

KAILASH AUTO FINANCE LIMITED

**ANNUAL REPORT
2015-16**

COMPANY'S PROFILE

- Board of Director:**
- Mr. Dipan Patel Jesingbhai
Non Executive Director
 - Mr. Deepak Kunjbihari Dave
Non Executive Independent Director
 - Ms. Vanita Mansukh Parmar
Non Executive Independent Director
 - Mr. Murali Manohar Sarda, Company Secretary
 - Mr. Dilip Chauhan, Chief Financial Officer (CFO)

Registered Office: 15, Rolland Complex, 2nd Floor, The Mall
Kanpur-208001, Uttar Pradesh
Website: www.kailfin.com,
Email Id: info@kailfin.com

Statutory Auditor: Mr. Anil Agrawal
Chartered Accountant
342 Marahtal, Karamchand Chowk
Jabalpur-482002, Madhya Pradesh

Registrar and Share Transfer Agent: M/s Maheshwari Datamatics Private Limited
6, Mangoe Lane, 2nd Floor, Kolkata-700001
Tel.No: 033 2243 5809 / 5029, Fax No. : 033 – 22484787
Email: mdpl@cal.vsnl.net.in ; mdpldc@yahoo.com

Bankers : Axis Bank Limited

31st ANNUAL GENERAL MEETING

Date & Time: Saturday, 24th September 2016, at 11:00 A.M.
Venue: Mehfil Restaurant, 16/12, Civil Lines,
Near I G Police Residence, Kanpur-208001

Book Closure: From 17th September, 2016 to 24th September, 2016
(Both Days Inclusive)

**Stock Exchanges Where Shares
of the Company are Listed:** BSE Limited

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DIRECTOR'S REPORT

TO THE MEMBERS OF KAILASH AUTO FINANCE LIMITED

The Directors hereby present their Thirty First Annual Report on the business and operations of the Company and the financial statements for the year ended 31st March, 2016.

FINANCIAL SUMMARY

(Rs. in Lakhs)

Particulars	Year ended 31st March, 2016	Year ended 31st March, 2015
Total Income	3158.11	5925.50
Total Expenditure	3152.88	5647.15
Profit before Tax	5.23	278.35
Tax Expense	1.62	94.54
Provision for Standard Assets	0.25	1.71
Provision for Sub-Standard Assets	-	3.50
Profit for the period	3.36	178.60
Brought forward from previous year	(204.29)	(382.89)
Surplus carried to Balance Sheet	(200.93)	(204.29)

COMPANY PERFORMANCE

The Company's revenue during the year is Rs. 3158.11 Lakhs, as compared to Rs. 5925.50 Lakhs in the previous year. The Company's profit before tax is Rs. 5.23 Lakhs during the year, as compared to Rs. 278.35 Lakhs in the previous year. The Company earned a net profit of Rs. 3.36 Lakhs, as against a net profit of Rs. 178.60 Lakhs in the previous year.

DIVIDEND

In order to maintain a healthy capital adequacy ratio to support long term growth of your Company, your Directors has not recommended any Dividend for the Financial Year 2015-16.

TRANSFER TO RESERVES

The Company has not transferred any amount out of the profit earned to reserve account during the year under review. The entire profit earned during the year under review is proposed to be retained in the Statement of Profit and Loss.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF REPORT

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

SIGNIFICANT/MATERIAL ORDERS PASSED BY THE REGULATORS

SEBI vide its Ex-Parte Ad-Interim order dated 29th March, 2016 has suspended the Company from accessing the Capital Market directly or indirectly. Except this there were no significant material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its operations in future.

ADEQUACY OF INTERNAL CONTROLS

The Company's Internal Control Systems are commensurate with the nature, size and complexity of its business and ensure proper safeguarding of assets, maintaining proper accounting record and providing reliable