.

Niren Shah, Managing Director of NVP India said, “Norwest is delighted to partner with Five Star towards accelerating its strong growth momentum in lending to small enterprises in India. Given our significant experience in investing in the Indian financials space, we continually track companies which are demonstrating a proven track record and are highly differentiated. Five Star immediately stood out because of its exceptional leadership team as well its unique platform, focus and credit culture towards lending to small enterprises. Five star is well positioned to leverage their team’s deep expertise, platform, data and branch distribution to drive the next level of strategic growth “.

G V Ravishankar, Managing Director of Sequoia Capital, India remarked “Sequoia Capital has been an active investor in financial services across multiple consumer lending categories including MFI, affordable housing and gold lending. We are delighted to partner with Five Star which has built a strong foundation and an excellent core team to address the large market opportunity in MSME lending”.

Arjun Saigal, Co-Head Morgan Stanley Private Equity Asia in India said, “The fund managed by us had invested in Five Star last year. The way Five Star has successfully navigated challenging events such as demonetization demonstrates the strength of its business model. Our continued investment in Five Star reflects our confidence in its unique business model and growth prospects.”

Vikram Vaidyanathan, Managing Director at Matrix Partners said, “As his first investors, we’ve been privileged to partner with Mr D Lakshmipathy on his journey of building a long standing financial institution. Their single focus on the small borrower sets them apart and they’ve strived continuously to set the standard for growth, profitability and governance in this space. We welcome Norwest and Sequoia to the partnership”

The current round of capital raise will help scale up the business both at the parent and the subsidiary. The capital raise provides Five Star with a huge scope to leverage, bring the cost of funds down through enhanced ratings which will also help in providing funds at lower cost to the borrowers, and ultimately provide enhanced value addition to all its stakeholders.

New Corporate Office

Five Star moved into a new Corporate Office, a state of the art premises, in the month of April 2017. The new office was inaugurated by Shri Viji Santhanam, Chairman, Sundaram Finance Limited and Shri T T Srinivasaraghavan, Managing Director, Sundaram Finance Limited, consented to be the Guest of Honour

Front Office View



Main Office View





Shri Viji Santhanam inaugurating the new office.

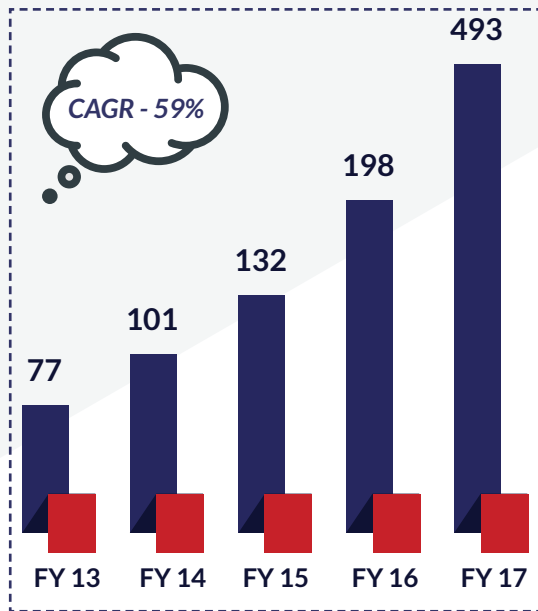


Left to Right: Shri Viji Santhanam, Shri V K Ranganathan, Shri T T Srinivasaraghavan, Shri D Lakshmiathy

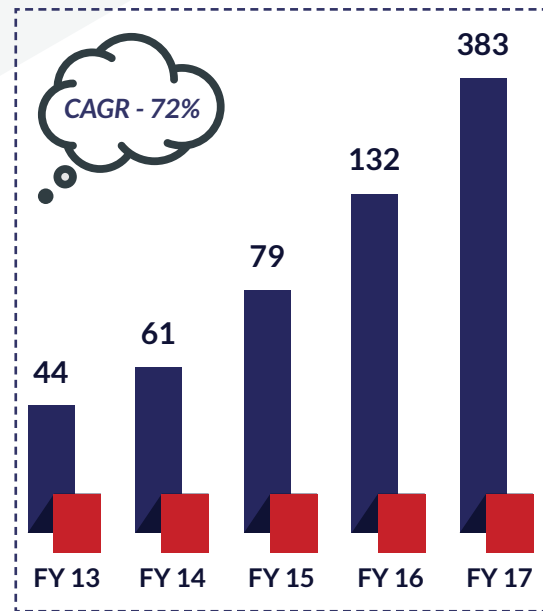
Business Highlights

₹ in Crores

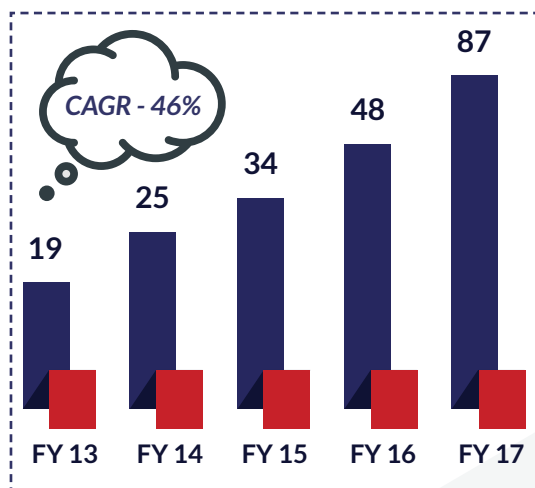
Consolidated AUM



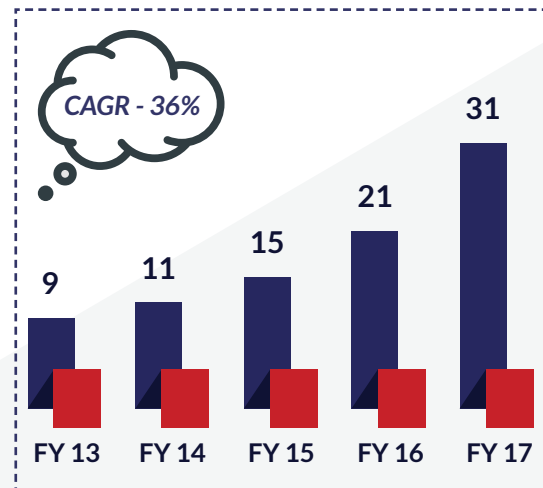
Loan Disbursements



Revenues



Profit before Tax (PBT)





DIRECTORS REPORT

Directors Report

Your directors have pleasure in presenting the 33rd Annual report together with the audited accounts of the company for the financial year ended March 31, 2017.

1. Financial Results

1.1. Standalone Financial Highlights

For the Financial Year ended (₹ in Lakhs)

Particulars	31.03.2017	31.03.2016
Operating Income	8,307	4,628
Other Income	283	103
Less: Expenditure including depreciation	5,512	2,699
Profit before Tax	3,078	2,032
Provision for Tax	1,141	690
Profit after Tax	1,937	1,341

1.2. Consolidated Financial Highlights

For the Financial Year ended (₹ in Lakhs)

Particulars	31.03.2017	31.03.2016
Revenue from Operations	8,368	4,628
Other Income	346	152
Total Revenue	8,714	4,780
Total Expenses	5,599	2,703
Profit before Tax	3,115	2,077
Less: Tax Expenses	1,153	705
Profit after Tax	1,962	1,372

2. State of Company's Affairs and Future Outlook

As you are aware, your company continued its financing business by continuing to concentrate on Small Business Loans and Small Housing Loans which have helped to maintain and improve the financial health and growth of the company.

During the financial year, your company disbursed Rs 383 Crores towards providing Small Business Loans and Small Housing Loans as against Rs. 132

Crores during the FY ended 2015-16.

Prospects

The credit business has large potential in India, particularly from self employed persons, who are the primary customers of your company. Bulk of your company's customers belongs to this group. Your directors are confident that with the knowledge/experience gained so far in this segment and with the anticipated additional capital and further funds

from institutions, your company will continue to pursue good and profitable growth in the years to come.

Your Company has already expanded its operations to multiple states and would continue to strive to reach out its operations to more and more under-served customers and help them access credit on reasonable terms by opening more number of branches in the semi urban and fast growing rural areas.

RBI Guidelines / Prudential Norms

Your Company is registered with RBI as a category “B” – Company not accepting deposits from Public. Your Company has complied with all applicable regulations of the Reserve Bank of India. Further, your Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the financial year.

Credit Rating

As of March 31, 2017, your company’s bank borrowings enjoys the following ratings from CRISIL, CARE and ICRA.

Rating Agency	Previous Rating	Current Rating
CRISIL	BBB-	BBB Positive
ICRA	-	BBB+ (Stable)
CARE	BBB	BBB+ ; Positive

3. Change in Nature of Business

There is no change in the nature of Business of your Company during the year under review.

4. Dividend

Your Directors have decided not to declare any dividend for the current year and the profit for the year will be deployed into the business.

5. Amounts Transferred to Reserves

The amounts transferred to statutory reserves and general reserves are Rs.38,800,000/- and Rs.19,400,000/- respectively.

6. Changes in Capital Funds

During the financial year 2016-17, your Company has made an allotment of:

- 3,565,052 equity shares of Rs 10/- each at a premium of Rs 309.63 per share aggregating to Rs 1,139,497,571/- (including premium) on private placement basis to M/s. NHPEA Chocolate Holding B.V.

The Company has also issued following Non-Convertible Debentures (NCD’s)

- 750 NCD’s of Rs 1,000,000/- each aggregating to Rs 750,000,000/- to M/s. IFMR Capital Finance Private Limited & M/s. Hinduja Leyland Finance Limited on private placement basis.

- 2,500 Series I NCD’s of Rs 100,000/- each aggregating to Rs. 250,000,000/- and 1,500 Series II NCD’s of Rs 100,000/- each aggregating to Rs 150,000,000/- to M/s. AK Capital Services Limited on private placement basis.

- 240 NCD’s of Rs 1,000,000/- each aggregating to Rs 24,00,00,000/- to M/s. IFMR Capital Finance Private Limited on private placement basis.

- 250 NCD’s of Rs 1,000,000/- each aggregating to Rs 250,000,000/- to M/s. IFMR Fimpact Long Term Credit Fund on private placement basis.

Subsequent to that, your Company’s capital funds stood at Rs 224.49 Crores (including premium) at the end of March 2017 with an additional infusion of Rs 113.95 Crores (including premium). The capital adequacy ratio as on March 31, 2017 stood at 43.79 % much higher than 15% regulatory minimum.

7. Disclosure regarding issue of Employee Stock Options

The ASOP scheme titled Five-Star Associate Stock Option Scheme 2015 (ASOP 2015) was reviewed for the financial year ended 2017. The details of these ASOP scheme are given in the Annexure A to this report.

8. Extract of Annual Return

As per Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in Form MGT 9, is enclosed and form part of this report as Annexure B.

9. Number of Board Meetings

During the financial year ended 31st March 2017, seven (7) Board Meetings were held on 12th April 2016, 24th May 2016, 28th July 2016, 4th November 2016, 30th November 2016, 8th February 2017 and 18th March 2017 respectively.

Particulars of the Directors' attendance to the Board Meetings are given below:

Name	Nature of Directorship	Attendance
Mr D Lakshmipathy	Chairman & Managing Director	7
Mr Ramanathan Annamalai	Independent Director	7
Ms Kalpana Iyer ¹	Independent Director	4
Ms Bhama Krishnamurthy ²	Independent Director	5
Mr R Anand ³	Independent Director	4
Mr B Haribabu	Independent Director	6
Mr M K Mohan ⁴	Independent Director	1
Mr L R Raviprasad	Non Executive Director	3
Mr Vasan Thirulokchand ⁷	Non Executive Director	2
Mr Vikram Vaidyanathan	Nominee Director	3
Mr Ling Wei Ong ⁵	Nominee Director	-
Mr Arjun Saigal ⁶	Alternate Director to Mr Ling Wei Ong	3

¹ Ms Kalpana Iyer, was appointed as Independent Director with effect from 12th April 2016.

² Ms Bhama Krishnamurthy, was appointed as Independent Director with effect from 12th April 2016.

³ Mr R Anand, was appointed as Independent Director with effect from 28th July 2016.

⁴ Mr M K Mohan, Independent Director, resigned with effect from 9th June 2016.

⁵ Mr Ling Wei Ong, was appointed as Nominee Director of M/s NHPEA Chocolate Holding B.V. with effect from 30th June 2016.

⁶ Mr Arjun Saigal, was appointed as Alternate Director to Mr Ling Wei Ong

⁷ Mr Vasan Thirulokchand was appointed as Non-Executive (Additional) Director, with effect from 15th December 2016.

10. Committees of the Board

Currently, the Board has Four (4) Committees: Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee and Business & Resource Committee.

i) Audit Committee:

The Audit Committee comprises of Ms Kalpana Iyer, Mr R Anand, Mr A Ramanathan and Ms Bhama Krishnamurthy. All the recommendations of the Committee have been adopted by the Board.

ii) Nomination & Remuneration Committee:

The Nomination & Remuneration Committee comprises of Mr A Ramanathan, Mr B Haribabu and Mr L R Raviprasad.

iii) Corporate Social Responsibility Committee:

The Corporate Social Responsibility Committee comprises of Mr D Lakshmiopathy, Ms Kalpana Iyer, Mr R Anand and Ms Bhama Krishnamurthy.

iv) Business & Resource Committee:

The Business & Resource Committee comprises of Mr D Lakshmiopathy, Mr A Ramanathan, Mr B Haribabu and Mr L R Raviprasad.

In addition to the above, the following internal committees have been formed to oversee the operations of the Company

i) Risk Management Committee:

The Risk Management Committee comprises of Mr D Lakshmiopathy, Mr G Srikanth, Mr K Rangarajan, Mr S M Seshathri, Mr K Arun Kumar and Ms Vennilla.

ii) Asset Liability Committee:

The Asset Liability Committee comprises of Mr D Lakshmiopathy, Mr G Srikanth, Mr K Rangarajan and Mr K Arunkumar.

11. Particulars of Loans, Guarantees or Investments under Section 186 of Companies Act, 2013

During the year under review, the Company had not granted any loans or guarantees covered under Section 186 of the Companies Act, 2013.

During the financial year ended 31st March 2016, your Company had promoted a wholly owned subsidiary, namely, M/s Five-Star Housing Finance Private Limited. Your Company has not made any investment in its Subsidiary during the financial year ended 31st March 2017.

<i>Date of Investment</i>	<i>Details of Investee</i>	<i>Amount (in ₹)</i>	<i>Purpose for which the proceeds from investment is proposed to be utilized by the recipient</i>	<i>Date of Board Resolution</i>	<i>Date of Special Resolution</i>	<i>Expected rate of return</i>
17 th October 2015	Five-Star Business Finance Limited	Rs 1,00,00,000/- Comprising 10,00,000 of equity shares of Rs 10 each.	Working capital requirements and general corporate purposes	21 st August 2015	NA	NA
17 th October 2015	Five-Star Business Finance Limited	Rs 14,00,00,000/- comprising of 1,40,00,000 equity shares of Rs 10 each	Working capital requirements and general corporate purposes	21 st August 2015	NA	NA

12. Particulars of Contracts or Arrangements with Related parties

During the financial year, the Company has entered into contracts or Arrangement with Related Parties as per Section 188 of the Companies Act, 2013 and the Rules framed thereunder are enclosed as Annexure – C.

The Company has also framed a Related Party Transaction Policy for the Company as per the Non-Banking Financial Company - Systematically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016. The same is enclosed as Annexure - D to this report.

13. Material Changes Affecting the Financial Position of the Company.

There are no material changes and commitments between 31st March 2017 and the date of this report having an adverse bearing on the financial position of the Company.

14. Conservation of Energy, Technological Absorption & Foreign Exchange Earnings/Outgo

(i) Conservation of Energy & Technological Absorption

Since your Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of Section 134 of the Companies Act, 2013 and the Rules framed thereunder is not applicable.

(ii) Foreign Exchange Earnings/Outgo

Your Company does not have any foreign currency earnings or expenditure during the financial year ended 31st March 2017.

15. Details of Subsidiary

Five-Star Housing Finance Private Limited is a wholly owned subsidiary of the Company incorporated on 28th September 2015. Also in accordance with the provisions of section 129 (3) of the Companies Act 2013, the Consolidated Financial Statements drawn

up in accordance with the applicable accounting standards forms part of the Annual Report. A separate statement containing the salient features of the financial statements of the subsidiary in form AOC 1 also forms part of the Annual Report.

16. Risk Management Policy

Successful mortgage lending calls for timely identification, careful assessment and effective management of the credit, operational, market (interest-rate and liquidity) and reputation risks. The Company has adopted efficient risk management policies, systems and processes that seek to strike an appropriate balance between risk and returns.

The Company has also introduced appropriate risk management measures, such as accessing the applicant's credit history with credit information bureaus, field investigation of the applicant's credentials, multiple verification layers, adoption of prudent loan/value ratio and analysis and adoption of a conservative debt-service capacity of the borrowers, thorough in-house scrutiny of legal documents, monitoring the end-use of approved loans and lending against approved properties.

Asset Liability Committee (ALCO) ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Company. Being dynamic, the risk management framework continues to evolve in line with the emerging risk perceptions. ALCO reviews the lending policy, interest rate policy and guides the team towards prudent lending practices. The Company has given high importance to prudent lending practices and has put in place suitable measures for risk mitigation.

17. Human Resource Development

The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in similar environment were studied to align our staff strength after duly factoring for the differences in

the business models of other entities. Accordingly, the staff strength at the regions and branches were streamlined, keeping in mind our acquisition process and market segment, adding people where required. This is expected to help your company to focus on right level of productivity and growth. Apart from imparting advanced training to all front line sales and marketing, credit and other staff which included the KYC & FPC training, employees were nominated to various training programs.

Your company has also benchmarked its compensation levels with the market, thus being in a position to attract and retain necessary talent, which is essential for growing the business in the years to come.

18. Details of Directors and Key Managerial Personnel

- Ms Kalpana Iyer and Ms Bhama Krishnamurthy were appointed as Independent Directors with effect from 12th April 2016.

- Mr Ling Wei Ong, was appointed as Nominee Director of M/s NHPEA Chocolate Holding B.V. with effect from 30th June 2016

- Mr R Anand was appointed as Independent Director with effect from 28th July 2016

- Mr. Vasan Thirulokchand, was appointed as Non-Executive (additional) director with effect from 15th December 2016, and holds office upto the date of the ensuing 33rd Annual General Meeting and being eligible has offered himself for reappointment.

- Mr M K Mohan, Independent Director resigned with effect from 9th June 2016.

- Mr. Vikram Vaidyanathan, Non-Executive Director, retires by rotation at the ensuing 33rd Annual General Meeting and being eligible has offered himself for re-appointment.

19. Details of Significant & Material Orders passed by the Regulators or courts or tribunal

During the financial year, there are no significant and material orders passed by the regulators or Courts or Tribunals impacting the going concern status and

your company's operations in future.

20. Details of Adequacy of Internal Financial Controls

The Company has a well-established and adequate internal financial control and risk management framework, with appropriate policies and procedures, to ensure the highest standards of integrity and transparency in its operations and a strong corporate governance structure, while maintaining excellence in services to all its stakeholders. Appropriate controls are in place to ensure: (a) the orderly and efficient conduct of business, including adherence to policies, (b) safeguarding of assets, (c) prevention and detection of frauds / errors, (d) accuracy and completeness of the accounting records and (e) timely preparation of reliable financial information.

This is further strengthened by the Internal Audit done concurrently by Internal Auditors of the Company. Besides, the Company has an Audit Committee, which regularly reviews and monitors systems, internal controls, risk management measures, accounting procedures, financial management and operations of the Company and the reports on findings and recommendations presented by the Internal Auditors. The Audit Committee, Independent Directors and the Board after review are satisfied with the internal financial controls systems put in place by the Company.

21. Deposits

Your Company has not accepted any deposits from public.

22. Declaration from Independent Directors

The Company has received declarations from all 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.

23. Auditors

Statutory Auditors

Pursuant to the provisions of Section 139 and 141 of the Companies Act, 2013, M/s Brahmayya &

Co, Chartered Accountants were appointed as the statutory auditors of the Company at the 32nd Annual General Meeting (AGM) of the shareholders held on September 16, 2016, to hold office from the conclusion of the 32nd AGM upto the conclusion of the 35th AGM to be held in the calendar year 2019 subject to the ratification of such appointment at every subsequent AGM.

They have expressed their willingness for their appointment to be ratified at the ensuing AGM and have given a certificate pursuant to Section 139 of the Companies Act, 2013, confirming that their appointment, if ratified, will be in accordance with the specified limits.

They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for re-appointment as Statutory Auditors of the Company

Internal Auditors

To carry out internal audit of all its operations, your Company has engaged M/s Sundaram & Srinivasan, Chartered Accountants, as its Internal Auditors. The internal audit covers the Registered office, Corporate Office and branches of the Company. The Audit Committee assures the internal audit functions, as well as the adequacy and effectiveness of the internal systems and controls.

Secretarial Auditor

Mr S Sandeep from M/s S Sandeep & Associates, Practicing Company Secretaries was appointed to conduct the secretarial audit of the Company for the financial year 2016-17, as required under Section 204 of the Companies Act, 2013 and rules made thereunder.

The secretarial audit report for the financial year ended 31st March 2017 forms part of Annual report as an Annexure E to Board's Report.

24. Corporate Social Responsibility Policy (CSR)

Pursuant to Section 135 of the Companies Act,

2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has adopted a Policy on CSR and the Policy has been placed in the website of the Company. A report on CSR is attached as Annexure F to this Report.

25. Formal Annual Evaluation

As per the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. A structured exercise was carried out based on the criteria for evaluation forming part of the Directors Appointment, Remuneration & Evaluation Policy, including framework for performance evaluation of Directors, Board & Committees, familiarisation Programme for Independent Directors Criteria for Evaluation and the inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its committee, attendance at meetings, Board culture, duties of directors and governance. The aforesaid policy is attached as Annexure G to this report.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its stakeholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors. The Directors have expressed their satisfaction with the evaluation process.

26. Whistle Blower Policy & Vigil Mechanism

Your Company has established a Vigil Mechanism & has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns to the Chairperson of the Audit Committee. The Whistle

Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company.

27. Corporate Governance Report

Report on Corporate Governance is enclosed and form part of this report as Annexure H.

28. Disclosures under Sexual Harassment of Women at Work place (Prevention, Prohibition & Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy named "Policy against Sexual Harassment" in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committees (ICC) has been set up to redress complaints received regarding sexual harassment.

Your Directors further state that during the year under review, no complaints have been received pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

29. Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report. Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report as Annexure I.

Chennai
23/05/2017

30. Directors' Responsibility Statement

To the best of their knowledge and belief, and according to the information and explanations obtained by them, your Directors confirm the following in terms of Section 134 of the Companies Act, 2013 and the Rules made there under:-

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) The directors 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 and of the profit of the company for that period;
- c) The directors 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 directors have prepared the annual accounts on a going concern basis;
- e) The directors have laid down internal financial controls, which are adequate and 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.

Acknowledgement

Your Directors wish to thank the customers, bankers, shareholders, service agencies and other stakeholders for their support. The directors also thank the employees for their contribution during the financial year under review.

For and on behalf of the Board of Directors

Mr D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Annexure - A

FIVE-STAR ASSOCIATE STOCK OPTION SCHEME, 2015

The decision to introduce FIVE-STAR Associate Stock Option Scheme, 2015 (hereinafter called “FIVE-STAR ASOP, 2015” or “The Scheme”) was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five-Star Associate Stock Option Scheme, 2015 as on 31st March 2017 are :-

1. Options Granted:	5,63,000
2. Options Vested:	NIL
3. Options Exercised:	NIL
4. Options Lapsed:	NIL
5. Variation of terms of options:	NIL
6. Money realized by exercise of options:	NIL
7. Employee wise details of options granted to :-	

(i) Key managerial personnel: Mr G Srikanth – Chief Financial Officer

(ii) Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year : Mr K Rangarajan - Chief Operating Officer

(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 K Rangarajan - Chief Operating Officer

**Annexure - B
Form No. MGT-9**

Extract of Annual Return as on the financial year ended on 31/03/2017

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

I. REGISTRATION AND OTHER DETAILS:

(i) CIN :	U65991TN1984PLC010844
(ii) Registration Date :	07/05/1984
(iii) Name of the Company:	FIVE-STAR BUSINESS FINANCE LIMITED
(iv) Category / Sub-Category of the Company:	Company Limited by Shares
(v) Address of the Registered Office and contact details:	39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai - 600 010, Tamil Nadu, India
(vi) Whether Listed Company	No
(vii) Name, Address and Contact details of Registrar and Transfer Agent, if any:	“NSDL Database Management Limited, 4th Floor, Trade World, ‘A’ Wing, Kamala Mills Compound, Lower Parel, Mumbai – 400013“

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:-

<i>Name and Description of main products / services</i>	<i>NIC Code of the Product/ service</i>	<i>% to total turnover of the company</i>
Small Business Loans, Home Loans & Mortgage Loans	64920	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

<i>Name and Address of the Company</i>	<i>CIN/ GLN</i>	<i>Holding/ Subsidiary/ Associate</i>	<i>% of Shares Held</i>	<i>Application Section</i>
Five-Star Housing Finance Private Limited	U74900TN2015PTC102366	Subsidiary	100	2(87)

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

i) Category-wise Share Holding:

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
(a) Individual/HUF	-	5,044,460	5,044,460	47.14	-	4,897,560	4,897,560	34.33	-12.81
(b) Central Govt	-	-	-	-	-	-	-	-	-
(c) State Govt (s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (1)	-	5,044,460	5,044,460	47.14	-	4,897,560	4,897,560	34.33	-12.81
(2) Foreign									
(a) NRI - Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (2)	-	-	-	-	-	-	-	-	-
Total (A)	-	5,044,460	5,044,460	47.14	-	4,897,560	4,897,560	34.33	-12.81
(B) Public Shareholding									
(1) Institutions									
(a) Mutual Funds	-	-	-	-	-	-	-	-	-
(b) Banks/FI	-	-	-	-	-	-	-	-	-
(c) Central Govt	-	-	-	-	-	-	-	-	-
(d) State Govt (s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies-	-	-	-	-	-	-	-	-	-
(g) FIs	-	-	-	-	-	-	-	-	-
(h) Foreign Venture Capital Funds									
(i) Others (Specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B) (1)	-	-	-	-	-	-	-	-	-

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	
(2) Non-Institutions									
(a) Bodies Corporate									
i. Indian	-	325,510	325,510	3.04	-	425,510	425,510	2.98	-0.06
ii. Overseas	-	3,940,240	3,940,240	36.82	-	7,705,292	7,705,292	54.02	17.19
(b) Individuals									
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	501,900	501,900	4.69	-	471,550	471,550	3.31	-1.39
ii. Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	887,890	887,890	8.30	-	765,140	765,140	5.36	-2.93
(c) Others (Specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B) (2)	-	5,655,540	5,655,540	52.86	-	9,367,492	9,367,492	65.67	12.81
Total (B)	-	5,655,540	5,655,540	52.86	-	9,367,492	9,367,492	65.67	12.81
(C) Shares held by Custodian for GDRs & ADRs									
	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	10,700,000	10,700,000	100	-	14,265,052	14,265,052	100	0.00

(ii) Shareholding of Promoters:

S. No.	Particulars	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the Year
		No. of Shares	% of Shares	% of Shares Pledged/encumbered	No. of Shares	% of Shares	% of Shares Pledged/encumbered	
1.	D Lakshmi pathy	2,518,730	23.54	-	2,595,830	18.20	-	-5.34
2.	L Hema	2,182,760	20.40	-	2,073,760	14.54	-	-5.86
3.	R Deenathayalan	163,200	1.53	-	163,200	1.14	-	-0.38
4.	D Varalakshmi	159,770	1.49	-	44,770	0.31	-	-1.18
5.	L Sritha	20,000	0.19	-	20,000	0.14	-	-0.05
		5,044,460	47.14	-	4,897,560	34.33	-	-12.81

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

<i>Particulars</i>	<i>Shareholding at the beginning of the year</i>		<i>Cumulative shareholding during the year</i>	
	<i>No. of Shares</i>	<i>% of total Shares</i>	<i>No. of Shares</i>	<i>% of total Shares</i>
D Lakshmipathy				
1. At the beginning of the year	2,518,730	17.66	-	-
2. Date wise increase/decrease				
04-08-2016 - Purchase	4,300	0.03	2,523,030	17.69
04-08-2016 - Purchase	3,400	0.02	2,526,430	17.71
04-08-2016 - Purchase	1,400	0.01	2,527,830	17.72
04-08-2016 - Purchase	4,300	0.03	2,532,130	17.75
31-08-2016 - Purchase	1,200	0.01	2,533,330	17.76
23-09-2016 - Purchase	55,750	0.39	2,589,080	18.15
23-09-2016 - Purchase	6,750	0.05	2,595,830	18.20
L Hema				
1. At the beginning of the year	2,182,760	15.30	-	-
2. Date wise increase/decrease				
15.03.2017 – Purchase	42,000	0.29	2,224,760	15.60
29.06.2017 – Sale	(140,000)	(0.98)	2,084,760	14.61
29.06.2017 – Sale	(11,000)	(0.08)	2,073,760	14.54
D Varalakshmi				
1. At the beginning of the year	159,770	15.30	-	-
2. Date wise increase/decrease				
30.09.2016 – Sale	(100,000)	(0.70)	59,770	0.42
29.03.2017 – Sale	(15,000)	(0.11)	44,770	0.31

(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
1.	Matrix Partners India Investment Holdings II, LLC	3,940,240	36.82	4,080,240	28.60
2.	NHPEA Chocolate Holding B.V.	-	-	3,565,052	24.99
3.	Atmaram Builders (P) Ltd.	325,510	3.04	425,510	2.98
4.	R Jayachandran	159,780	1.49	174,780	1.23
5.	L Janarathanan	66,460	0.62	66,460	0.47
6.	R Suguna	50,850	0.48	50,850	0.36
7.	V K Ranganathan	50,000	0.47	1,000	0.01
8.	V Magesh Raman	50,000	0.47	50,000	0.35
9.	J Bharathi	45,000	0.42	45,000	0.32
10.	J Sujatha	37,050	0.35	37,050	0.26
11.	N Ramkumar	22,500	0.21	22,500	0.16

(v) Shareholding of Directors and Key Managerial Personnel

Shareholding of each Directors & Key Managerial Personnel	Shareholding at the beginning of the years		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
Directors				
D Lakshmipathy	2,518,780	17.66	2,595,830	18.20
B Haribabu	165,200	1.16	100,000	0.70
L R Ravi Prasad	159,780	1.12	85,200	0.60

V. INDEBTEDNESS:**Indebtedness of the Company including interest outstanding / accrued but not due for payment ₹**

<i>Particulars</i>	<i>Secured Loans excluding deposits</i>	<i>Unsecured Loans</i>	<i>Deposits</i>	<i>Total Indebtedness</i>
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,263,331,230	24,230,000	-	1,287,561,230
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	17,563,432	565,047	-	18,128,479
Total (i + ii + iii)	1,280,894,662	24,795,047	-	1,305,689,709
Change in Indebtedness during the financial year				
Addition	3,705,000,000	7,004,000	-	3,712,004,000
Reduction	460,021,481	20,947,000	-	480,968,481
Net Change	3,244,978,519	(13,943,000)	-	3,231,035,519
Indebtedness at the end of the financial year				
i) Principal Amount	4,508,309,749	10,287,000	-	4,518,596,749
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	37,014,351	322,300	-	37,336,651
Total (i + ii + iii)	4,545,324,100	10,609,300	-	4,555,933,400

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

<i>S. No.</i>	<i>Particulars of Remuneration</i>	<i>Name of MD/WTD/Manager D Lakshmipathy, CMD</i>	<i>Total Amount</i>
1	Gross Salary		
	(a). Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9,621,600	9,621,600
	(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	7,700,000	7,700,000
5	Others, please specify	-	-
	Total (A)	17,321,600	17,321,600
	Ceiling as per the Act (5% of Net Profit)	-	17,708,675

B. Remuneration to other Directors

₹

S. No.	Particulars of Remuneration	Name of Directors				Total Amount
1.	Independent Directors	M K Mohan	B Haribabu	Kalpna Iyer	Bhama Krishnamurthy	
	Fee for attending board / committee Meetings	10,000	60,000	55,000	65,000	190,000
	Commission	-	150,000	150,000	150,000	450,000
	Others, please specify	-	-	-	-	-
	Total (1)	10,000	210,000	205,000	215,000	640,000
2.	Other Non-Executive Directors	A Ramanathan	L R Raviparasd	R Anand	Vasan Thirulokchand	
	Fee for attending board / committee Meetings	85,000	35,000	50,000	20,000	190,000
	Commission	150,000	150,000	150,000	150,000	600,000
	Others, please specify	-	-	-	-	-
	Total (2)	235,000	185,000	200,000	170,000	790,000
	Total (B)	-	-	-	-	1,430,000
	Total Managerial Remuneration (A) + (B)	-	-	-	-	18,751,600
	Overall Ceiling as per the Act (11% of Net Profit)		-	-	-	38,959,086

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

₹

S. No.	Particulars of Remuneration	G Srikanth, Chief Financial Officer	V Nikita Company Secretary#	Total Amount
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4,423,602	257,832	4,681,434
	(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	1,000,000	-	1,000,000
5.	Others, please specify	-	-	-
	Total	5,423,602	257,832	5,681,434

 # Resigned with effect from 23th May 2017

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

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

For and on behalf of the Board of Directors

Mr D Lakshmipathy

Chairman & Managing Director

DIN: 01723269

Chennai
23/05/2017

Annexure - C
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 transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis
 - a) Name of the related party and nature of relationship: D Lakshmipathy; Promoter & Managing Director
 - b) Nature of contracts/ arrangements/ transactions: Lease Rentals
 - c) Duration of the contracts/ arrangements/ transactions: 36 months
 - d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 1. To use the premises only as an office for carrying on the business of the Company and not to put it to any other use.
 2. To carry out the internal alterations, partitions and other alterations which may be required for using the premises as an office, at the expenses of the company.
 3. Not to sub-let the premises to any one.
 - e) Justification for entering into such contracts/ arrangements/ transactions: The premises is owned by the Chairman & Managing Director and it is suitable for smooth functioning of the Registered and Head Office of the Company.
 - f) Date of approval by the Board: 2nd August 2013
 - g) Amount paid as advance, if any: Rs. 4,00,000
 - h) Date on which the special resolution was passed in general meeting as required under the first proviso to section 188: Not applicable

2. Details of material contracts or arrangement or transactions at arm's length basis
 - a) Name of the related party and nature of relationship: Five-Star Housing Finance Private Limited, wholly-owned subsidiary company.
 - b) Nature of contracts/ arrangements/ transactions: Sharing of premises, resources, etc
 - c) Duration of the contracts/ arrangements/ transactions : Ongoing
 - d) Salient terms of the contracts or arrangements or transactions including the value, if any, : Sharing of premises, infrastructure, personnel and other resources.
 - e) Justification for entering into such contracts/ arrangements/ transactions : As per the related party transaction policy
 - f) Date of approval by the Board : 4th November 2016
 - g) Amount paid as advance, if any : NA
 - h) Date on which the special resolution was passed in general meeting as required under the first proviso to section 188: Not applicable

Chennai
23/05/2017

Mr D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Annexure - D

RELATED PARTY TRANSACTION POLICY / ARMS LENGTH POLICY

Five-Star Business Finance Limited (formerly known as Five Star Business Credits Limited) is a public limited company (Debt listed) and is registered as a Non-Banking Finance Company with the RBI. The Company is promoted by Mr. D Lakshmipathy, who also serves as its Chairman and Managing Director. The Company has set up a wholly owned subsidiary, Five-Star Housing Finance Private Limited, which has received the license from National Housing Bank to carry on housing finance operations. During the initial period, the parent shall allow the subsidiary to utilize the infrastructure of the parent before it sets up completely independent infrastructure. Being a parent coupled with such transactions brings the aspect of Related Party Transactions, which this policy seeks to address. The transactions that Five-Star Business Finance has with the promoter group (as the promoter is also the Managing Director) would also qualify to be reported as Related Party Transactions ("RPT").

This policy seeks to address 3 points.

1. Identification and disclosure of Related Party Transactions (RPT)
2. Lay down transfer pricing norms between the parent and the subsidiary
3. Sharing of premises between the parent and the subsidiary

WHO IS A RELATED PARTY

Companies Act, 2013 defines Related Parties as follows.

- A director or his relative
- KMP or his relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager is a member or director
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except if advice/ directions/ instructions are given in the professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except if advice/ directions/ instructions are given in the professional capacity
- Any company which is:
 - A holding, subsidiary or an associate company of such company, or
 - A subsidiary of a holding company to which it is also a subsidiary
- Such other persons as may be prescribed

For the purposes of sub-clause (9) a director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

As can be clearly seen from the above, any of the directors, who along with their relatives, hold more than 2% of the share capital and holding or subsidiary companies fall into the category of Related Parties and hence such transactions will have to be disclosed in the books of accounts as RPT.

RELATED PARTY TRANSACTIONS

The following transactions would be disclosed as RPT:

1. Transactions between the company and its directors, who along with their relatives, hold more than 2% of the share capital of the company
2. Investment by the parent company into the subsidiary
3. Sharing of premises between the parent and subsidiary
4. Other transactions between the parent company and subsidiary company

In the list above, the transactions between the company and its directors, investment by the parent company into the subsidiary need no further elucidation. However, it is essential to define the other transactions that could be entered into between the parent and the subsidiary.

OTHER TRANSACTIONS

As the subsidiary seeks to utilize the infrastructure of the parent in the initial years, it becomes necessary for the parent to transfer costs appropriately to ensure that such transactions are done on an arm's length basis.

All the costs that are incurred by the subsidiary directly would be booked in the books of the subsidiary. However, the costs incurred by the parent where a portion of the benefits flow to the subsidiary would need to be shared between the 2 entities. Such costs are detailed below.

a. Personnel costs of supervisory layers at the branches– The subsidiary would have dedicated field officers who would be managing the business and collections. However, the supervisory layers like the Branch Managers, Area Managers, Regional Managers, State Heads, Cashiers, etc would not be hired in the initial years. Such personnel who are part of the holding company rolls would be used to provide supervision to the subsidiary as well. Hence their costs would have to be proportionately passed on to the subsidiary.

b. Head Office personnel costs – There would also be personnel costs of the common functions done out of the Head Office like Operations, Finance & Accounts, HR, Technology, etc along with the costs of the senior management personnel like the MD, COO, CFO which will be proportionately passed on to the subsidiary.

c. Operational expenses for shared infrastructure – In the initial years, the subsidiary would also share the infrastructure of the parent. Hence operational expenses pertaining to such infrastructure viz. rent, electricity, repairs & maintenance, communication expenses, software expenses, etc would be shared between the parent and the subsidiary.

The ratio for allocation of costs shall be based on the projected AUM between the 2 entities. This ratio shall be recalculated at the beginning of every financial year/ at the time of commencement of HFC operations and presented to the Audit Committee and Board for their approval so that the sharing ratio can be finalized. Changes to the sharing ratio during the year shall not be permitted without the approval of the Audit Committee and Board.

The Related Party Transactions shall be reviewed by the Audit Committee and presented to Board for their approval on quarterly basis.

Annexure - E
Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March 2017

[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,
FIVE-STAR BUSINESS FINANCE LIMITED
(formerly known as Five Star Business Credits Limited)
39, Outer Circular Road,
Kilpauk Garden Colony,
Chennai – 600010, Tamil Nadu.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices of M/s. FIVE-STAR BUSINESS FINANCE LIMITED (formerly known as Five Star Business Credits Limited) - CIN: U65991TN1984PLC010844 (hereinafter called “the Company”).

The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2017, has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The provisions of Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder as applicable to the Company;
- (iii) The provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder as applicable to the Company.
- (iv) The provisions of the Foreign Exchange Management Act, 1999 and the rules and regulations made

thereunder as applicable to the extent of Foreign Direct Investment. The Company does not have any External Commercial Borrowings or other credit facilities or Overseas Direct Investment.

(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 (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(d) 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.

(vi) The Company has materially complied with the following and other laws applicable specifically to the Non Banking Financial Company identified by the Company including:

(a) Reserve Bank of India Act, 1934, and the guidelines carried thereunder;

(b) The Prevention of Money Laundering Act, 2002

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

The Company has entered into a listing agreement with Bombay Stock Exchange in India on December, 2015, pursuant to the issuance of Non Convertible Debentures on private placement basis.

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

We further report that, during the audit period there were no actions / events in pursuance of:

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014;

d) The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009

e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive, 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 the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as per the applicable provisions of the Act, 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.

We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable general laws.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were taken unanimously 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 issued & allotted

a) 35,65,052 Equity shares of Rs. 10 each at a premium of Rs. 309.63 per share to M/s NHPEA Chocolate Holding B.V., on Private Placement basis.

b) 750 Non-Convertible Debentures of Rs 10,00,000/- (Rupees Ten Lakhs Only) each aggregating to Rs 75,00,00,000/- (Rupees Seventy Five Crores Only) on private placement basis to M/s. IFMR Capital Finance Private Limited & M/s. Hinduja Leyland Finance Limited and subsequently the same were listed in the Bombay Stock Exchange.

c) 2500 Non-Convertible Debentures Series I of Rs 1,00,000/- (Rupees One Lakh Only) each aggregating to Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) and 1500 Non-Convertible Debentures Series II of Rs 1,00,000/- (Rupees One Lakh Only) each aggregating to Rs 15,00,00,000/- (Rupees Fifteen Crores Only) to M/s. AK Capital Services Limited on private placement basis and subsequently the same were listed in the Bombay Stock Exchange.

d) 240 Non-Convertible Debentures of Rs 10,00,000/- (Rupees Ten Lakh Only) each aggregating to Rs 24,00,00,000/- (Rupees Twenty Four Crores Only) to M/s. IFMR Capital Finance Private Limited on private placement basis and subsequently the same were listed in the Bombay Stock Exchange.

e) 250 Non-Convertible Debentures of at Rs. 10,00,000 /- (Rupees Ten Lakh Only) each aggregating to Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) to M/s IFMR Fimpact Long Term Credit Fund on private placement basis and subsequently the same were listed in the Bombay Stock Exchange.

We further report that, there were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the Company's affairs.

Chennai
23/05/2017

For S Sandeep & Associates
S Sandeep
Managing Partner
FCS No. 5853

Annexure - F
CORPORATE SOCIAL RESPONSIBILITY POLICY

1. 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.

Five-Star is a growing company and is committed towards social welfare of the common people as it caters the housing needs of self employed, informal segment of customers, belonging to middle income, primarily from semi urban and rural markets. The Company shall seek to positively impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their wellbeing.

Your company would be undertaking the CSR activities as listed in Schedule VII and Section 135 of the Companies Act, 2013 and the Rules framed thereunder.

The Company's CSR policy has been uploaded in the website of the Company and the web link to CSR policy is <http://www.fivestargroup.in/policies.php>

2. Composition of the CSR Committee

1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr R Anand, Independent Director
3. Ms Kalpana Iyer, Independent Director
4. Ms Bhama Krishnamurthy, Independent Director

The Committee met once during the year on 18th March 2017.

3. Average net profit of the Company for the last three financial years

Average net profit: Rs 1,020 lakhs

4. Prescribed CSR expenditure (2% of the average net profit of the last three financial years)

The Company during the financial year 2016-17 is required to spend Rs. 20.40 lakhs towards CSR.

5. Details of CSR spent during the financial year:

- a) Total amount spent for the financial year; Rs. 5 lakhs
- b) Amount unspent, if any; Rs. 15.41 lakhs
- c) Manner in which the amount spent during the financial year is detailed below:

CSR Project or activity identified	Sector in which the project is covered	Project programs (1) Local area or other (2) Specify the state and district where the projects or programs were undertaken	Amount outlay (budget) project or program wise	Cumulative expenditure upto the reporting period	Amount spent directly or through implementing agency
Setting up old age homes, day care centres and such other facilities for senior citizens	Old Age Homes	Tamil Nadu, Tiruvallur	Rs. 5 lakhs	Rs. 5 lakhs	Directly

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 thereof, the company shall provide the reasons for not spending the amount in its Board's report.

There was a shortfall in incurring of the CSR expenditure during the year 2016-17 as the management is in the process of identifying suitable projects and programme which would complement the businesses of the Company.

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 CSR committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and Policy of the company.

Chennai
23/05/2017

Mr D Lakshmipathy
Chairman & Managing Director

Chairman - CSR Committee

Annexure - G
Director's appointment and Remuneration policy

FIVE-STAR BUSINESS FINANCE LIMITED – DIRECTORS APPOINTMENT, REMUNERATION & EVALUATION POLICY

1. Purpose of this Policy:

Five-Star Business Finance Limited (“Five-Star” or the “Company”) has adopted this Policy on appointment, remuneration and evaluation of the Directors, Key Managerial Personnel and Senior Management (the “Policy”) as required by the provisions of Section 178 of the Companies Act, 2013 (the “Act”).

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To evaluate the performance of the members of the Board.
- b) To ensure remuneration to Directors, KMP 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.
- c) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Company should 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 and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

2. Definitions:

Independent Director means a director referred to in Section 149(6) of the Act, as amended from time to time.

Key Managerial Personnel (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.

Nomination and Remuneration Committee, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act.

Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

Senior Management means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Managing Director, including all functional heads.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or the Accounting Standards shall have the meanings assigned to them in these regulations.

3. Composition of the Nomination & Remuneration Committee:

The composition of the Committee to be in compliance with the Act, Rules made thereunder, as amended from time to time.

4. Role of the Committee:

- a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.
- b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships
- c) To assess the independence of Independent Non-Executive Directors
- d) To review the result of the performance evaluation process that relates to the composition of the Board.
- e) To make recommendation to the Board regarding the appointment and re-appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.
- f) To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.
- g) Annual appraisal of the performance of Managing Director and fixing his terms of remuneration
- h) Annual appraisal of the Senior Management Team reporting to the Managing Director
- i) Administration and superintendence in connection with the Scheme under the broad policy and framework laid down by the Company and/or by the Board of Directors.
- j) Formulate from time to time specific parameters relating to the Scheme, including,
 - (i) The quantum of Options to be granted under the Scheme to a particular Eligible employee or to a category or group of Eligible employees and in aggregate;
 - (ii) Determination of eligibility conditions and selection of Eligible employees to whom Options may from time to time be granted hereunder;
 - (iii) The Vesting Period and the Exercise Period within which the eligible employee should exercise the Options and that Options would lapse on failure to exercise the Options within the exercise period;

(iv) The conditions under which Options vested in Eligible employee may lapse in case of termination of employment for misconduct;

(v) The specified time period within which the Eligible employee shall exercise the vested Options in the event of termination or resignation of an Eligible employee;

(vi) The right of an Eligible employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period;

(vii) The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, etc;

(viii) Make rules by which all options including non-vested options vest immediately in case of sale, transfer or takeover of the company or amalgamation of the Company with any other company, etc. and provide for rules related to exercise period under such circumstances.

(ix) Make rules related to performance based vesting of such part of the options granted to eligible employees as the Committee may decide.

(x) To prescribe, amend and rescind rules and regulations relating to the Scheme;

(xi) To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;

k) Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

l) Formulation of 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

5. Appointment and removal of Director, KMP and Senior Management:

5.1 Appointment criteria and qualification:

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and recommend to the Board his / her appointment.

For the appointment of KMP (other than Managing Director) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment.

Further, for administrative convenience, the appointment of KMP (other than Managing Director) or Senior Management, the Managing Director is authorised to identify and appoint a suitable person for such position.

However, if the need be, the Managing Director may consult the Committee / Board for further directions / guidance.

5.2 Term:

The Term of the Directors including Managing Director / Independent Director shall be governed as per the provisions of the Companies Act, 2013 and Rules made thereunder, as amended from time to time. Whereas the term of the KMP (other than the Managing Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

5.3 Evaluation:

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify evaluation criteria which will evaluate Directors based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

5.4 Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

5.5 Policy Review:

Subject to the approval of the Board, the Nomination & Remuneration Committee reserves the right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company. The company may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

6. Remuneration of Managing Director, KMP and Senior Management:

The remuneration / compensation / commission, etc., as the case may be, to the Managing Director will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission, etc., as the case may be, shall be subject to the approval of the shareholders of the Company and Central Government, wherever required and shall be in accordance with the provisions of the Act and Rules made thereunder. Further, the Managing Director of the Company is authorised to decide the remuneration of KMP and Senior Management, and which shall be decided by the Managing Director based on the standard market practice and prevailing HR policies of the Company.

7. Remuneration to Non-executive / Independent Director:

The remuneration / commission / sitting fees, as the case may be, to the Non-Executive / Independent Director, shall be in accordance with the provisions of the Companies Act, 2013 and the Rules made thereunder for the time being in force and as may be decided by the Committee / Board / shareholders

Framework for performance evaluation of Directors, Board & committees

Board of Directors and Evaluation

<i>Source</i>	<i>Particulars</i>	<i>Board's Role in Evaluation</i>	<i>Remarks</i>
Companies Act – Section (134) (p)	Evaluation to be done by the entire Board	<p>Has to do formal annual evaluation of its own performance</p> <p>Has to do formal annual evaluation of its Committees</p> <p>Has to do formal annual evaluation of all the Individual directors</p> <p>Has to do performance evaluation of Independent Director's (excluding the director being evaluated)</p> <p>Please refer Annexure II, criterion for evaluation</p>	<p>Board overall evaluation</p> <p>Evaluation of Committees</p> <p>Evaluation of Individual directors</p> <p>The said evaluation will be the basis for continuation of the extension / the term of the Independent Director</p>
Companies Act – Section 134 (3) (p) read with Rule 8 of Companies (Accounts) Rules 2014	Disclosure	Board's Report	All the listed companies and public companies with paid-up share capital of Rs Twenty Five crore or more shall have to include such a statement in Board Report indicating the manner & criteria of formal Board evaluation.

Nomination & Remuneration Committee and Evaluation

Source	Particulars	Committee's Role in evaluation	Remarks
Companies Act – section 178 (2)	Nomination & Remuneration Committee (NRC)	Evaluate every director's performance	Evaluation of Directors include : a. Independent directors b. Non executive directors c. Executive directors and whole time directors d. Managing Directors e. Chairperson

Role and functions of Independent Directors in relation to evaluation:

Source	Particulars	Independent Directors' Role in evaluation	Remarks
Companies Act – Schedule IV – Code for ID (Part VII)	In the separate meeting of Independent Directors	<p>Review the performance of Non-Independent Directors</p> <p>Review the performance of the Board as a whole</p> <p>Review the performance of the Chairperson of the Company, taking into account the views of Executive Director's and Non Executive Director's</p> <p>Assess the: a. Quality b. Quantity and c. Timeliness</p> <p>Of flow of information between the Company management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.</p> <p>Please refer Annexure I for Familiarisation Programme for Independent Directors</p>	<p>Review of a. Non executive directors b. Managing Director, whole time directors and Executive directors</p> <p>Review the performance of the Board as a whole</p> <p>Review the performance of the chairperson</p> <p>Quality of information includes its relevance, completeness, and authenticity, how comprehensive, concise and clear such information is.</p> <p>As regards quantity, the independent director need to assess that the information is neither too less nor too much resulting in an information overload. Typically the information to the board members should carry an executive summary which is supplemented by detailed notes and where necessary back-up papers as annexure. Timeliness of information flow can be gauged from facts such as how soon are important events communicated between board meetings, timeliness of the agenda papers, etc</p>

Annexure I

Familiarisation Programme for Independent Directors

As required by the provisions of Schedule IV to the Act the Company is required to develop a Familiarisation Programme for the Independent Directors of the Company.

The Company will impart Familiarisation Programmes for new Independent Directors inducted on the Board of the Company.

The Familiarisation Programme of the Company will provide information relating to the Company, finance industry, business model of the Company, geographies in which Company operates, etc. The programme also intends to improve awareness of the Independent Directors on their roles, rights, responsibilities towards the Company. Further, the Familiarisation Programme should also provide information relating to the financial performance of the Company and budget and control process of the Company.

The Managing Director or such other authorised officer(s) of the Company shall lead the Familiarisation Programme on aspects relating to business / industry.

The Chief Financial Officer, CS or such other authorised officer(s) of the Company may participate in the programme for providing inputs on financial performance of the Company and budget, control process, etc.

Annexure II

CRITERIA FOR EVALUATION

Criteria for evaluation of the Board and non-independent directors :

1. Composition of the Board and availability of multi-disciplinary skills
2. Commitment to good Corporate Governance Practices
3. Adherence to Regulatory Compliance
4. Track record of financial Performance
5. Grievance redressal mechanism
6. Existence of integrated Risk Management System
7. Use of Modern technology
8. Commitment to CSR
9. Stakeholder focus
10. Knowledge sharing
11. Drive and commitment
12. Financial & Risk Awareness

Criteria for evaluation of Chairman & Managing Director:

1. Leadership qualities
2. Standard of Integrity
3. Understanding of Macroeconomic trends and Micro Industry trends.
4. Public Relations
5. Future Vision and Innovation

Criteria for evaluation of Independent Directors:

1. Qualifications & Experience
2. Standard of Integrity
3. Attendance in Board Meetings/AGM
4. Understanding of Company's business
5. Value addition in Board Meetings

Criteria for evaluation of the Committees:

1. Qualification & Experience of members
2. Depth of review of financial performance
3. Oversight of Audit & Inspection
4. Review of regulatory compliance
5. Fraud monitoring
6. Defined set of terms of reference
7. Consideration of the recommendations of the committees by the Board
8. Familiarity of the members with the policies, procedures and guidelines of the Committees
9. Receipt of agenda & supporting materials by the members
10. Attendance at committee meetings

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CORPORATE GOVERNANCE REPORT

Annexure - H

The fundamental objective of “Good Corporate Governance and Ethics” is to ensure the commitment of an organization in managing the company in a legal and transparent manner in order to maximize the long-term value of the company for all its stakeholders including shareholders, customers, employees and other partners.

Company Philosophy

Five-Star Business Finance Limited’s (Formerly known as Five Star Business Credits Limited) (Five-Star) philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders.

Your Company has adopted a set of internal guidelines on Corporate Governance in line with its policy.

Board of Directors

As on the date of this report, your Board of Directors currently consists of Eleven (11) members including the Chairman cum Managing Director, of these, five (5) are Independent Directors and two (2) Non-Executive Directors, two (2) are Nominee Directors.

Mr. D Lakshmipathy is the Executive Chairman and Managing Director of the Company.

During the financial year ended 31st March 2017, seven (7) Board Meetings were held on 12th April 2016, 24th May 2016, 28th July 2016, 4th November 2016, 30th November 2016, 8th February 2017 and 18th March 2017 respectively and not more than 120 days elapsed between any two meetings.

Particulars of the Directors’ attendance to the Board/ Committee Meetings and particulars of their other company directorships are given below:

Name	Name of Directorship	Attendance		Other Directorship
		Board	Committee	
D. Lakshmipathy	Chairman & Managing Director	7	28	1
Ramanathan Annamalai	Independent Director	7	27	10
Kalpana Iyer ¹	Independent Director	4	3	4
Bhama Krishnamurthy ²	Independent Director	5	4	8
R. Anand ³	Independent Director	4	3	4
B. Haribabu	Independent Director	6	27	1
M. K. Mohan ⁴	Independent Director	1	2	-
L. R. Raviprasad	Non Executive Director	3	27	1
Vasan Thirulokchand ⁷	Non Executive Director	2	-	-
Vikram Vaidyanathan	Nominee Director	3	-	10
Ling Wei Ong ⁵	Nominee Director of NHPEA Chocolate Holding B.V.	-	-	3
Arjun Saigal ⁶	Alternate Director to Ling Wei Ong	3	-	-

¹ Ms Kalpana Iyer, was appointed as Independent Director with effect from 12th April 2016.

² Ms Bhama Krishnamurthy, was appointed as Independent Director with effect from 12th April 2016.

³ Mr R Anand, was appointed as Independent Director with effect from 28th July 2016.

⁴ Mr M K Mohan, Independent Director, resigned with effect from 9th June 2016.

⁵ Mr Ling Wei Ong, was appointed as Nominee Director of M/s NHPEA Chocolate Holding B.V. with effect from 30th June 2016.

⁶ Mr Arjun Saigal, was appointed as Alternate Director to Mr Ling Wei Ong

⁷ Mr Vasan Thirulokchand was appointed as Non-Executive (Additional) Director, with effect from 15th December 2016.

Changes in Board of Directors

Ms Kalpana Iyer and Ms Bhama Krishnamurthy were appointed as Independent Directors with effect from 12th April 2016.

Mr Ling Wei Ong, was appointed as Nominee Director of M/s NHPEA Chocolate Holding B.V. with effect from 30th June 2016

Mr R Anand was appointed as Independent Director with effect from 28th July 2016

Mr. Vasan Thirulokchand, was appointed as Non-Executive (additional) director with effect from 15th December 2016, and holds office upto the date of the ensuing 33rd Annual General Meeting and being eligible has offered himself for reappointment.

Mr M K Mohan, Independent Director resigned with effect from 9th June 2016.

Mr. Vikram Vaidyanathan, Non-Executive Director, retires by rotation at the ensuing 33rd Annual General Meeting and being eligible has offered himself for re-appointment.

Independent Directors

Your Company has appointed Independent Directors as per the provisions of the Companies Act, 2013. None of the Independent Directors are Promoters or related to Promoters. They do not have pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

Every Independent Director, at the first meeting of the Board in which he/she participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he/she meets the criteria of independence as required under Section 149(7) of the Companies Act, 2013.

The Company had issued a formal letter of

appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company.

Your Company has adopted a Code of Conduct for the Independent Directors as required under Schedule IV of the Companies Act, 2013.

Code of Conduct

Your Company has adopted a Code of Conduct for members of the Board (incorporating Code for Independent Directors) and the Senior Management. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company.

Committees of the Board

1. Audit Committee

Composition and Meetings

As on the date of this report, the Audit Committee currently consists of the following members:

1. Ms Kalpana Iyer, Independent Director (Chairperson)
2. Mr A Ramanathan, Independent Director
3. Mr R. Anand, Independent Director
4. Ms Bhama Krishnamurthy, Independent Director

The Audit Committee of the Board met four (4) times during the year on 24th May 2016, 28th July 2016, 4th November 2016 and 8th February 2017 respectively.

Terms of reference:

1. Oversight of the Company's financial reporting process and the disclosure of its financial interest to ensure that the financial statements are correct, sufficient and credible.
2. The recommendation for appointment, remuneration and terms of appointment of statutory,

secretarial and internal auditors of the company.

3. Reviewing with the management the quarterly, half yearly and annual financial statements before submission to the Board, with particular reference to:

- Matters required to be included in Directors' Responsibility Statement which to be included in the Board's report to members.
- Changes, if any in accounting policies and practices and reasons for the same.
- Major Accounting entries involving estimates based on the exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with accounting and other legal requirements relating to financial statements.
- Disclosure of any Related Party Transactions.
- Qualifications in draft Auditors Report.

4. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

5. 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 and frequency of internal audit.

6. Discussion with internal auditors, any significant findings and follow up thereon.

7. 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.

8. Discussion with statutory auditors before the audit commences, about the nature & scope of audit as well as post audit discussion to ascertain any area of concern.

9. Review on quarterly basis the securitization/ bilateral assignment transactions and investment

activities of the Company.

10. Annual Review of Company's policies framed pursuant to RBI and other regulatory guidelines and suggest changes if any, required to the Board for adoption.

11. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

12. Examination of the financial statement and the auditors' report thereon;

13. Approval or any subsequent modification of transactions of the company with related parties;

14. Scrutiny of inter-corporate loans and investments;

15. Valuation of undertakings or assets of the company, wherever it is necessary;

16. Monitoring the end use of funds raised through public offers and related matters

The Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operation
2. Statement of significant related party transactions
3. Management letters/letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit report relating to internal control weaknesses

2. Nomination & Remuneration Committee

Composition and Meetings

As on the date of this report, the Nomination & Remuneration Committee currently consists of the following members:

1. Mr A Ramanathan, Independent Director
2. Mr Haribabu, Independent Director
3. Mr L R Raviprasad, Non-Executive Director

The Nomination & Remuneration Committee of the Board met Three (3) times during the year on 12th April 2016, 24th May 2016 and 28th July 2016.

Terms of Reference

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board atleast annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.

2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships.

3. Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

4. To assess the independence of Independent Non-Executive Directors.

5. Formulation of 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.

6. To review the result of the performance evaluation process that relates to the composition of the Board.

7. To make recommendation to the Board regarding the appointment and re-appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.

8. To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.

9. Annual appraisal of the performance of Managing

Director and fixing his terms of remuneration.

10. Annual appraisal of the Senior Management Team reporting to the Managing Director.

11. Administration and superintendence of ASOP scheme of the Company and/ or by the Board of Directors

3. Business & Resource Committee

Composition and Meetings

As on the date of this report, the Business & Resource Committee currently consists of the following members:

1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr A Ramanathan, Independent Director
3. Mr Haribabu, Independent Director
4. Mr L R Raviprasad, Non-Executive Director

The Business & Resource Committee of the Board met Twenty Five (25) times during the year on 5th April 2016, 13th May 2016, 30th May 2016, 7th June 2016, 9th June 2016, 8th August 2016, 14th October 2016, 4th November 2016, 23rd November 2016, 26th December 2016, 28th December 2016, 12th January 2017, 27th January 2017, 30th January 2017, 6th February 2017, 7th February 2017, 17th February 2017, 27th February 2017, 28th February 2017, 15th March 2017, 22nd March 2017, 24th March 2017, 28th March 2017, 29th March 2017 and 30th March 2017 respectively.

Terms of Reference

1. Borrowing such sum or sums of moneys, availing all kinds and types of loans and credit facilities including debentures and other debt instruments, commercial paper, temporary loans from the company's bankers, from time to time, upto such sum / limit as may be fixed by the Board of Directors / Shareholders, for and on behalf of the Company, from its directors, shareholders, banks, NBFCs, financial institutions, companies, firms, bodies corporate, Co-operative Banks, investment institutions and their subsidiaries,

or from any other person as may be permitted under applicable laws, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and/or properties, whether movable including stocks, fixed assets, book debts and to create security over the assets and / or properties of the Company in relation to such borrowings and loan/ credit facilities, modification or satisfaction of the charge/ security created on the assets and/or properties of the Company from time to time.

2. To mortgage / charge/ hypothecate all or any of the movable properties and assets of the Company both present and future and the whole or substantially the whole of the undertaking or the undertakings of the Company on such terms and conditions, as may be agreed to with the Lender(s), Debenture holders and providers of credit and debt facilities to secure the loans / borrowings / credit / debt facilities obtained or as may be obtained, or Debentures/Bonds and other instruments issued or to issued by the Company to or in favour of the financial institutions, Non-Banking Financial Companies, Co-operative Banks, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate or trustees for the holders of debentures/bonds and/or other instruments.

3. To establish current and other banking accounts with various banks upon such terms and conditions as may be agreed upon with the said bank and various other entities; to specify and change the authorized signatories and their transaction limits to the said banking accounts; to close current and other banking accounts.

4. To consider and approve securitization arrangements and to authorize carrying out of all actions connected therewith

5. Issuance of Share/Debenture and other security certificates

a. Issuance of fresh Share/Debenture and other security certificates

b. Issuance of duplicate Share/Debenture and other security certificates

c. Issuance of certificates upon request of the Company on split/consolidation/replacement of old and duplicate certificates, transfer or transmission requests.

d. To consider and approve requests for transfer or transmission of Securities.

6. To authorize affixing the common seal of the Company in accordance with the manner laid down in the Articles of Association and to authorize taking the Common Seal out of the registered office of the Company.

4. Asset Liability Committee

Composition and Meetings

As on the date of this report, the Asset Liability Committee currently consists of the following members:

1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr G Srikanth, Chief Financial Officer
3. Mr Rangarajan Krishnan, Chief Operating Officer
4. Mr K Arunkumar, Head-Accounts

Terms of Reference

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Credit and Portfolio Risk Management
5. Setting credit norms for various lending products of the company
6. Operational and Process Risk Management
7. Laying down guidelines on KYC norms
8. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.

5. Corporate Social Responsibility Committee

Composition and Meetings

Your Company has constituted a Corporate Social Responsibility Committee as per Section 135 of Companies Act, 2013 and the Rule made there under. As on the date of this report the Committee consists of following members:

1. Mr D Lakshmipathy, Chairman & Managing Director
2. Ms Kalpana Iyer, Independent Director
3. Ms Bhama Krishnamurthy, Independent Director
4. Mr R Anand, Independent Director

The Corporate Social Responsibility Committee of the Board met one (1) time during the year on 18th March 2017.

Terms of Reference

1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013 as may be amended or modified from time to time;
2. To recommend the amount of expenditure to be incurred on the activities referred above;
3. To monitor the Corporate Social Responsibility activities of the company from time to time.

Your Company has adopted a Corporate Social Responsibility Policy and forms part of the Director's Report as Annexure F.

Risk Management Committee

Composition and Meetings

As on the date of this report, the Risk Management Committee currently consists of the following members:

1. Mr D Lakshmipathy, Chairman & Managing Director
2. Mr G Srikanth, Chief Financial Officer
3. Mr K Rangarajan, Chief Operating Officer
4. Mr S M Seshathri, Head-Credit
5. Mr K Arun Kumar, Head-Accounts
6. Ms Vennilla, Head-Operations

The Risk Management Committee meets regularly to review the areas falling within its terms of reference as given below.

Terms of Reference

1. Laying down the review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.
2. Credit & Portfolio Risk Management.
3. Operational & Process Risk Management.
4. Laying down guidelines on KYC Norms.
5. Evaluation of risk management systems.

Remuneration of Directors

Sitting Fees

All directors except the CMD and Nominee Directors are paid a sitting fee of Rs.10,000/- for attending every meeting of the Board and Rs. 5,000 for attending every meeting of the Audit Committee.

The details of sitting fees paid to Directors during the financial year are as follows:

Name	Sitting Fees (₹)	
	Board	Committee
Mr Ramanathan Annamalai	70,000	15,000
Ms Kalpana Iyer	40,000	15,000
Ms Bhama Krishnamurthy	50,000	15,000
Mr R Anand	40,000	10,000
Mr M K Mohan	10,000	-
Mr B Haribabu	60,000	-
Mr L R Raviprasad	30,000	5,000
Mr Vasana Thirulokchand	20,000	-

Commission to Non-Executive Directors:

The Non-executive Directors (including Independent Directors) of the Company are paid remuneration by way of profit related Commission based on the criteria laid down by the Nomination and Remuneration Committee /Board. The same has been approved by the Board and the shareholders and is within the limits prescribed under the Companies Act, 2013.

The details of commission paid to Non-executive Directors during the financial year ended 31st March 2017 are as follows:

<i>Director</i>	<i>Commission (₹)</i>
Mr Ramanathan Annamalai	150,000
Ms Kalpana Iyer	150,000
Ms Bhama Krishnamurthy	150,000
Mr R Anand	150,000
Mr B Haribabu	150,000
Mr L R Raviprasad	150,000
Mr Vasanthirulokchand	150,000
Total	1,050,000

Remuneration to Chairman & Managing Director

The details of remuneration paid for the financial year ended 31st March 2017 are as follows:

<i>Particulars</i>	<i>Amount (₹ Lakhs)</i>
Salary	96.21
Commission	77.00
Total	173.21

CMD/CFO Certification

CMD/ CFO have given a certificate to the Board as per the format given in regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) 2015.

General Body Meetings

During the financial year ended 31st March 2017, one (1) Annual General Meeting was held on 16th September 2016 for the Financial Year ended 31st March 2016 and three (3) Extra Ordinary General Meetings were held on 12th April 2016, 28th June 2016 and 24th December 2016

All the proposed resolutions, including special resolutions, were passed by the shareholders as set out in the Notices.

General Shareholder Information

<i>Particulars</i>	<i>Details</i>
Financial Year	April 1, 2016 - March 31, 2017
33 rd Annual General Meeting Day, Date and Time	Thursday, 28 th September 2017, 10:30 AM
Venue	Old No: 4, New No: 27, Taylor's Road, Kilpauk, Chennai - 600 010
Registrar and Transfer Agents	NSDL Database Management Limited 4 th Floor, Trade World, 'A' Wing, Kamala Mills Compound, Lower Panel, Mumbai - 400013
Trustee	IDBI Trusteeship Services Limited Ground Floor, Asian Building, 17, R Kanmani Road, Ballard Estate, Fort, Mumbai, Maharashtra - 400 001 AXIS Trustee Services Limited 2nd Floor 'E', Axis House Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Mumbai, Maharashtra - 400 025
DEMAT ISIN Number in NSDL	INE128S01013 (Shares of the Company can be held in Electronic Form)

Shareholding Pattern as on 31st March, 2017

<i>Name of the Shareholder</i>	<i>No. of Shares</i>	<i>Percentage (%) of Share Holding</i>
Category		
(A) Promoters & His Relatives	4,897,560	34.33
(B) Directors & His Relatives		
B. Haribabu	100,000	0.70
L.R. Raviprasad	85,200	0.60
(C) Investor		
Matrix Partners India Investment Holdings II, LLC	4,080,240	28.60
NHPEA Chocolate Holdings B.V.	3,565,052	24.99
Matrix Partners India Investments II Extension, LLC	60,000	0.42
(D) Public	1,477,000	10.36
Total	142,650,052	100.00

For and on behalf of the Board of Directors
Mr D Lakshmipathy
 Chairman & Managing Director
 DIN: 01723269

Chennai
 23/05/2017

PARTICULARS OF EMPLOYEES

Annexure - I

A. Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Remuneration paid to Whole Time Director(s):

Name of the Director	Title	Remuneration in FY 2016-17	% increase of remuneration in FY 2016-17 as Compared to FY 2015-16	Ratio of remuneration to Median Remuneration of Employees	Ratio of remuneration to Revenues	Ratio of remuneration to Net Profit
D Lakshmipathy	CMD	9,621,600	60	44.53%	1.12%	4.97%

Ratio of remuneration to Net Profit

Name of the Director	Remuneration in FY 2016-17* (in ₹)	Remuneration in FY 2015-16* (in ₹)	% increase of remuneration (FY 2016-17 over FY 2015-16)
D Lakshmipathy	9,621,600	6,000,000	60

* The Independent Directors were paid sitting fees of Rs 10,000 per meeting for attending Board meeting, Rs 5,000 per meeting for attending Committee meeting and Rs 1.50 lakhs as commission for the year. No other remuneration was paid over and above the aforementioned amounts during FY 2016-17.

Remuneration paid to Key Managerial Personnel (KMP):

Name of the KMP	Title	Remuneration in FY 2016-17	Remuneration in FY 2015-16	% increase of remuneration in FY 2016-17 as Compared to FY 2015-16	Ratio of remuneration to Revenues	Ratio of remuneration to Net Profit
G Srikanth	CFO	Rs. 4,423,602	Rs. 1,877,872	20.00	0.51%	2.28%
V Nikita	Company Secretary	Rs. 257,832	Rs. 139,500	61.29	0.03%	0.13%

- The number of employees on the rolls of the Company as of 31st March, 2017 and 31st March, 2016 was 691 and 293 respectively.
- The median remuneration of employees was Rs.215,587 and Rs. 216,555 for FY 2016-17 and FY 2015-16 respectively.
- The operating revenue for FY 2016-17 stood at Rs 830,768,598 whereas for FY 2015-16 the same was Rs. 462,818,141. The net profit for the FY 2016-17 was Rs. 193,748,451 whereas for the FY 2015-16 the same was Rs. 134,148,780.
- The aggregate remuneration of employees for the FY 2016-17 was Rs. 182,035,243. The aggregate remuneration of whole time director and key managerial personnel was Rs. 14,303,034.
- The key parameters of remuneration availed by the directors are considered by the Board of Directors.
- It is hereby affirmed that the remuneration paid is as per the as per the Policy for Directors, Key Managerial Personnel and other Employees.

B. Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Remuneration paid to Employee(s) in excess of Rs. 60 Lakhs:

Name of the Employee	Title	Remuneration in FY 2016-17	Remuneration in FY 2015-16	% increase of remuneration in FY 2016-17 as Compared to FY 2015-16	Ratio of remuneration to Revenues	Ratio of remuneration to Net Profit
K Rangarajan	COO	Rs.6,021,600	Rs. 3,263,891	20.00	0.70%	3.11%

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MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis

Introduction

FY 2017 has been a milestone year for Five Star. The Company achieved about 150% growth in its portfolio and had reached within touching distance of INR 500 Crores AUM. In the context of the cautious stance taken by the company over the last 3 decades in growing its portfolio year on year, it is imperative to understand what changed in the last 12-18 months that made the embark on a rapid expansion. The business model was not changed, processes were not altered, but the increased pace was the result of the company's immense experience over the last 3 decades, clear understanding of its client profile, and confidence in its business and underwriting model, which had evolved over the last many years. All these ensured that the company achieved a rapid pace of growth albeit without any compromise on its process or underwriting controls or any lapse in portfolio quality.

Another aspect to be taken note of is on the macroeconomic front. The macroeconomic indicators clearly point to the fact that there is a significant amount of gap between credit demand and supply, especially to the unbanked and underbanked segments. While the credit offtake from banks and larger financial institutions generally slowed down on account of the significant portfolio quality issues faced by them, they were also not keen on lending to this segment, due to lack of expertise to evaluate borrower cash flows in the absence of formal income proofs and documents. Realizing the tremendous potential of this segment, Five Star worked towards servicing this opportunity, which resulted in a significant portfolio growth during the year.

India Ratings and Research (Ind-Ra) has also maintained a stable outlook on the NBFC sector and on the major NBFCs rated by it for FY 18. The sector is expected to continue expanding the assets classes and take higher market share at the cost of mid-sized banks. This is clearly an opportunity for the NBFCs,

especially those who are operating in a niche area with high entry barriers leading to minimal players being an active part of the industry.

From the perspective of Five Star, the decades of rich experience coupled with the benefit of learnings from the multiple economic cycles that the company had been part of, were the primary drivers towards this aggressive growth. The Company is in a position to leverage its experience, knowledge of the client profile, existing branch network to penetrate the market further and emerge as a strong player in the Small Business and Small Housing Loans space in the years to come.

Financial Year 2016-17

As has already been stated, Five Star did achieve some very significant milestones during the current financial year.

1. FY 2017 was the first time when the company more than doubled its portfolio over the previous year
2. This was also the first time that the company raised a large round of equity i.e. over INR 100 Crores and on-boarded a world renowned institution like Morgan Stanley.
3. Incorporation of a subsidiary and commencement of operations in the subsidiary. Five Star group is uniquely placed to cater to the business, housing and other needs of the borrowers.
4. Achieved considerable geographical diversification by ramping up its operations in Andhra Pradesh.

Some of the operational and financial highlights are given below.

1. AUM of INR 493 Cr vis-à-vis INR 198 Cr in FY 2016, a growth of ~ 1450%

2. PAT of INR 19.6 Cr vis-à-vis INR 13.6 Cr in FY 2016, a growth of ~ 44%

3. Growth in branch network from 64 in FY 2016 to 103 in FY 2017, a growth of ~ 61%

4. Increase in customer base from 7,560 to 15,806, an increase of 109%

5. Increase in employee count from 333 to 737, a growth of over 120%

6. Quantum of disbursements increased from INR 132 Cr to INR 383 Cr, a growth of about 190%.

The capital profile of Five Star is one of the best in the industry. The Capital Adequacy Ratio stood at 43.78% in FY 2017. The Company had received capital from couple of the largest private equity players across the globe. The first Private Equity (PE) player to invest in Five Star was Matrix Partners, a Private Equity fund with over Rs. 3000 Cr under management and consistently ranked in the top five venture firms (in terms of returns to its investors), which held a significant minority stake in the company. In the financial year under review, NHPEA Chocolate Holding B.V, a PE fund managed by Morgan Stanley, one of the largest private equity players across the globe also picked up a significant minority stake in the Company. Morgan Stanley is one of the largest players in the field of financial services across the globe and it is also worth mentioning that this is only their second investment in the field of financial services in India.

During the current financial year FY 2018, the company has also raised significant amount of capital amounting to INR 318 Crores from two large well renowned private equity players Norwest Venture Partners and Sequoia Capital (along with additional investment by the existing investors). Both these investors bring extensive experience and would be able to provide strategic insights for the benefit of the company.

During the financial year under discussion, the company also managed to get its credit rating upgraded to BBB+ (positive outlook) from CARE Ratings. Additionally ICRA also provided a BBB+ rating on the bank loan facilities of the company. The upgrade clearly reflects management experience and bandwidth, strong governance structure, well managed credit policy with stringent norms, healthy profitability levels, and comfortable capital adequacy levels supported by periodical equity infusion. The Company is confident of getting further upgrades on the back of a superlative performance in FY 2017 along with the capital infusion, which lends significant balance sheet depth.

During FY 2017, the wholly owned subsidiary of the company also commenced its operations after getting its HFC license from the National Housing Bank. Despite operating for a little more than 5 months and in only about 50% of the company's branches, the company managed to build a portfolio of over INR 10 Crores and is confident of deepening its presence further in the forthcoming financial year as it rolls out the product across all the branches with more intense focus.

On the funding front, FY 2017 was a milestone year. The largest bank in the country State Bank of India picked up a big exposure in the company. Other banks like SBM Bank (Mauritius), AU Small Finance Bank, and NBFCs like AK Capital, IFMR Capital, HLF and Mahindra Finance lent large sums of debt to the company. The company also issued considerable amount of Non-Convertible debentures which were well subscribed to. The lenders perceived the company to be of strong creditworthiness and picked up significant exposures. Amidst all uncertainties around the credit offtake, demonetization, etc the fact that lenders, both new and existing, reinforced their faith in Five Star is a significant achievement for the company during the current FY.

The following are some of the operational highlights:

Particulars	Mar '17	Mar '16	Mar '15	Mar '14	Mar '13	Mar '12
# States	4	3	3	1	1	1
# Districts	53	34	27	16	13	6
# Branches	103	64	39	28	20	10
# Borrowers	15,806	7,560	5,273	4,000	3,032	2,363
Disbursements (₹ Cr)	383	132	80	61	44	43
Total Portfolio (₹ Cr)	493	198	132	101	77	59

The Company outperformed across the various parameters and looks well poised for years of significant growth to come in the future.

Financial Highlights

The financial year 2015-16 showed marked improvement on the financial parameters as well and some of the key financial metrics are given below:

Particulars	Mar '17	Mar '16	Mar '15	Mar '14	Mar '13	Mar '12
Paid-up capital	14.30	10.70	10.20	9.00	7.00	7.00
Net Worth	225.00	91.47	71.25	47.72	24.97	20.41
Total Portfolio	493.60	198.13	131.52	100.80	77.28	58.88
Total Borrowings	454.90	128.63	87.70	64.68	56.64	36.84
Total Revenue	87.90	47.80	33.60	25.58	18.62	13.97
PAT	19.60	13.72	9.92	7.27	6.04	4.82
Total Assets	694.10	225.27	164.67	116.62	85.50	60.61

Operational Highlights

The Company was keen to exploit the market potential and also expand its reach within the existing and in the newer geographies. The Andhra operations, which were at a nascent stage till FY 2016, took off in real earnest during the current financial year. While the overall number of branches increased by ~61% (from 64 to 103), the number of branches in AP more than doubled during the current year from 18 to 38. The company also commenced operations in Telangana and added branches in Karnataka, which are going to be the focus areas in FY 2018.

Customer Engagement Initiatives

Customers are the most important part of any business; in fact, they are reason for the existence of any business. Customers determine the survival or extinction of any business. If their wants are satisfied, they tend to stick on with the company. On the other hand, dissatisfied customers not only move away from the company but their negative feedback also affects the behavior of other customers. So it is essential for every company to not only keep its customers satisfied but also keep them happy.

Another peculiar aspect of a customer behavior that every company needs to understand is that

customers lack foresight. Customers are unable to look far into the future in terms of their needs / wants. However the ironical fact is that they expect the businesses to do this for them. A business which is able to predict future customer wants and bring in products / services to cater to such needs would be looked at more favourably rather than a business which caters to just the current needs / wants of the customers. From this perspective, it becomes necessary for the businesses to keep reinventing themselves so that they are able to meet the current and the future demands of the customers.

At Five Star, we put the customers above everything else and are always cognizant of the current and future needs of our customers. In this regard, we also tend to keep looking at our processes, fine tune our products so that customers continue to get benefits. From a financial perspective, the company proactively reduces rates as and when there is a reduction in its cost of funds thereby making the loan more affordable to the borrower. The company also reaches out to its customers periodically to evaluate any additional credit requirements that they may have. Further the company also lends to multifarious needs of the customers rather than restrict its lending for business requirements. We are cognizant of the fact that customers need funds for different requirements, at different points of time. The company aims to be the single point of contact for the customer in terms of their credit requirements. This differentiates Five Star from the other NBFCs operating in this segment.

On the process front, the company makes the processes more customer friendly, keeps leveraging the benefits of technology, fine tunes its business model to ensure that the TAT is kept to the minimum and so on. We have also signed up for and implemented a robust ERP platform Finn One Neo, which is used by a number of larger NBFCs and banks for their lending products. In the future, the company would definitely look out for enhancing the technology by bringing in additional layers, which can cater to better MIS, superior customer experience, efficient and effective processes and quicker turnaround.

The introduction of Housing loans through the HFC subsidiary is a step taken by the company for the benefit of its customers. Hitherto, Five Star was doing housing loans to its customers. Since the business was done out of the NBFC, the customers neither got the long tenure benefit nor the pricing benefit because the company was also not getting the benefits of operating as a HFC. However, the introduction of a HFC has brought clear benefits to its customers in the form of lower pricing and longer tenures. The customers of Five Star tend to be fairly sticky to the organisation because of such customer centric actions taken by the company.

The number of customers grew from 7,560 to 16,000 during the financial year representing a growth of over 100%. This is clearly a positive fact, which reinforces the fact that the growth has happened not on account of increase in ticket sizes but on account of addition of customers, which is also a risk diversification factor.

Customers are our most important assets and the company takes utmost care to keep the interests of its customers in mind in all its dealings. This has also ensured that the company does a good portion of its business in the form of repeat loans, customer referrals, etc, which is a significantly low risk business compared to newer customers boarded.

Human Resources

While the customers are the reason for every business, employees ensure the sustenance of such businesses. Happy employees mean satisfied customers. It is only the employees who can work towards the satisfaction of customers. Conducive work conditions, challenging yet achievable goals, clear relationship between risk and reward are some of the touchstones of working at Five Star due to which the company has been able to maintain attrition at very low levels compared to industry peers.

As at the end of March 31, 2017, the number of employees stood at 737 across the 4 states, which is an increase of more than 120% over the previous

year. The company embarked on a strategy of increasing the officers at each of the branches, which has resulted in increased headcount but has also resulted in substantially increased productivity. Branch staffs are the people who drive the business and the company realized the need for having an optimal number of branch staff so that adequate focus can be given to both business and collections, thereby driving volumes without any compromise on portfolio quality.

The company continued recruiting more people at the management level since it is important to have adequate supervisory layers to manage the branch and other support staff. To this end, Head of Credit & Compliance for the HFC, Head of Business and Collections for TN, Head of Internal Audit, Head of Treasury, Head of HR who would be able to bring in their experience and expertise and ensure that the growth of the company remains sustainable and continuing. Each of these people come with years of experience in their respective functions and would also be able to bring in the necessary rigour to make the processes close to foolproof.

Five Star continuously benchmarks its compensation against industry standards to ensure that it does not fall behind the industry, which is one of the main reasons for the low attrition that the company enjoys. The incentive structure takes into the benefit of both the company and the employees. Superlative performers are rewarded amply, which motivates them to perform even better which leads to the company reaping the benefits of such performance. The company also introduces various schemes and contests to motivate the employees and to create a healthy competition amongst them. The intention of the company is to ensure that the employees and the company are also mutually benefitted.

One of the big challenges faced by any NBFC is on the career progression front. It becomes very difficult to provide career progression for the branch staff since there would be qualification constraints, location constraints, experience constraints, etc. In

order to address this, Five Star created additional layers for the branch staff, wherein well performing Branch Managers were promoted as Senior Branch Managers, whereby they were given the responsibility for managing a branch in addition to their primary branch. This also ensured that the constraints mentioned above did not come in the way of providing such promotions. This gave a lot of impetus to the employees and increased their motivation levels ultimately resulting in enhanced performance. Five Star also encourages job rotation, wherever feasible, so that employees are able to acquire a variety of skills and enhance their knowledge base.

Five Star also prides upon the very low attrition levels that persist within the company. A number of employees have been in the employ of Five Star for a very long time due to the employee friendly nature of the organization. The company continues to leverage on their knowledge and experience, which has been a cornerstone for its continued success.

Training

Hiring employees alone is not sufficient but it is essential to train them on the harder and softer aspects of the job so that the employees are able to perform to the best of their abilities. This is also important to set clear expectations from the employees and also get them aligned to the culture of the organization.

In this regard, every employee is trained at the Head Office prior to him / her taking on their responsibilities. They are acclimatized to the organizational culture, processes followed by various departments, expectations out of them, etc. Objectives are made clear to them so that they are in no ambiguity on the level of performance expected out of them.

Another aspect that the company gives a lot of importance is on the goal setting, which happens at periodic intervals. Goal setting is not done in isolation but is a collaborative process where the employees, their immediate supervisors, and the Management staff are involved. The goals are set

after due discussions and the employee owns the goal once it is set. This ensures that the employee is completely committed to the goals set and puts in his best to achieve realization of such goals. The goals are also revisited on a regular basis and this includes both upward and downward revisions depending on the environment. As an illustration, the goals of the employees were revised downward marginally during the period of demonetization so that the employees feel that the achievement of such goals are in their hands and are not significantly impacted by the persisting business environment.

Information Technology

Embracing state of the art technologies is very important to the success of any organization. Technology not only facilitates faster and more efficient processing but it also facilitates periodic information to the management for them to take timely and informed decisions.

For the last many years, Five Star had been using an in-house developed Management Information System, which has been addressing the transaction and MIS needs of the organization. The software had an inbuilt accounting module to manage the accounting and auditing requirements. While the system was supporting the business reasonably well, it was amenable to be scaled given the ambitious plans of the company.

Having realized the scalability issues with the current software, Five Star decided to implement much more robust and state of the art technologies to manage its lending requirements. We had identified FinnOne Neo of Nucleus Software as the ERP solution and the same was implemented beginning FY 2018. This system has dedicated modules for loan origination, loan management and collections, which will provide the management with better tracking ability at various stages of the loan's life cycle. Microsoft Dynamics, a comprehensive accounting package, has also been integrated into the ERP solution. The ERP solution shall also provide the company with mobile

capabilities, which would help reduce turnaround time especially in loan origination.

We have already started to see the benefits of the new software in the form of better tracking the workflow, speeding up the turnaround times, etc and are confident that we will be able to use the software better in the coming months. Further we will also build more layers on the system, be it in the form of a data warehouse for better MIS, analytics tools for better analysis, better tracking tools to understand the customer creditworthiness better, etc in the months / years to come.

Treasury

FY 2017 has been a great year of Five Star from a funding perspective. While the first half of the year was a bit muted in terms of funding primarily on account of the equity infusion during the first quarter, the company managed to bring in new relationships and also scale up the existing relationships during the second half of the year.

There was a bit of apprehension during the days immediately following demonetization in terms of whether this would significantly affect the fund flow to the company. We were of the opinion that banks and financial institutions would take a very cautious stance and would want to have more clarity before resuming lending to the smaller NBFCs. However, our fears were unfounded since banks and financial institutions started looking out for fundamentally strong NBFCs to whom they can lend.

The banking system, which had already seen a drop in advances on account of the looming NPA issues, was also flooded with liquidity immediately post demonetization. It became imperative for them to find good avenues for deploying such liquidity and institutions like Five Star, which were into secured lending, were seen as safe avenues. We managed to bring in good names both on the banks and financial institutions to lend to the company.

During the financial year 2016-17, Five Star managed to mop up liquidity in the form of term loans from banks and financial institutions, cash credit facilities from banks and also through issue of non-convertible debentures. The Company managed to garner about INR 370 Cr of funds as against Rs. 85 Cr for 2015-16 resulting in an increase of about 335%.

During the current financial year, the company also carried out multiple issues of non-convertible debentures (on private placement basis) amounting to INR 139 Cr. These issues were well subscribed to and the investors were pleased to commence funding relationship with the company. The NCD channel makes funds available at much faster turnaround times and also at cheaper cost. The fact that these instruments are listed is also a great comfort for the investors as it brings higher levels of compliance and also provides tradability in the secondary market.

Given the comfortable capital adequacy at Five Star (especially after 2 large rounds of equity, one each in FY 2017 and FY 2018), banks and financial institutions do come forward to provide credit support. While the upgrade to bank loan rating to BBB+ by multiple rating agencies is a positive factor, the company is also confident of moving to the next rating band on the back of significantly strong performance and the large quantum of equity funds. This would also open up other funding sources like Mutual funds, etc. which will ensure that the company has the wherewithal be able to much higher quantum of funds at significantly lower cost in the forthcoming years.

Collections

Lending moneys is easy but to collect them back from the borrowers is the big challenge. The banking system has been reeling under significant portfolio quality issues resulting in mounting non-performing assets. Even some of the larger NBFCs face significant NPA problems on account of improper underwriting or lackluster collection efforts. Additionally, the circular of the Reserve bank, mandating NBFCs to move to a 90 day NPA recognition norm by the end of FY 2018,

has also been putting pressure on the institutions.

For Five Star, this presented a unique opportunity. Despite not being a systemically important NBFC during the financial year under discussion, the company decided to move from the existing 180 day NPA recognition norm to a 90-day norm, which clearly underlines the confidence that the company has in the quality of its portfolio.

Over a span of 12 months, the company completely revamped its asset classification and provisioning norms in line with RBI guidelines. Significant collection efforts were put in place and the strong focus on timely collections started to reap rewards. The company also fine tuned its incentive structure to bring in more focus on collections. On account of all these efforts, portfolio performance across the various buckets improved and the company was able to end with NNPA of about 2% for FY 2017.

Five Star has always believed in the same Relationship officer taking care of the customer end to end. We have never believed in having separate verticals for business and collections. This ensures that the relationship officer boards only fundamentally strong files, so that it does not affect the future incentives in any way. However, the company does have a small team of people who supplement the collection efforts by making reminder calls, follow up calls in lower buckets, undertaking legal actions for high bucket cases, etc. This acts as an additional mechanism to make the borrowers pay up the pending dues.

The activity of collections is accorded great focus at Five Star. The management team at HO tracks the collections performance at an employee level on a regular basis. This is an indicator of the seriousness with which the company follows up on the pending dues, which ultimately reflects in the superior portfolio quality.

Risk Management

The risk management framework of any organization involved in lending moneys needs to be extremely robust. As has already been stated, lending moneys is easy but in the absence of a robust risk management framework, this is bound to result in portfolio quality issues. This is evident in recent times as banks and larger NBFCs have been grappling with portfolio quality issues with no recourse in sight.

The most important requirement of a lending institution is to have a robust underwriting model, which will help address credit risk. Five Star has evolved its business model over decades of experience and learning. Branch level sourcing and verification, multiple levels of credit checks, both through field verification and telephone verification, and ultimately having a centralized credit approval have all been put in place after significant deliberations. Checks and balances need to be intrinsic ingredients of any process, and more importantly for a lending process. Every activity should be verified through a subsequent activity in the process so that intentional or unintentional issues such as collusion between officials or inadvertent errors by the officials can be rectified. This is the reason for the multiple levels of checks instituted at Five Star.

By moving to a new ERP platform, this underwriting activity has been strengthened and completely automated. The workflow has been configured on the system and no part of the workflow can be circumvented without proper approvals. Various teams are involved in this workflow so that there are independent checks done by them along with validations that have been built into the system. Further, every activity trail is also captured on the system so that the company can identify who has done a particular activity as part of the workflow. This acts as an automated supervision and the employees involved in the workflow carry the apprehension that any intentional or unintentional error committed by them can be traced without much delay.

NBFCs are dependent on banks and financial institutions for their funding needs. Unless the NBFCs are able to access funds, their growth will be at stake. Historically, Five Star had never had significant constraints either on the equity or on the debt front. The strong business model of Five Star has been well appreciated by the lenders and the investors alike resulting in the liquidity finding its way into the company. Over the last 12 months, the company has also been able to bring down the cost of funds on all incremental sanctions. The company also avails a mix of long term and short term funding facilities which will help from both the cost as well as the ALM perspective. While the liquidity risk remains fairly managed, it is crucial for the company to continuously look out for sustainable and cheaper funding sources so that availability and cost do not create constraints for the company's future growth.

One of the important aspects that the company prides upon is the strong corporate governance mechanism which helps adequately address regulatory and other compliance risks. The Company has one of the strongest Boards with a judicious mix of promoter, investor and independent directors who are able to provide insights on all facets to ensure that the company complies with all regulations not only in letter but also in spirit. As has already been stated, the company voluntarily moved to a 90-day NPA recognition norm during the year, which puts us on a favourable footing from the regulator's perspective. The regulators tend to appreciate proactive compliance actions taken and the company leaves no stone unturned to be in complete compliance with all the laws and guidelines issued by the regulators, be it RBI for the NBFC or NHB for HFC. Another compliance action taken by the company during the year is the proactive disclosure of the amounts collected in the form of SBN (Specified Bank Notes) and paying up the requisite tax on such amounts. This was done notwithstanding the fact that the amounts collected in SBN were from the borrowers of the Company who are KYC compliant and who have a demonstrated behaviour of paying their dues by cash historically. The company firmly believes that regulatory risk

would not be a factor for consideration if we comply with all the norms laid down by the regulator.

Another risk that is typically faced by the NBFCs is the people risk i.e. risk of losing people to competition. This has the potential of causing disruptions to work hence it is always advisable to keep the staff happy so that they continue to remain within the employ of the organization. Five Star has managed to keep the attrition at very low levels all these years through conscious actions like commensurate pay packages, good work-life balance, refraining from unreasonable target setting, linking incentives to performance, providing career progression, etc. However, in a scenario, we do understand that this is a risk that needs to be managed well. All actions taken by the company are evaluated against this backdrop to ensure that employer-employee relationship remains of the highest standards.

The last 12-18 months have shown to us what we are capable of achieving given the huge potential that is available in the market. Our destiny is in our hands and we are out to shape it the way we want. We will continue to accept challenges, surpass them and move towards greater heights.

Chennai
23/05/2017

Mr D Lakshmipathy
Chairman & Managing Director



***STANDALONE
FINANCIAL STATEMENTS***

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIVE-STAR BUSINESS FINANCE LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of Five-Star Business Finance Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

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

3. 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. 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.

4. 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:

- a). In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;
- b). In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c). In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

(i). 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 - A" a statement on the matters specified in paragraph 3 and 4 of the Order.

(ii). 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 31st March, 2017 taken on record by the Board of Directors, none of the

directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f). With respect to the adequacy of the internal financial controls over financial reporting of the Company and the Operating Effectiveness of such controls, refer to our separate report in "Annexure - B"

(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 effect of the pending legal proceedings against it in its financial statements as mentioned in Note 30.9 of the Notes to the Accounts;

ii). Based on the current assessment of the long term contracts, in the ordinary course of business, the company has made adequate provision for losses, where required, as explained in Note 30.10 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.

iii). During the year, there has been no delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

iv). The company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November 2016 to 30th December 2016 as mentioned in Note 30.3 to the financial statements and the details are in accordance with the books of accounts maintained by the company.

Chennai
23rd May 2017

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
L Ravi Sankar
Partner
Membership No. 025929

**“ANNEXURE A” TO THE AUDITORS’ REPORT
REFERRED TO IN PARAGRAPH 5 OF OUR
REPORT OF EVEN DATE**

1. a). The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

b). Fixed assets have been physically verified by the Management during the year, in accordance with an annual plan of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of the fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

c). The title deeds of immovable properties are held in the name of the company.

2. 2. In our opinion and 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 Act. Therefore, clauses (iii)(a), (b) and (c) of paragraph 3 of the Order are not applicable to the Company for the year.

3. In our opinion and according to the information and explanations given to us, the company has not granted any loans, made any investments or provided any guarantee or security as envisaged under Section 185 and 186 of the Companies Act, 2013 respectively.

4. The company has not accepted deposits from public.

5. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act.

6. i). In our opinion and according to the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, sales tax, Service tax, value added tax, cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2017 for a period of more than six months from the date they became payable.

ii). According to the records of the Company and the information and explanations given to us, there are no dues of Service tax which have not been deposited on account of any dispute. Details of disputed Income tax not deposited are as follows:

Name of dues	Amount (₹ Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax	673,698	Financial Year 2005 - 06	Commissioner of Income Tax (Appeals)

7. Based on our examination of the records and the information and explanations given to us, the Company has not defaulted in the repayment of dues to the banks, financial Institution or to debenture holders. The company does not have any borrowings from Government.

8. Based on our examination of the records and the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.

9. To the best of our knowledge and belief and according to the information and explanations given to us, during the year, no fraud by the Company and no material fraud on the Company by its officers or employees were noticed or reported during the year.

10. The Company paid / provided for managerial remuneration within the limits of section 197 read Schedule V to the Act.

11. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

12. The Company has made preferential allotment of Equity shares during the year. The company has complied with the applicable provisions of section 42 of the Act. The amounts raised by issue of Equity shares through Preferential allotment were used for the purposes for which the funds were raised. Apart from the above the company has not made any private placement of shares or fully or partly convertible debentures during the year.

13. In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them.

14. The Company is required to be registered under section 451A of Reserve Bank of India Act, 1934 and has obtained the registration.

15. In our opinion and according to the information and explanations given to us, the nature of the Company's business/ activities during the year has been such that clause (ii) and clause (xii) of paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company for the year.

Chennai
23rd May 2017

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
L Ravi Sankar
Partner
Membership No. 025929

**“ANNEXURE B” TO THE AUDITORS’ REPORT
REFERRED TO IN PARAGRAPH 5 OF OUR
REPORT OF EVEN DATE**

**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 Five-Star Business Finance Limited (formerly known as “Five-Star Business Credits Limited”) (“the Company”) as of 31st March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal
Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting

(the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

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

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to

the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of 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 31st March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Chennai
23rd May 2017

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
L Ravi Sankar
Partner
Membership No. 025929

Balance Sheet as at 31st March 2017

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Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
A EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Share Capital	3	142,650,520	107,000,000
(b) Reserves and surplus	4	2,102,259,726	804,664,224
		2,244,910,246	911,664,224
2. Non-current liabilities			
(a) Long term borrowings	5	3,387,155,261	800,228,098
(b) Other Long term Liabilities	6	66,622	121,694
(c) Long term provisions	7	25,697,210	8,841,955
		3,412,919,093	809,191,747
3. Current liabilities			
(a) Short Term borrowings	8	468,774,796	138,215,578
(b) Trade payables: Total outstanding dues of			
(A) Micro Enterprises & Small Enterprises		-	-
(B) Creditors other than Micro enterprises & Small enterprises	9	12,271,680	5,717,853
(c) Other current liabilities	10	727,425,596	371,251,439
(d) Short term provisions	11	36,421,106	12,214,076
		1,244,893,178	527,398,946
	Total	6,902,722,517	2,248,254,917
B ASSETS			
1 Non- current assets			
(a) Fixed assets			
(i) Tangible assets	12	44,638,056	18,430,760
(ii) Intangible assets	12	3,597,872	657,127
(ii) Software under development	12	15,810,627	-
(b) Non-Current Investments	13	150,355,615	150,355,615
(c) Deferred tax assets(net)	14	24,447,474	10,087,770
(d) Long term receivables under financing activity	15	3,848,355,249	1,463,174,307
(e) Long term loans and advances	16	17,539,751	9,754,578
(f) Other Non Current Assets	17	-	617,900
		4,104,744,644	1,653,078,057
2 Current assets			
(a) Current Investments	18	-	40,000,000
(b) Cash and Bank Balances	19	1,806,401,914	30,869,123
(c) Short term receivables under financing activity	20	985,797,818	518,079,321
(d) Short term loans and advances	21	3,269,281	5,963,718
(e) Other Current Assets	22	2,508,860	264,698
		2,797,977,873	595,176,860
	Total	6,902,722,517	2,248,254,917

Significant Accounting Policies and Notes to the Accounts 2 to 30 As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

L Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors**D Lakshmiopathy**

Chairman & Managing Director

Kalpna Iyer

Director

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Statement of Profit & Loss for the Year ended 31st March 2017

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Particulars	Note No.	2016 - 2017	2015 - 2016
Revenue			
Revenue from Operations	23	830,768,598	462,818,141
Other income	24	28,320,561	10,262,272
Total Revenue		859,089,159	473,080,413
Expenses			
Finance costs	25	237,324,652	140,728,963
Employee benefit expenses	26	185,820,781	78,410,236
Other expenses	27	90,911,365	38,363,809
Provision, loan loss and other charges	28	27,953,775	7,276,578
Depreciation	12	9,230,453	5,113,527
Total Expenses		551,241,026	269,893,113
Profit Before Tax		307,848,133	203,187,300
Tax expenses			
Current tax expenses (Refer Note 30.3)		128,459,386	73,548,231
Deferred tax		(14,359,704)	(4,509,711)
		114,099,682	69,038,520
Profit for the Year		193,748,451	134,148,780
Earnings per share - (Refer Note 30.5)			
Weighted Average number of Shares (Face Value Rs.10/- per share)		13,385,998	10,427,322
Basic (of Rs.10/- each)		14.47	12.87
Diluted		14.47	12.87

Significant Accounting Policies and Notes to the Accounts 2 to 30 As per our report of even date attached

For Brahmaya & Co.

Chartered Accountants, Firm Registration Number 000511S

L Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors

D Lakshmi pathy

Chairman & Managing Director

Kalpana Iyer

Director

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Cash Flow Statement for the Year ended 31st March 2017

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<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03 2016</i>
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	19,374,845	134,148,780
Provision for Taxation	114,099,682	69,038,520
	307,848,133	203,187,300
Add: Financial Expenses	237,324,652	140,728,963
	545,172,785	343,916,263
Depreciation	9,230,453	5,113,527
Provision against Non - Performing assets	13,967,084	1,485,008
General Provision on Standard Assets	13,986,691	1,635,373
Provision for Gratuity	1,992,658	1,354,604
(Profit)/ loss on sale of Fixed Assets	(241,767)	-
Operating Profit Before Working Capital Changes	584,107,904	353,504,775
(Increase) Decrease in Loans and Advances	(2,852,899,439)	(666,108,504)
(Increase) Decrease in Other Receivables	(5,090,736)	9,337,758
(Increase) Decrease in Other Current Assets	(2,244,162)	3,278,499
(Increase) Decrease in Other Non Current Assets	617,900	(303,436)
Increase (Decrease) in Current Liabilities	8,294,968	184,968
Increase (Decrease) in Other Current Liabilities	20,849,571	(61,437)
	(2,830,471,898)	(653,672,152)
	(2,246,363,994)	(300,167,376)
Financial Expenses	(218,021,416)	(133,692,818)
Direct Taxes Paid	(117,343,534)	(73,524,496)
	(335,364,950)	(207,217,314)
Net Cash from Operating Activities (A)	(2,581,728,944)	(507,384,691)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(54,651,357)	(16,426,838)
Sale of Fixed Assets	704,000	-
Investments in Fixed Deposit	80,424	3,750,000
(Purchase) / Sale of Current Investments	40,000,000	(38,125,000)
(Purchase) / Sale of Non Current Investments	-	(150,355,615)
Net Cash from Investing Activities (B)	(13,866,933)	(201,157,453)

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03 2016</i>
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term & Medium Term		
Increase in Share Capital	35,650,520	5,000,000
Increase in Share Premium	1,103,847,051	60,000,000
Proceeds from Issue of Debentures	1,372,725,000	300,000,000
Debentures Redeemed	-	(64,970,000)
Increase (Decrease) in Term Loans from Banks & Others	1,194,587,163	194,495,495
Increase (Decrease) in Loan from Directors	(13,893,000)	(4,811,000)
Increase (Decrease) in Other Borrowings	226,624,544	(67,123,218)
Short Term		
Increase (Decrease) in Bank Borrowings	451,667,814	53,070,599
Dividend paid (Including Corporate Dividend Tax)	-	(19,897,189)
Net Cash from Financing Activities (C)	4,371,209,092	455,764,687
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	1,775,613,215	(252,777,456)
Cash and Cash Equivalents at the Beginning of the Year	24,657,625	277,435,082
Cash and Cash Equivalents at the End of the Year	1,800,270,840	24,657,625
Components of Cash and Cash Equivalents at the end of the Year		
Cash on Hand	10,185,935	3,108,914
Cash with Scheduled Banks	1,790,084,905	21,548,711
Cash and Cash Equivalents	1,800,270,840	24,657,625

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

L Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors

D Lakshmi pathy

Chairman & Managing Director

Kalpna Iyer

Director

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Notes forming part of the Financial Statements

1. Corporate information

Five-Star Business Credits Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows RBI guidelines applicable for NBFCs. The Company is a public limited company with Registered & Head Office at Kilpauk, Chennai.

The Company has been in business for 33 years providing finance for Small Business Loans and for House renovations/extensions.

2. Significant accounting policies

2.1. Basis of accounting and preparation of financial statements

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the provisions of the Companies Act, 2013. The Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies.

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements.

The assets and liabilities have been classified as non-current and current based on a 12 month operating cycle.

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. Depreciation / Amortisation

Depreciation on Fixed Assets is provided in accordance with useful life specified in the schedule II of the Companies Act, 2013 except for improvements to leasehold premises *. Depreciation for additions and deletions are provided on a pro-rata basis.

* Improvement to leasehold premises is depreciated over the maximum period of the lease initially agreed upon and in case of improvements to existing leased premises over the balance lease period.

Intangible Assets are amortised over the expected useful life of 5 years.

2.4. Revenue recognition

"Interest Income is recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. Income on Non-Performing assets is recognised only when realised and any interest accrued until the asset became a Non performing Asset and remaining overdue is de-recognised by reversing the interest income.

"Processing Fees, Penal Interest, Cheque bounce charges and other charges are recognised as income upon certainty of receipt.

2.5. Tangible fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

2.6. 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.

2.7. Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Non Current Investments are valued at cost, Current Investments are valued at lower of cost or net realisable value.

2.8. Employee benefits

Employee benefits include provident fund, gratuity and other employee benefits.

Defined contribution plans

Contributions to the Employees Provident Fund Scheme maintained by the Central Government and the Company's contribution to the fund are charged to the revenue.

Defined benefit plans

For defined benefit plans in the form of gratuity which is non funded, 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.

2.9. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on accrual basis.

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 item, if any) by the weighted average number of equity shares outstanding during the year.

2.11. 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.

The Current Tax amount includes Rs.4,365,003/- paid on account of PMGKY Scheme.

Deferred tax is recognized on timing differences, being the difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2.12. Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount.

2.13. Provisions and contingencies

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

Notes forming part of Financial Statements

Note 3 Share Capital

<i>Particulars</i>	<i>As at 31.03.2017</i>		<i>As at 31.03.2016</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
(a) Authorised Equity Shares of Rs.10 each	20,000,000	200,000,000	12,000,000	120,000,000
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	14,265,052	142,650,520	10,700,000	107,000,000

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

<i>Particulars</i>	<i>As at 31.03.2017</i>		<i>As at 31.03.2016</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
Equity Shares				
Opening Balance	1,07,00,000	10,70,00,000	1,02,00,000	10,20,00,000
Add - Shares Issued During the Year	35,65,052	3,56,50,520	5,00,000	50,00,000
Closing Balance	1,42,65,052	14,26,50,520	1,07,00,000	10,70,00,000

(ii) Pursuant to the approval accorded by the Shareholders at the Extraordinary General Meeting held on 28th April 2016, the company has allotted 35,65,052 Equity Shares of Rs.10 each at a premium of Rs.309.63 per share on preferential basis amounting to Rs.1,139,497,571/- to M/s.NHPEA Chocolate Holding B.V.

(iii) Terms/rights attached to Equity Shares: The Company has only one class of equity shares having a par value of Rs.10 each. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividends proposed by the Board of Directors, if any is subject to the approval of the shareholders at the Annual General Meeting except in case of interim dividend. Repayment of capital will be in proportion to the number of equity shares held.

(iv) Details of shares held by each shareholder holding more than 5% shares:

<i>Class of shares / Name of shareholder</i>	<i>As at 31.03.2017</i>		<i>As at 31.03.2016</i>	
	<i>No. of Shares held</i>	<i>% of holding in that class of shares</i>	<i>No. of Shares held</i>	<i>% of holding in that class of shares</i>
Equity Shares				
Matrix Partners India Investment Holdings II, LLC	4,080,240	28.60	3,940,240	36.82
NHPEA Chocolate Holding B.V	3,565,052	24.99	-	-
D Lakshmipathy	2,595,830	18.20	2,518,730	23.54
L Hema	2,073,760	14.54	2,182,760	20.40

Note 4 Reserves and Surplus

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
(a) Securities premium account		
Opening balance	409,905,000	349,905,000
Add: Premium on shares issued during the year	1,103,847,051	60,000,000
Closing Balance	1,513,752,051	409,905,000
(b) Statutory Reserve (Note 4.1)		
Balance at the beginning of the year	96,600,000	69,700,000
Add: Amount transferred from surplus In the statement of profit and loss	38,800,000	26,900,000
Closing Balance	135,400,000	96,600,000
(c) General Reserve		
Balance at the beginning of the year	51,900,000	38,400,000
Add: Amount transferred from surplus In the statement of profit and loss	19,400,000	13,500,000
Closing Balance	71,300,000	51,900,000
(d) Surplus in the statement of Profit and Loss		
Balance at the beginning of the year	246,259,224	152,510,444
Add: Profit for the year	193,748,451	134,148,780
Less: Appropriations		
Transfer to Statutory Reserve	38,800,000	26,900,000
Transfer to General Reserve	19,400,000	13,500,000
Net Surplus in the statement of Profit and Loss	381,807,675	246,259,224
Total Reserves and surplus	2,102,259,726	804,664,224

4.1 Represents the Reserve Fund created under Section 45-IC of the Reserve Bank of India Act. 1934

Note 5 : Long Term Borrowings

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<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
A. Secured:		
a. Redeemable Non - Convertible Debentures	1,690,000,000	302,500,000
b. Term Loans:		
- From Banks	928,081,878	234,707,744
- From NBFCs	761,025,383	259,812,354
B. Unsecured:		
a. Loan from Related Parties	8,048,000	3,208,000
	3,387,155,261	800,228,098

5.1 Debentures

The company had privately placed Secured Redeemable Non-Convertible Debentures with a maturity period of upto 5 years with an outstanding of Rs.1,692,945,000 (Previous Year Rs.320,846,000)

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<i>Maturity of Secured Non-Convertible Debentures As at 31.03.2017</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
> 9.75 to 12	18,000	-	1,390,000,000	1,390,018,000
> 12 to 12.5	2,927,000	-	-	2,927,000
13.60	-	-	300,000,000	300,000,000
Total	2,945,000	-	1,690,000,000	1,692,945,000

<i>As at 31.03.2016</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
> 9.75 to 12	624,000	-	-	624,000
> 12 to 12.5	17,722,000	2,500,000	-	20,222,000
> 12.5 to 12.63	-	-	300,000,000	300,000,000
Total	18,346,000	2,500,000	300,000,000	320,846,000

5.2 Details of Loans from Banks - Secured

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<i>Name of the Bank</i>	<i>Tenor</i>	<i>Repayment Terms</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
A. Cash Credit Facilities:				
The Federal Bank Limited	On Demand	On Demand	48,671,684	46,023,130
City Union Bank Limited	On Demand	On Demand	62,575,264	74,370,903
Tamilnadu Mercantile Bank Limited	On Demand	On Demand	(1,802,475)	17,821,545
The Ratnakar Bank Limited	On Demand	On Demand	44,398,774	-
South Indian Bank	On Demand	On Demand	47,643,001	-
SBM Bank (Mauritius) Limited	On Demand	On Demand	40,664,004	-
	Total		242,150,252	138,215,578
b. Term Loans:				
The Federal Bank Limited *	36 Months	Principal Monthly, Interest Monthly	-	32,386
The Federal Bank Limited	48 Months	Principal Monthly, Interest Monthly	100,000,000	-
The Federal Bank Limited *	36 Months	Principal Monthly, Interest Monthly	-	369,729
HDFC Bank Limited *	60 Months	Principal Monthly, Interest Monthly	4,118,698	5,018,297
HDFC Bank Limited	24 Months	Principal Monthly, Interest Monthly	-	15,930,656
HDFC Bank Limited	36 Months	Principal Monthly, Interest Monthly	100,000,000	-
SIDBI	36 Months	Principal Monthly, Interest Monthly	-	3,750,000
The Ratnakar Bank Limited	36 Months	Principal Quaterly, Interest Monthly	4,166,667	20,833,333
The Ratnakar Bank Limited	36 Months	Principal Quaterly, Interest Monthly	23,333,333	46,666,667
The Ratnakar Bank Limited	36 Months	Principal Quaterly, Interest Monthly	122,727,273	-
DCB Bank Limited	36 Months	Principal Quaterly, Interest Monthly	12,497,000	29,165,000
DCB Bank Limited	60 Months	Principal Quaterly, Interest Monthly	75,000,000	95,000,000
DCB Bank Limited	60 Months	Principal Quaterly, Interest Monthly	93,320,000	-
South Indian Bank	60 Months	Principal Monthly, Interest Monthly	42,991,710	-

South Indian Bank	60 Months	Principal Monthly, Interest Monthly	50,000,000	-
Bank of Maharashtra	36 Months	Principal Monthly, Interest Monthly	16,648,000	34,840,000
Tamilnad Mercantile Bank Limited	48 Months	Principal Quaterly, Interest Monthly	-	25,000,004
The Lakshmi Vilas Bank Limited	48 Months	Principal Monthly, Interest Monthly	28,123,770	40,614,859
Karnataka Bank	60 Months	Principal Monthly, Interest Monthly	43,919,388	25,000,000
Karur Vysya bank	60 Months	Principal Monthly, Interest Monthly	42,485,000	-
IDBI Bank Limited	36 Months	Principal Monthly, Interest Monthly	53,336,480	-
Bank of Baroda	48 Months	Principal Monthly, Interest Monthly	51,785,714	73,214,285
State Bank Of India	60 Months	Principal Monthly, Interest Monthly	200,000,000	-
State Bank Of India	60 Months	Principal Monthly, Interest Monthly	200,000,000	-
SBM Bank (Mauritius) Limited	39 Months	Principal Monthly, Interest Monthly	50,000,000	-
		Total	1,314,453,033	415,435,216

(a). Loans are secured by hypothecation of specified Receivables under Financing Activity

(b). * these loans secured by Hypothecation of the vehicles purchased from the loan amount

(c). All the above loans have been guaranteed by Mr. D. Lakshmi pathy, Chairman & Managing Director ₹

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
Long Term Borrowings (Refer Note 5)	928,081,878	234,707,744
Other Current Liabilities (Refer Note 10)	386,371,155	180,727,472
Total	1,314,453,033	415,435,216

5.3 Details of Loans from Financial Institutions

₹

<i>Name of the Lenders</i>	<i>Tenor</i>	<i>Repayment Terms</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	-	2,777,777
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	-	5,555,552
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	-	4,861,124
MAS Financial Services Limited	60 Months	Principal Monthly, Interest Monthly	85,416,665	100,000,000
MAS Financial Services Limited	60 Months	Principal Monthly, Interest Monthly	150,000,000	-
MAS Financial Services Limited	60 Months	Principal Monthly, Interest Monthly	100,000,000	-
IFMR Capital Finance Pvt Ltd	36 Months	Principal Monthly, Interest Monthly	6,002,268	16,687,044
IFMR Capital Finance Pvt Ltd	60 Months	Principal Monthly, Interest Monthly	42,066,312	50,000,000
Hinduja Leyland Finance Limited	48 Months	Principal Monthly, Interest Monthly	12,535,761	20,045,002
Hinduja Leyland Finance Limited	48 Months	Principal Monthly, Interest Monthly	18,812,374	25,550,072
Sundaram Finance Limited	36 Months	Principal Monthly, Interest Monthly	6,598,269	24,589,114
Sundaram Finance Limited	36 Months	Principal Monthly, Interest Monthly	12,832,670	29,980,158
Sundaram Finance Limited	60 Months	Principal Monthly, Interest Monthly	37,983,889	46,043,581
Sundaram Finance Limited	60 Months	Principal Monthly, Interest Monthly	150,000,000	-
M & M Financial Services Limited	24 Months	Principal Monthly, Interest Monthly	-	18,263,061
Cholamandalam Investment and Finance Company Limited	60 Months	Principal Monthly, Interest Monthly	36,173,526	44,481,950
Cholamandalam Investment and Finance Company Limited	60 Months	Principal Monthly, Interest Monthly	43,717,254	-
Nabkisan Finance	48 Months	Principal Monthly, Interest Monthly	129,997,932	-

Au Financiers	48 Months	Principal Monthly, Interest Monthly	200,000,000	-
Total			1,03,21,36,920	38,88,34,435

(a) All loans are secured by hypothecation of specified Receivables under Financing Activities

(b) All the above loans have been guaranteed by Mr.D. Lakshmipathy, Chairman & Managing Director except Hinduja Leyland Finance Ltd. and Mahindra & Mahindra Financial Services Ltd., ₹

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
Long Term Borrowings (Refer Note 5)	761,025,383	259,812,354
Other Current Liabilities (Refer Note 10)	271,111,537	129,022,081
Total	1,032,136,920	388,834,435

Note 6 : Other Long Term Liabilities

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest accrued but not due on borrowings	66,622	121,694
Total	66,622	121,694

Note 7 : Long Term Provisions

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Provision for Employee Benefits		
Provision for Gratuity	5,586,142	4,127,375
Other Provisions		
Provision for Standard Assets	15,217,868	3,633,176
Provision for Non-Performing Assets	4,893,200	1,081,404
Total	25,697,210	8,841,955

Note 8 : Short Term Borrowings

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks (Refer Note 8.1)	242,150,252	138,215,578
B. Unsecured:		
a. Commercial Papers (Refer Note 8.2)	226,624,544	-
Total	468,774,796	138,215,578

8.1 Refer Note 5.2 for details of Security, tenor and repayment terms

8.2 Face Value of Commercial Paper Outstanding as on 31.03.2017 was Rs.250,000,000
(31.03.2016 – Rs.NIL)

₹

Note 9 : Trade Payables

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Total outstanding dues of creditors other than micro enterprises and small enterprises	12,271,680	5,717,853
Total	12,271,680	5,717,853

₹

Note 10 : Other Current Liabilities

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Current Maturities of Long Term Borrowings (Refer Note 10.1)		
- from Banks	386,371,155	180,727,472
- from NBFCs	271,111,537	129,022,081
On Debentures	2,500,000	17,275,000
On Loan from Directors	2,089,000	20,822,000
Interest accrued but not due on borrowings	37,024,755	17,666,447
Unclaimed Dividend	663,873	790,115
Unpaid matured debentures	445,000	1,071,000
Interest accrued on unpaid matured Debentures	195,488	286,338
Unpaid Loan from Directors	150,000	200,000
Interest accrued on unpaid Loan from Directors	49,786	54,000
Statutory due Payable	5,204,367	3,336,986
Others Payables	21,620,635	-
Total	727,425,596	371,251,439

10.1 Refer Note 5.2 & 5.3 for details of security, tenor and repayment terms.

₹

Note 11 : Short Term Provisions

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Provision for Employee Benefits		
Provision for Gratuity	835,956	302,065
Other Provisions		
Provision for Standard Assets	3,632,452	1,230,453
Provision for Non-Performing Assets	14,940,969	4,785,681
Provision for Income Tax	17,011,729	5,895,877
Total	36,421,106	12,214,076

Provision for Income Tax comprises net off TDS and Advance Tax Rs.190,868,030/- (31.03.2016 - Rs. 122,347,185)

Note 12 : Fixed Assets

	Gross Block			Depreciation			Net Block		
	Balance as at 01.04.2016	Addition	Deletion	Balance as at 31.03.2017	Balance as at 01.04.2016	For the Year	Deduction	Balance as at 31.03.2017	Balance as at 31.03.2016
(I) Tangible Assets									
Furniture & Fixtures	15,227,466	6,745,331	25,000	21,947,797	6,009,325	3,134,059	10,519	9,132,865	12,814,932
Computers	6,256,687	5,457,945	-	11,714,632	4,010,780	2,648,471	-	6,659,251	5,055,381
Office Equipments	1,659,047	3,127,773	-	4,786,820	914,642	549,318	-	1,463,960	3,322,860
Vehicles	9,602,795	-	1,756,300	7,846,495	3,349,218	1,879,482	1,308,548	3,920,152	3,926,343
Improvement to Leasehold premises	-	20,196,385	-	20,196,385	-	677,845	-	677,845	19,518,540
Total	32,745,995	35,527,434	1,781,300	66,492,129	14,283,965	8,889,175	1,319,067	21,854,073	44,638,056
(II) Intangible Assets									
Computer Software	1,169,059	3,313,296	-	4,482,355	543,205	341,278	-	884,483	3,597,872
Computer Software under development	-	-	-	-	-	-	-	-	15,810,627
Total	33,915,054	38,840,730	1,781,300	70,974,484	14,827,170	9,230,453	1,319,067	22,738,556	19,087,887
Previous Year	17,488,216	16,426,838	-	33,915,054	9,712,641	5,113,527	-	14,827,168	19,087,887

Note 13 : Non-current Investments

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Investment Property	355,615	355,615
Trade Investments in Subsidiary Company Five-Star Housing Finance Private Limited 15,000,000 equity share of Rs.10 each	150,000,000	150,000,000
Total	150,355,615	150,355,615

Note 14: Deferred Tax Assets (Net)

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Deferred Tax Assst		
a) Depreciation	3,045,965	1,246,299
b) Employee Benefits		
Gratuity	2,222,688	1,533,029
Leave Encashment	357,642	-
c) Provision for Non Performing Assets	2,030,598	2,030,598
d) Provision for Standard Assts	6,524,096	1,683,302
e) Income derecognised on Non Performing Assets	10,266,485	3,594,542
Total	24,447,474	10,087,770

Note 15 : Long Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Considered Good:		
A. Secured		
Loans	3,848,355,249	1,463,174,307
Total	3,848,355,249	1,463,174,307

The Long Term Receivables Under Financing Activities includes Non-Performing Loans of Rs. 44,140,993 (31-03-2016 - Rs.9,903,864)

Note 16 : Long Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Unsecured, Considered Good		
Rental Deposit		
- To Related Parties	335,200	400,000
- To Others	14,905,775	6,765,650
Security Deposit	2,186,875	2,500,000
Others	111,901	88,928
Total	17,539,751	9,754,578

Note 17 : Other Non Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest Accrued on Deposits with Banks and NBFCs	-	617,900
Total	-	617,900

Note 18 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Investments in Mutual Funds		
Reliance Liquid Fund - Treasury Plan	-	40,000,000
(Opening as on 01.04.2016 - 10835 Units, Additions During F.Y.2016 -17 - Nil units, Redemptions During F.Y.2016-17 - 10835 Units and Closing as on 31.03.2017 - Nil Units)		
Total	-	40,000,000
Aggregate cost of investments		
- At Cost	-	40,000,000
- At Market Value (Net Asset Value)	-	40,037,005

Note 19 : Cash and Bank Balances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	10,185,935	3,108,914
(b) Balances with Banks		
(i) In Current accounts	433,482,790	20,758,596
(ii) In Deposit accounts with less than 3 months maturity	1,355,938,331	-
(iii) In Unpaid Dividend Accounts	663,784	790,115
Total	1,800,270,840	24,657,625
2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Maturity more than 12 months*	6,131,074	6,211,498
Total	1,806,401,914	30,869,123

* offered as cash collateral

Note 20 : Short Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Considered Good:		
A. Secured		
Loans	985,797,818	518,079,321
Total	985,797,818	518,079,321

The Short Term Receivables Under Financing Activities includes Non-Performing Loans of Rs.77,801,173 (31-03-2016 - Rs.26,200,633)

Note 21 : Short Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Unsecured, Considered Good		
Rental Deposit		
- To Others	989,000	520,000
Branch Opening Advance	602,095	414,000
Security Deposit – Other NBFCs	-	3,907,164
Staff Advances	116,293	74,339
Others	1,561,893	1,048,215
Total	3,269,281	5,963,718

Note 22 : Other Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest Accrued on Deposits with Banks and NBFCs	-	264,698
Prepaid expenses	121,466	-
Receivable from a subsidiary Company	2,387,394	-
Total	2,508,860	264,698

Note 23 : Revenue from Operations

₹

<i>Particulars</i>	<i>2016-17</i>	<i>2015-16</i>
Interest Income	738,987,530	410,783,452
Processing Fees	58,530,584	18,309,479
Penal Interest	11,894,897	26,724,780
Other operating income	21,355,587	7,000,430
Total	830,768,598	462,818,141

Note 24: Other Income

₹

<i>Particulars</i>	<i>2016-17</i>	<i>2015-16</i>
Interest on Bank Deposits	13,520,943	6,298,469
Interest on NBFC Deposits	73,392	813,828
Profit on Redemption of Mutual Fund Units	11,021,638	2,513,125
Profit on sale of Tangible Assets	241,767	-
Other non-operating Income	3,462,821	636,850
Total	28,320,561	10,262,272

Note 25 : Finance Costs

₹

<i>Particulars</i>	2016-17	2015-16
Interest on		
(i) Bank Loans	90,880,107	56,893,323
(ii) Corporate Loans	51,997,607	43,866,474
(iii) Debentures	64,233,474	20,344,160
(iv) Other Loans	1,596,590	3,379,673
Discounting Charges on Commercial Paper	525,294	7,876,782
Other Borrowing Costs	28,091,580	8,368,551
Total	237,324,652	140,728,963

Note 26 : Employee Benefit Expenses

₹

<i>Particulars</i>	2016-17	2015-16
Salaries, Commission and Bonus	170,428,459	71,572,082
Contribution to Provident Fund, ESI and Gratuity	11,606,784	5,150,276
Staff welfare expenses	3,785,538	1,687,878
Total	185,820,781	78,410,236

Note 27 : Other Expenses

₹

<i>Particulars</i>	2016-17	2015-16
Rent	12,628,554	7,280,517
Electricity Charges	1,525,386	905,136
Rates and Taxes	1,281,636	463,555
Communication Expenses	7,267,831	3,220,806
Consultancy Fees	7,224,025	3,104,787
Printing and Stationery	6,386,995	3,126,804
Directors Sitting Fees	380,000	250,000
Reimbursement of Conveyance	2,652,251	1,867,497
Audit Fees - Statutory Audit	850,000	500,000
- Tax Audit	300,000	200,000
- Other Services	375,000	15,000
Repairs and Maintenance	3,669,707	2,329,516
Traveling Expenses	663,112	713,228
Business Promotion Expenses	2,647,825	588,398
Meeting Expenses	2,806,355	351,309
Insurance	848,324	341,422
Service Tax	17,938,239	6,733,900
Collection Charges	7,867,030	3,751,243
Filing Fees	1,262,695	32,564

Rating Fees	2,355,574	627,179
Corporate Social Responsibility Activities	500,000	300,000
Other Donations	-	5,000
Software Development Expenses	1,100,000	-
Miscellaneous Expenses	8,380,826	1,655,948
Total	90,911,365	38,363,809

Note 28 : Provisions, Loan Losses and Other Charges

₹

<i>Particulars</i>	<i>2016-17</i>	<i>2015-16</i>
Bad Debts	-	4,156,197
Provision for Non-Performing Assets	13,967,084	1,485,008
Provision for Standard Assets	13,986,691	1,635,373
Total	27,953,775	7,276,578

Note 29 : Additional information to the financial statements

29.1. Micro, Small and Medium Enterprises

There are no amounts due to Small Scale Industries in terms of “The Micro, Small and Medium Enterprises Development Act, 2006”

29.2. Loan Portfolio and Provision for Standard¹ and Non Performing² Assets

₹

<i>Asset Classification</i>	<i>Loan Outstanding as at 31.03.2017</i>	<i>Provision for Assets as at 31.03.2017</i>	<i>Loan Outstanding as at 31.03.2016</i>	<i>Provision for Assets as at 31.03.2016</i>
Standard Assets	4,712,210,901	18,850,320	1,945,149,132	4,863,629
Sub-Standard Assets	103,038,114	10,303,811	30,589,676	3,059,158
Doubtful Assets	18,904,052	9,530,358	5,514,821	2,807,927
Loss Assets	-	-	-	-
Total	4,834,153,067	38,684,489	1,981,253,629	10,730,714

1. Provision for standard assets increased from 0.25% to 0.40%

2. NPA recognition norm changed from 180 days to 90 days

29.3. Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated August 1, 2008

29.3.1. Capital Adequacy Ratio

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
CRAR (%)	43.78	39.14
CRAR – Tier I Capital (%)	43.78	39.14
CRAR – Tier II Capital (%)	-	-

29.3.2. Exposure to Real Estate Sector

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
(A) (i) Residential Mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:		
- Individual housing loans upto Rs. 15 Lakhs	9,192	4,557
- Individual housing loans more than Rs. 15 Lakhs	115	214
(ii) Commercial Real Estates - Lending secured by mortgages on commercial real estates (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and constructions, etc)		
Fund Based	-	-
Non Fund Based	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
(B) Indirect Exposure Fund based and Non-fund based exposure on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

29.3.3. Asset Liability Management Maturity pattern of certain items of assets and liabilities

2016 - 2017

₹ in Lakhs

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Total
Liabilities								
Borrowing from Banks								
/ Financial Institutions/CP	496.13	442.83	672.84	4,104.05	5,520.08	11,362.84	5,543.32	28,142.09
Market Borrowings	7.95	-	2.00	1.10	469.36	5,669.76	10,882.14	17,032.31
Assets								
Advances	808.33	851.86	865.71	2,634.38	4,321.31	19,071.78	14,745.25	48,342.69
Investments	7,250.00	6,125.00	25.00	-	-	-	200.00	15,103.56

Maturity pattern of certain items of assets and liabilities

2015 - 2016

₹ in Lakhs

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Total
Liabilities								
Borrowing from Banks								
/ Financial Institutions/CP	247.80	301.56	263.54	1,267.61	2,339.68	3,324.87	1,679.97	9,425.03
Market Borrowings	82.05	22.82	6.52	6.87	275.42	1,342.79	1,714.29	3,450.76
Assets								
Advances	484.01	466.33	473.10	1,436.61	2,261.95	8,016.13	4,823.99	19,812.54
Investments	400.00	-	-	10.00	-	50.00	-	1,503.56

Note 30 : Disclosure under Accounting Standards

30.1. Employee benefit plans

30.1.a. Defined contribution plans

The company makes Provident Fund contributions for qualifying employees to the Regional Provident Fund commissioner. Under the Scheme, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. The company recognised Rs.6,717,000 (Year ended 31st March 2016 Rs.3,051,745) for Provident fund contribution in the statement of profit and loss. The contributions payable to the scheme by the company are at rates specified in the rules of the scheme.

Contribution to	2016-17	2015-16	2014-15	2013-14	2012-13
Provident Fund	6,717,000	3,051,745	1,760,064	927,315	534,617
Employees State Insurance	2,414,010	713,124	521,502	459,914	248,274

30.1.b. Defined benefit plans

The company's obligation towards its Gratuity is a Defined Benefit plan.

The key assumptions used in the actuarial valuation as provided by independent actuary are as follows:

The company does not have a funded gratuity scheme for its employees as at 31st March 2017. Gratuity provision has been made based on the actuarial valuation

₹

Particulars	2016 - 2017	2015 - 2016
Present Value of the Obligation at the beginning of the period.	4,429,440	3,074,836
Interest Cost	327,496	238,729
Service Cost	1,034,235	537,195
Part Service Cost – (Vested Benefits)	-	-
Actuarial Loss/(gain) on obligation (Balancing Figure)	1,092,465	607,093
Benefits Paid	(461,538)	(28,413)
Projected Benefit Obligation as at the End of the Year	6,422,098	4,429,440
Changes in the Fair Value of Plan Assets		
Expected Returns on Plan Assets at the Beginning of the Year	-	-
Employer's Contribution	461,538	28,413
Benefits Paid	(461,538)	(28,413)
Actuarial Gain / (Loss) on plan assets (balancing figure)	-	-
Fair Value of Plan Assets at the End of the Year	-	-
Amounts Recognised in the Balance Sheet		
Present Value of Obligation	6,422,098	4,429,440
Fair Value of the Plan Assets at the Year end	-	-
Liability Recognised in the Balance sheet	6,422,098	4,429,440

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Expenses recognised in the statement of profit & Loss:		
Current Service cost	1,034,235	537,195
Interest Cost	327,496	238,729
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses Recognized in the Year	1,092,465	607,093
Past Service Cost – Vested Benefits	-	-
Expenses recognised in the statement of profit & loss:	2,454,196	1,383,017
Assumptions Discount Rate	6.90%	7.80%
Future Salary Increase	5.00%	5.00%
Attrition Rate	15.00%	7.00%
Expected Rate of Return on Plan Assets	NA	NA

Amount for the Current and previous four years are as follows:

<i>Particulars</i>	<i>2016-17</i>	<i>2015-16</i>	<i>2014-15</i>	<i>2013-14</i>	<i>2012-13</i>
Defined Benefit Obligations	6,422,098	4,429,440	3,074,836	1,773,685	1,745,881
Plan Assets	-	-	-	-	-
Surplus (Deficit)	(6,422,098)	(4,429,440)	(3,074,836)	(1,773,685)	(1,745,881)
Expenses adjustments on plan liabilities	(1,092,465)	(607,093)	(565,052)	198,878	(125,355)
Expenses adjustments on plan assets	-	-	-	-	-

30.2. Related Party Transactions

30.2.a. Related Parties:

Key Management Personnel: Mr D Lakshmipathy, Chairman and Managing Director

Relatives of Key Management Personnel:

Mr D Lakshmipathy	L Hema	Wife
	R Deenadayalan	Father
	D Varalakshmi	Mother
	B Sudha	Sister

Individual, directly or indirectly, holding more than 20% of the voting power of the company:

Mr D Lakshmipathy (along with his wife Ms L Hema)

Companies, directly or indirectly, holding more than 20% of the voting power of the company:

Matrix Partners India Investment Holdings II, LLC

NHPEA Chocolate Holding B.V.

Subsidiary Company:

Five-Star Housing Finance Private Limited

30.2.b. Details of related party transactions for the year

₹

<i>Transactions</i>	<i>Key Management Personnel as at 31.03.2017</i>	<i>Key Management Personnel as at 31.03.2016</i>	<i>Relatives of Key Management Personnel as at 31.03.2017</i>	<i>Relatives of Key Management Personnel as at 31.03.2016</i>	<i>Others 31.03.2017</i>	<i>Others 31.03.2016</i>
Expenses:						
Interest	-	-	220,965	222,187	-	-
Salary	9,621,600	6,021,600	-	-	-	-
Commission/ Remuneration	7,700,000	-	-	-	-	-
Rent*	993,600	864,000	-	-	-	-
Shared Cost					1,868,872	
Assets						
Investment in Subsidiary	-	-	-	-	150,000,000	150,000,000
Rent Advance*	335,200	400,000	-	-	-	-
Liabilities						
Issue of Equity Shares	-	-	-	-	35,650,520	-
Receipt of Share Premium	-	-	-	-	1,103,847,051	-
Borrowings	-	-	1,570,000	1,780,000	-	-

* Amount of Rs.64,800/- pertaining to rent for the month March 2017 has been adjusted with the Rental Advance.

30.3. Disclosure relating to Specified Bank Notes (SBN's) as per MCA Notification No.GSR 308(E) [F.NO.17/62/2015-CL-V-(VOL.I) dated 30th March 2017

₹

<i>Particulars</i>	<i>SBNs</i>	<i>Other Denomination Notes</i>	<i>Total</i>
Closing cash in hand as on 8-11-2016	1,509,000	345	1,509,345
(+) Other receipts	8,747,500	-	8,747,500
(+) Permitted receipts	-	86,814,471	86,814,471
(-) Permitted payments	-	383,096	383,096
(-) Amount deposited in Banks	10,256,500	84,283,180	94,539,680
Closing cash in hand as on 30-12-2016	-	2,148,540	2,148,540

The amounts collected in SBN were from the borrowers of the Company who are KYC compliant and who have a demonstrated behaviour of paying their dues by cash historically. These amounts were collected in the first two days post the announcement of Demonetisation i.e. 9th and 10th November 2016 which were subsequently deposited into the Bank accounts of the Company on 10th and 11th November 2016.

The company had also disclosed this amount under the PMGKY (Pradhan Mantri Garib Kalyan Yojana) scheme and paid a tax of Rs.4,365,003 and made a Deposit of Rs.2,186,875 during the financial year.

30.4. Operating Lease

The company has operating lease agreement primarily for office premises. The lease is for a period of 3 to 9 years. An amount of Rs.12,628,554 (Previous Year Rs. 7,280,517) was debited to the statement of Profit and Loss towards lease rentals and other charges for the office premises during the current year.

₹

30.5. Earnings per share

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Profit after tax (Rs.)	193,748,451	134,148,780
Weighted Average Number of Equity Shares		
- Basic (No.)	13,385,998	10,427,322
- Diluted (No.)	13,385,998	10,427,322
Earnings Per Share (EPS)		
- Basic (No.)	14.47	12.87
- Diluted (No.)	14.47	12.87
Face Value of Shares (Rs.)	10	10

30.6. Expenditure in foreign currency on payment basis

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Processing Fee	-	836,801
Reimbursement of expenses	-	755,696

30.7. Contingent liability**Contested Claims Not Provided for:**

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Income Tax issue where the Company is in appeal	673,698	673,698
Disputed claims against the company lodged by parties under litigation.*	-	5,004,000

* The litigation was settled mutually between the parties for a one time settlement amount of Rs.3,900,001 which has been included in the profit & loss account for the financial year ended 31st March, 2017.

30.8. Segment Information

The company is primarily engaged in the business of MSME Loans, Housing Loans & Property Loans. All the activities of the Company revolve around the main business. Further, the company does not have any separate geographic segment other than India. As such there are no separate reportable segments as per AS-17 "Segment Reporting"

30.9. Pending Litigations

The Pending Litigations as on 31st March 2017 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements wherever appropriate.

30.10. Provision for Loan Accounts

Based on the current status of the loan accounts, the company has made adequate provisions for losses, where required

30.11. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account is Rs.NIL

30.12. Corporate Social Responsibility Activities

The Company has spent an amount of Rs.500,000/- towards Corporate Social Responsibility activities under section 135 of Companies Act, 2013 in areas covered under setting up oldage home, day care centre and such other facilities for senior citizens.

30.13. Previous Year Figures

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosures.

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors

D Lakshmipathy

Chairman & Managing Director

B Haribabu

Director

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCE COMPANY

As required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

₹

<i>Particulars</i>	<i>Amount Outstanding</i>	<i>Amount Overdue</i>
Liabilities Side :		
1. Loans and advances availed by the NBFCs*		
a. Debentures:		
Secured	1,692,945,000	-
Unsecured	-	-
(Other than falling within the meaning of public deposits)	-	-
b. Deferred Credits	-	-
c. Term Loans	-	-
d. Inter-Corporate loans and borrowings	1,032,136,920	-
e. Commercial Paper	226,624,544	-
f. Other Loans (Specify nature)		
- Bank Borrowings	1,556,603,285	-
- Loan from Directors / Relatives of Directors	10,287,000	-
Assets Side :		
2. Break up of Loans and Advances including bills receivables		
a. Secured	4,834,153,067	138,227,863
b. Unsecured	18,622,157	-
3. Breakup of Leased Assets and Stock on hire and other assets counting towards AFC activities		
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. Hypothecation loans counting towards AFC activities	-	-
a. Loans where assets have been repossessed	-	-
b. Loans other than (a) above	-	-

<i>Particulars</i>	<i>Cost</i>	<i>Market Value</i>
4. Break up of Investments :		
Current Investments:		
1. Quoted :		
(i) Shares:	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
2. Unquoted :		
(i) Shares:		
(a) Equity :	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
Long Term Investments		
(i) Shares:	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
2. Unquoted :		
(i) Shares:		
(a) Equity :	150,000,000	150,000,000
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
Total	150,000,000	150,000,000

5. Borrower group-wise classification of assets financed as in (2) and (3) above ₹

Category	Amount Net of Provisions		Total
	Secured	Unsecured	
1. Related Parties			
a. Subsidiaries	-	-	
b. Companies in the same group	-	-	
c. Other Related Parties	-	-	
2. Other than related parties	4,834,153,067	18,622,157	4,852,775,224
Total	4,834,153,067	18,622,157	4,852,775,224

6. Investor group-wise classification of all Investments (Current and long term) in shares and securities : ₹

Category	Market value Break up or fair Value or NAV	Book Value (Net of Provisions)
1. Related Parties **	-	-
a. Subsidiaries	150,000,000	150,000,000
b. Companies in the same group	-	-
c. Other Related Parties	-	-
2. Other than related parties	-	-
Total	150,000,000	150,000,000

** As per accounting Standards

7. Other Informations: ₹

Particulars	As at 31.03.2017	As at 31.03.2016
I. Gross non performing assets		
a. Related parties	-	-
b. Other than related parties	121,942,166	36,104,497
II. Net Non Performing Assets		
a. Related parties-	-	-
b. Other than related parties	102,107,997	30,237,412
III. Assets acquired in satisfaction of debt (during the year)	-	-

NPA recognition norms changed from 180 days as on 31.03.2016 to 90 days as on 31.03.2017

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***CONSOLIDATED
FINANCIAL STATEMENTS***

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIVE-STAR BUSINESS FINANCE LIMITED

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FIVE-STAR BUSINESS FINANCE LIMITED ("the Holding Company"), its subsidiary company, (together referred as "the Group") which comprise the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

The Holding 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 consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group 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. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 Holding 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 consolidated financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Group as at March 31, 2017;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

(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 relating to preparation of the aforesaid consolidated 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated 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) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and its subsidiary company none of the directors of the Holding Company and its subsidiary company incorporated in India are disqualified as on

31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our "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:

i. the Consolidated financial statements disclose the effect of pending litigations on the consolidated financial position of the Group— as mentioned in Note 29.6;

ii. based on the current assessment of the long term contracts, in the ordinary course of business, the Group has made provision for losses as explained in Note 29.7 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.

iii. there has been no delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

iv. the Group has provided requisite disclosures in its consolidated financial statements as to holdings as well as dealings in Specified Bank Notes pertaining to subsidiary company incorporated in India, during the period from 8th November, 2016 to 30th December, 2016 as mentioned in Note 29.3 to the consolidated statements and the details are in accordance with the books of accounts maintained by the Group.

Chennai
23th May 2017

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

**“ANNEXURE A” TO THE AUDITORS’ REPORT
REFERRED TO IN PARAGRAPH 5 OF OUR
REPORT OF EVEN DATE**

**Report on the Internal Financial Controls under
Clause (i) of Sub-Section 3 of Section
143 of the Companies, Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Five-Star Business Finance Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

**Management’s Responsibility for Internal
Financial Controls**

The respective Board of Directors of the Holding company and its subsidiary company, which are companies incorporated in India, are 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 the respective 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”) issued by the ICAI 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 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 Holding Company and its subsidiary company, which are companies incorporated in India, have, 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.

Chennai
23th May 2017

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

Consolidated Balance Sheet as at 31st March 2017

₹

Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
A EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Share Capital	3	142,650,520	107,000,000
(b) Reserves and surplus	4	2,107,802,651	807,722,895
		2,250,453,171	914,722,895
2. Non-current liabilities			
(a) Long term borrowings	5	3,387,155,261	800,228,098
(b) Other Long term Liabilities	6	66,622	121,694
(c) Long term provisions	7	26,174,472	8,841,955
		3,413,396,355	809,191,747
3. Current liabilities			
(a) Short Term borrowings	8	468,774,796	138,215,578
(b) Trade payables: Total outstanding dues of			
(A) Micro Enterprises & Small Enterprises		-	-
(B) Creditors other than Micro enterprises & small enterprises	9	12,526,793	5,729,303
(c) Other current liabilities	10	759,051,293	371,251,439
(d) Short term provisions	11	36,467,948	13,157,303
		1,276,820,830	528,353,623
Total		6,940,670,356	2,252,268,265
B ASSETS			
1 Non- current assets			
(a) Fixed assets			
(i) Tangible assets	12	44,656,929	18,430,760
(ii) Intangible assets	12	3,597,872	657,127
(iii) Software under development	12	15,810,627	-
(b) Non-Current Investments	13	355,615	355,615
(c) Deferred tax assets(net)	14	24,616,366	10,087,770
(d) Long term receivables under financing activity	15	3,939,734,336	1,463,174,307
(e) Long term loans and advances	16	17,540,251	9,754,578
(f) Other Non Current Assets	17	1,228,077	2,255,336
		4,047,540,073	1,504,715,493
2 Current assets			
(a) Current Investments	18	43,430,932	40,000,000
(b) Cash and Bank Balances	19	1,849,111,838	178,811,321
(c) Short term receivables under financing activity	20	996,152,623	518,079,321
(d) Short term loans and advances	21	3,288,851	5,963,718
(e) Other Current Assets	22	1,146,039	4,698,412
		2,893,130,283	747,552,772
Total		6,940,670,356	2,252,268,265

Significant Accounting Policies and Notes to the Accounts 2 to 29
As per our report of even date attached

For Brahmaya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors**D. Lakshmpathy**

Chairman & Managing Director

Kalpna Iyer

Director

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

Consolidated Statement of Profit & Loss for the Year ended 31st March 2017

₹

Particulars	Note No.	2016 - 2017	2015 - 2016
Revenue			
Revenue from Operations	23	836,773,397	462,818,141
Other income	24	34,605,585	15,188,621
Total Revenue		871,378,982	478,006,762
Expenses			
Finance costs	25	238,334,104	140,728,963
Employee benefit expenses	26	191,333,787	78,410,236
Other expenses	27	92,195,754	38,386,266
Provision, loan loss and other charges	28	28,360,711	7,276,578
Depreciation	12	9,233,980	5,113,527
Preliminary Expenses written off		409,359	409,359
Total Expenses		559,867,695	270,324,929
Profit Before Tax		311,511,287	207,681,833
Tax expenses			
Current tax expenses (Refer Note 29.3)		129,807,177	74,984,093
Deferred tax		(14,528,596)	(4,509,711)
		115,278,581	70,474,382
Profit for the Year		196,232,706	137,207,451
Earnings per share - (Refer Note 29.4)			
Weighted Average number of Shares (Face Value Rs.10/- per share)		13,385,998	10,427,322
Basic (of Rs.10/- each)		14.66	13.16
Diluted		14.66	13.16

Significant Accounting Policies and Notes to the Accounts 2 to 29
As per our report of even date attached

For Brahmaya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors

D. Lakshmi pathy

Chairman & Managing Director

Kalpana Iyer

Director

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

Consolidated Cash Flow Statement for the Year ended 31st March 2017

₹

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	196,232,707	137,207,451
Add: Provision for Taxation	115,278,580	70,474,382
Add: Preliminary Expenses written off	409,359	409,359
	311,920,646	208,091,192
Add: Financial Expenses	237,324,652	140,728,963
	549,245,298	348,820,155
Depreciation	9,233,980	5,113,527
Provision against Non - Performing assets	13,967,084	1,485,008
General Provision on Standard Assets	14,393,627	1,635,373
Provision for Gratuity	2,109,827	1,354,604
(Profit)/ loss on sale of Fixed Assets	(241,767)	-
Operating Profit Before Working Capital Changes	588,708,049	358,408,667
(Increase) Decrease in Loans and Advances	(2,954,633,831)	(666,108,504)
(Increase) Decrease in Other Receivables	(5,090,736)	9,337,758
(Increase) Decrease in Other Current Assets	1,164,979	(1,155,215)
(Increase) Decrease in Other Non Current Assets	617,900	(303,436)
Increase (Decrease) in Current Liabilities	8,538,630	196,418
Preliminary Expenses Paid	-	2,046,795
Increase (Decrease) in Other Current Liabilities	54,862,662	(61,437)
	(2,894,540,396)	(660,141,211)
	(2,305,832,347)	(301,732,544)
Financial Expenses	(218,021,416)	(133,692,818)
Direct Taxes Paid	(119,654,122)	(74,017,131)
	(337,675,538)	(207,709,949)
Net Cash from Operating Activities (A)	(2,643,507,885)	(509,442,493)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(54,673,757)	(16,426,838)
Sale of Fixed Assets	704,000	-
Investments in Fixed Deposit	80,424	3,750,000
(Purchase) / Sale of Current Investments	(3,430,932)	(38,125,000)
(Purchase) / Sale of Non Current Investments	-	(355,615)
Net Cash from Investing Activities (B)	(57,320,265)	(51,157,453)

<i>Particulars</i>	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03 2016</i>
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term & Medium Term		
Increase in Share Capital	35,650,520	5,000,000
Increase in Share Premium	1,103,847,051	60,000,000
Proceeds from Issue of Debentures	1,372,725,000	300,000,000
Debentures Redeemed	-	(64,970,000)
Increase (Decrease) in Term Loans from Banks & Others	1,194,587,163	194,495,495
Increase (Decrease) in Loan from Directors	(13,893,000)	(4,811,000)
Increase (Decrease) in Other Borrowings	226,624,544	(67,123,218)
Short Term		
Increase (Decrease) in Bank Borrowings	451,667,814	53,070,599
Dividend paid (Including Corporate Dividend Tax)	-	(19,897,189)
Net Cash from Financing Activities (C)	4,371,209,092	455,764,687
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	1,670,380,943	(104,835,259)
Cash and Cash Equivalents at the Beginning of the Year	172,599,823	277,435,082
Cash and Cash Equivalents at the End of the Year	1,842,980,766	172,599,823
Components of Cash and Cash Equivalents at the end of the Year		
Cash on Hand	10,256,115	3,108,914
Cash with Scheduled Banks	1,832,724,650	169,490,909
Cash and Cash Equivalents	1,842,980,765	172,599,823

As per our report of even date attached

For Brahmaya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 23.05.2017

For and on behalf of Board of Directors

D. Lakshmi pathy

Chairman & Managing Director

Kalpana Iyer

Director

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

Notes forming part of the Financial Statements

1. Corporate information

Five-Star Business Finance Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows RBI guidelines applicable for NBFCs. The Company is a public limited company with Registered & Head Office at Kilpauk, Chennai.

The Company has been in business for 33 years providing finance for Small Business Loans and small housing loan against the security of the Borrower Property.

2. Significant accounting policies

2.1. Basis of accounting and preparation of financial statements

The financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the provisions of the Companies Act, 2013. The Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies.

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements.

The assets and liabilities have been classified as non-current and current based on a 12 month operating cycle.

The Parent Company, Five-Star Business Finance Limited, follows the prudential norms for income recognition, asset classification and provisioning as

prescribed by the Reserve Bank of India for Non Deposit Taking Non Banking Finance Companies (NBFC-ND). The subsidiary, Five-Star Housing Finance Private Limited, follows the Directions prescribed by the National Housing Bank (NHB) for Housing Finance Companies.

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. Depreciation / Amortisation

Depreciation on Fixed Assets is provided in accordance with useful life specified in the schedule II of the Companies Act, 2013 except for improvements to leasehold premises. Improvement to leasehold premises is depreciated over the maximum period of the lease initially agreed upon and in case of improvements to existing leased premises over the balance lease period. Depreciation for additions and deletions are provided on a pro-rata basis.

Intangible Assets are amortised over the expected useful life of 5 years.

2.4. Revenue recognition

"Interest Income is recognised under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. Income on Non-Performing assets is recognised only when realised and any interest accrued until the asset became a Non performing Asset and remaining overdue is de-recognised by

reversing the interest income.

Processing Fees, Penal Interest, Cheque bounce charges and other charges are recognised as income on receipt basis.

Income and expenditure from other activities and services are recognized on accrual basis.

2.5. Tangible fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

2.6. 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.

2.7. Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Non Current Investments are valued at cost, Current Investments are valued at lower of cost or net realisable value.

2.8. Employee benefits

Employee benefits include provident fund, gratuity and other employee benefits.

Defined contribution plans

Contributions to the Employees Provident Fund Scheme maintained by the Central Government and the Company's contribution to the fund are charged to the revenue.

Defined benefit plans

For defined benefit plans in the form of gratuity which is non funded, 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.

2.9. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on accrual basis.

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 item, if any) by the weighted average number of equity shares outstanding during the year.

2.11. 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 recognized on timing differences, being the difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2.12. Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, an asset's

recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount.

2.13. Provisions and contingencies

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

2.14. Basis of Consolidation

2.14.a. The financial statements of the Subsidiary company "Five-Star Housing Finance Private Limited have been consolidated on the basis of AS 21 given by the ICAI.

2.14.b. The Financial Statements of the Parent Company and its Subsidiary Company have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in realised profits/losses.

Notes forming part of Financial Statements

Note 3 Share Capital

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	₹	No. of Shares	₹
(a). Authorised Equity Shares of Rs.10 each	20,000,000	200,000,000	12,000,000	120,000,000
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	14,265,052	142,650,520	10,700,000	107,000,000

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	₹	No. of Shares	₹
Equity Shares				
Opening Balance	10,700,000	107,000,000	10,200,000	102,000,000
Add - Shares Issued During the Year	3,565,052	35,650,520	500,000	5,000,000
Closing Balance	14,265,052	142,650,520	10,700,000	107,000,000

(iii) **Terms/rights attached to Equity Shares:** The Company has only one class of equity shares having a par value of Rs.10 each. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees. Dividends proposed by the Board of Directors, if any is subject to the approval of the shareholders at the Annual General Meeting except in case of interim dividend. Repayment of capital will be in proportion to the number of equity shares held.

(iv) **Details of shares held by each shareholder holding more than 5% shares:**

Class of shares / Name of shareholder	As at 31.03.2017		As at 31.03.2016	
	No. of Shares held	% of holding in that class of shares	No. of Shares held	% of holding in that class of shares
Equity Shares				
Matrix Partners India Investment Holdings II, LLC	4,080,240	28.60	3,940,240	36.82
NHPEA Chocolate Holding B.V	3,565,052	24.99	-	-
D. Lakshmipathy	2,595,830	18.20	2,518,730	23.54
L. Hema	2,073,760	14.54	2,182,760	20.40

Note 4 Reserves and Surplus

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
(a) Securities premium account		
Opening balance	409,905,000	349,905,000
Add: Premium on shares issued during the year	1,103,847,051	60,000,000
Closing Balance	1,513,752,051	409,905,000
(b) Statutory Reserve		
Balance at the beginning of the year	97,260,000	69,700,000
Add: Amount transferred from surplus In the statement of profit and loss	39,300,000	27,560,000
Closing Balance	136,560,000	97,260,000
(c) General Reserve		
Balance at the beginning of the year	52,260,000	38,400,000
Add: Amount transferred from surplus In the statement of profit and loss	19,700,000	13,860,000
Closing Balance	71,960,000	52,260,000
(d) Surplus in the statement of Profit and Loss		
Balance at the beginning of the year	248,297,895	152,510,444
Less: Transition Reserve on Depreciation under Companies Act, 2013	-	-
	248,297,895	152,510,444
Add: Profit for the year	196,232,706	137,207,451
Less: Appropriations		
Transfer to Statutory Reserve	39,300,000	27,560,000
Transfer to General Reserve	19,700,000	13,860,000
Net Surplus in the statement of Profit and Loss	385,530,601	248,297,895
Total Reserves and surplus	2,107,802,652	807,722,895

₹

Note 5 : Long Term Borrowings

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
A. Secured:		
a. Redeemable Non Convertible Debentures	1,690,000,000	302,500,000
b. Term Loans:		
- From Banks	928,081,878	234,707,744
- From Other Parties	761,025,383	259,812,354
B. Unsecured:		
a. Loan from Related Parties	8,048,000	3,208,000
	3,387,155,261	800,228,098

Note 6 : Other Long Term Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest accrued but not due on borrowings	66,622	1,21,694
Total	66,622	1,21,694

Note 7 : Long Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Provision for Employee Benefits		
Provision for Gratuity	5,697,888	4,127,375
Other Provisions		
Provision for Standard Assets	15,583,385	3,633,176
Provision for Non-Performing Assets	4,893,200	1,081,404
Total	26,174,473	8,841,955

Note 8 : Short Term Borrowings

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks	242,150,252	138,215,578
B. Unsecured:		
a. Commercial Papers	226,624,544	-
Total	468,774,796	138,215,578

Note 9 : Trade Payables

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Total outstanding dues of creditors other than micro enterprises and small enterprises	12,526,793	5,729,303
Total	12,526,793	5,729,303

Note 10 : Other Current Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Current Maturities of Long Term Borrowings		
- from Banks	386,371,155	180,727,472
- from NBFCs	301,111,537	129,022,081
On Debentures	2,500,000	17,275,000
On Loan from Directors	2,089,000	20,822,000
Interest accrued but not due on borrowings	37,034,207	17,666,447
Insurance Premium	932,979	-
Unclaimed Dividend	663,873	790,115
Unpaid matured debentures	445,000	1,071,000
Interest accrued on unpaid matured Debentures	195,488	286,338
Unpaid Loan from Directors	150,000	200,000
Interest accrued on unpaid Loan from Directors	49,786	54,000
Statutory due Payable	5,489,380	3,336,986
Other Payables	22,018,889	-
Total	759,051,293	371,251,439

Note 11 : Short Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Provision for Employee Benefits		
Provision for Gratuity	841,379	302,065
Other Provisions		
Provision for Standard Assets	3,673,871	1,230,453
Provision for Non-Performing Assets	14,940,969	4,785,681
Provision for Income Tax	17,011,729	6,839,104
Total	36,467,948	13,157,303

Note 12 : Fixed Assets

	Gross Block				Depreciation			Net Block	
	Balance as at 01.04.2016	Addition	Deletion	Balance as at 31.03.2017	Balance as at 01.04.2016	For the Year	Deduction	Balance as at 31.03.2017	Balance as at 31.03.2016
(I) Tangible Assets									
Furniture & Fixtures	15,227,466	6,745,331	25,000	21,947,797	6,009,325	3,134,059	10,519	9,132,865	12,814,932
Computers	6,256,687	5,480,345	-	11,737,032	4,010,780	2,651,998	-	6,662,778	5,074,254
Office Equipments	1,659,047	3,127,773	-	4,786,820	914,642	549,318	-	1,463,960	3,322,860
Vehicles	9,602,795	-	1,756,300	7,846,495	3,349,218	1,879,482	1,308,548	3,920,152	3,926,343
Improvement to Leasehold premises	-	20,196,385	-	20,196,385	-	677,845	-	677,845	19,518,540
Total	32,745,995	35,549,834	1,781,300	6,65,14,529	14,283,965	8,892,702	1,319,067	21,857,600	44,656,929
(II) Intangible Assets									
Computer Software	1,169,059	3,313,296	-	4,482,355	543,205	341,278	-	884,483	3,597,872
Computer Software under development	-	-	-	-	-	-	-	-	15,810,627
Total	33,915,054	38,863,130	1,781,300	70,996,884	14,827,170	9,233,980	1,319,067	22,742,083	19,087,887
Previous Year	17,488,216	16,426,838	-	33,915,054	9,712,641	5,113,527	-	14,827,168	19,087,887
									7,774,575

Note 13 : Non-current Investments

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Investment Property	355,615	355,615
Total	355,615	355,615

Note 14: Deferred Tax Assets (Net)

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Deferred Tax Asset		
a) Depreciation	3,045,965	1,246,299
b) Employee Benefits		
Gratuity	2,254,971	1,533,029
Leave Encashment	383,010	-
c) Provision for Non Performing Assets	2,030,598	2,030,598
d) Provision for Standard Assts	6,636,217	1,683,302
e) Income derecognised on Non Performing Assets	10,266,485	3,594,542
Total (A)	24,617,246	10,087,770
Less: Deferred Tax Liability		
a) Depreciation	Total (B)	880
Net Deferred Tax Asset	(A) - (B)	10,087,770

Note 15 : Long Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Considered Good:		
A. Secured		
Loans	3,939,734,336	1,463,174,307
Total	3,939,734,336	1,463,174,307

Note 16 : Long Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Unsecured, Considered Good		
Rental Deposit		
- To Related Parties	335,200	400,000
- To Others	14,905,775	6,765,650
Security Deposit	2,186,875	2,500,000
Others	112,401	88,928
Total	17,540,251	9,754,578

Note 17 : Other Non Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest Accrued on Deposits with Banks and NBFCs	-	617,900
Unamortised Preliminary Expenses	1,228,077	1,637,436
Total	1,228,077	2,255,336

Note 18 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Investments in Mutual Funds		
Reliance Liquid Fund - Treasury Plan (Opening as 01.04.2016 - 10835 units, Addition During F.Y. 2016 - 17 - NIL, Redemptions During F.Y. 2016-17 - 10835 units and Closing as on 31.03.2017 - NIL Units)	-	40,000,000
SBI Cash Plus - Growth (Opening as on 01.04.2016 - NIL units, Additions During F.Y. 2016-17 - 28106.42 units, Redemptions During F.Y. 2016-17 - 25015.87 units and Closing as on 31.03.2017 - 3090.55 Units)	7,707,005	-
BSL Cash Plus - Growth (Opening as on 01.04.2016 - NIL units, Additions During F.Y. 2016-17 - 294291.07 units, Redemptions During F.Y. 2016-17 - 154284.97 units and Closing as on 31.03.2017 - 140006.10 Units)	35,723,927	-
Total	43,430,932	40,000,000
Aggregate cost of investments		
- At Cost	43,430,932	40,000,000
- At Market Value (Net Asset Value)	44,341,007	40,037,005

Note 19 : Cash and Bank Balances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	10,256,115	3,108,914
(b) Balances with Banks		
(i) In Current accounts	476,122,534	23,700,794
(ii) In Deposit accounts with less than 3 months maturity	1,355,938,331	145,000,000
(iii) In Unpaid Dividend Accounts	663,784	790,115
Total	1,842,980,764	172,599,823

2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Maturity more than 12 months	6,131,074	62,11,498
Total	1,849,111,838	17,88,11,321

Note 20 : Short Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Considered Good:		
A. Secured		
Loans	996,152,623	518,079,321
Total	996,152,623	518,079,321

Note 21 : Short Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Unsecured, Considered Good		
Rental Deposit		
- To Others	989,000	520,000
Branch Opening Advance	602,095	414,000
Security Deposit – Other NBFCs	-	3,907,164
Staff Advances	135,863	74,339
Others	1,561,893	1,048,215
Total	3,288,851	5,963,718

Note 22 : Other Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Interest Accrued on Deposits with Banks and NBFCs	-	4,698,412
Prepaid expenses	121,466	-
Others	195,492	-
Tax Deducted at Source	829,081	-
Total	1,146,039	4,698,412

Note 23 : Revenue from Operations

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Interest Income	741,440,969	410,783,452
Processing Fees	60,974,654	18,309,479
Penal Interest	11,894,897	2,67,24,780
Other operating income	22,462,877	70,00,430
Total	836,773,397	462,818,141

Note 24: Other Income

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Interest on Bank Deposits	20,200,042	11,224,818
Interest on NBFC Deposits	73,392	813,828
Gain on Redemption of Mutual Fund Units	12,452,570	2,513,125
Profit on sale of Fixed Assets	241,767	-
Other non-operating Income	1,637,814	636,850
Total	34,605,585	15,188,621

Note 25 : Finance Costs

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Interest on		
(i) Bank Loans	90,880,107	56,893,323
(ii) Corporate Loans	52,007,059	43,866,474
(iii) Debentures	64,233,474	20,344,160
(iv) Other Loans	1,596,590	3,379,673
Discounting Charges on Commercial Paper	525,294	7,876,782
Other Borrowing Costs	29,091,580	8,368,551
Total	238,334,104	140,728,963

Note 26 : Employee Benefit Expenses

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Salaries, Commission and Bonus	175,445,439	71,572,082
Contribution to Provident Fund, ESI and Gratuity	12,102,299	5,150,276
Staff welfare expenses	3,786,049	1,687,878
Total	191,333,787	78,410,236

Note 27 : Other Expenses

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Rent	12,628,554	7,280,517
Electricity Charges	1,525,386	905,136
Rates and Taxes	1,321,276	463,555
Communication Expenses	7,267,871	3,220,806
Consultancy Fees	7,345,795	3,104,787
Printing and Stationery	6,523,676	3,127,754
Directors Sitting Fees	380,000	250,000
Reimbursement of Conveyance	2,652,251	1,867,497
Audit Fees - Statutory Audit	900,000	511,450
- Tax Audit	300,000	200,000

- Other Services	400,000	15,000
Repairs and Maintenance	3,670,107	2,329,516
Traveling Expenses	732,651	713,228
Business Promotion Expenses	2,647,825	588,398
Meeting Expenses	2,806,355	351,309
Insurance	864,116	341,422
Service Tax	18,658,783	6,733,900
Collection Charges	7,875,846	3,751,243
Filing Fees	1,262,695	32,564
Rating Fees	2,368,074	627,179
Corporate Social Responsibility Activities	500,000	300,000
Other Donations	-	5,000
Software Development Expenses	1,100,000	-
Miscellaneous Expenses	8,464,493	1,666,005
Total	92,195,754	38,386,266

Note 28 : Provisions, Loan Losses and Other Charges

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Bad Debts	-	4,156,197
Provision for Non-Performing Assets	13,967,084	1,485,008
Provision for Standard Assets	14,393,627	1,635,373
Total	28,360,711	7,276,578

Note 29 : General

29.1. Additional information as required under schedule III to the Companies Act, 2013

<i>Particulars</i>	<i>Net Assets i.e. total assets minus total liabilities</i>		<i>Share in Profit or Loss</i>	
	<i>Name of the Entity</i>	<i>As a percentage of consolidated assets</i>	<i>Amount ₹</i>	<i>As a percentage of consolidated Profit or Loss</i>
Parent - Five-Star Business Finance Limited	-	2,244,910,246	-	193,748,451
Less: Investments made in subsidiary Company	-	150,000,000	-	-
	93.09	2,094,910,246	98.73	193,748,451
Subsidiary - Indian Five-Star Housing Finance Private Limited	6.91	155,542,926	1.27	2,484,255
Total	100.00	2,250,453,172	100.00	196,232,707

29.2. Related Party Transactions

29.2.a. Related Parties:

Key Management Personnel: Mr.D. Lakshmi pathy, Chairman and Managing Director

Relatives of Key Management Personnel:

Mr.D. Lakshmi pathy	L. Hema	Wife
	R. Deenadayalan	Father
	D. Varalakshmi	Mother
	B. Sudha	Sister

29.2.b. Details of related party transactions for the year

<i>Transactions</i>	<i>Key Management Personnel as at 31.03.2017</i> ₹	<i>Key Management Personnel as at 31.03.2016</i> ₹	<i>Relatives of Key Management Personnel as at 31.03.2017</i> ₹	<i>Relatives of Key Management Personnel as at 31.03.2016</i> ₹	<i>Others 31.03.2017</i> ₹	<i>Others 31.03.2016</i> ₹
Expenses:						
Interest	-	-	220,965	222,187	-	-
Salary	9,621,600	6,021,600	-	-	-	-
Commission /Remuneration	7,700,000	-	-	-	-	-
Rent	993,600	864,000	-	-	-	-
Assets						
Rent Advance	335,200	400,000	-	-	-	-
Liabilities						
Issue of Equity Shares	-	5,000,000	-	-	35,650,520	-
Receipt of Share Premium	-	60,000,000	-	-	1,103,847,051	-
Equity Share						
Capital	25,958,300	25,187,300	20,737,600	21,827,600	77,052,920	39,402,400
Borrowings	-	-	1,570,000	1,780,000	-	-

29.3. Disclosure relating to Specified Bank Notes (SBNs) as per MCA Notification No.GSR 308(E)

[F.NO.17/62/2015-CL-V-(VOL.I) dated 30th March 2017

₹

<i>Particulars</i>	<i>SBNs</i>	<i>Other Denomination Notes</i>	<i>Total</i>
Closing cash in hand as on 8-11-2016	1,521,000	345	1,521,345
(+) Other receipts	8,747,500	-	8,747,500
(+) Permitted receipts	-	87,358,287	87,358,287
(-) Permitted payments	-	383,096	383,096
(-) Amount deposited in Banks	10,268,500	84,821,413	95,089,913
Closing cash in hand as on 30-12-2016	-	2,154,123	2,154,123

29.4. Earnings per share

₹

<i>Particulars</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>
Profit after tax (Rs.)	196,232,706	137,207,451
Weighted Average Number of Equity Shares		
- Basic (No.)	13,385,998	10,427,322
- Diluted (No.)	13,385,998	10,427,322
Earnings Per Share (EPS)		
- Basic (No.)	14.66	13.16
- Diluted (No.)	14.66	13.16
Face Value of Shares (Rs.)	10	10

29.5. Contingent liability

Contested Claims Not Provided for:

₹

<i>Particulars</i>	<i>As at 31.03.2017</i>	<i>As at 31.03.2016</i>
Income Tax issue where the Company is in appeal	673,698	673,698
Disputed claims against the company lodged by parties under litigation*.	-	5,004,000

* The litigation was settled mutually between the parties for a one time settlement amount of Rs.3,900,001 which has been included in the profit & loss account for the financial year ended 31st March 2017.

29.6. Pending Litigations

The Pending Litigations as on 31st March 2017 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements wherever appropriate.

29.7. Provision for Loan Accounts

Based on the current status of the loan accounts, the company has made adequate provisions for losses, where required.

29.8. Previous Year Figures

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosures.

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

D. Lakshmi pathy

Chairman & Managing Director

Kalpana Iyer

Director

Place : Chennai

Date: 23.05.2017

G. Srikanth

Chief Financial Officer

B. Shalini

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 subsidiary

Part - A: Subsidiary

₹

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Five-Star Housing Finance Private Limited
	CIN	U74900TN2015PTC102366
	NHB Registration No.	05.0134.16
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency and exchange rate as on the last date of the relevant Financial year in case of foreign subsidiaries	NA
4.	Share Capital	150,000,000
5.	Reserves & Surplus	5,542,926
6.	Total Assets	190,335,234
7.	Total Liabilities	34,792,309
8.	Investments	43,430,932
9.	Turnover	6,004,799
10.	Profit before taxation	3,663,154
11.	Provision for taxation	1,178,899
12.	Profit after taxation	2,484,255
13.	Proposed dividend	NIL
14.	% of shareholding	100%

Five-Star Business Finance Limited
Old No.4, New No.27, Taylor's Road,
Kilpauk, Chennai - 600 010.
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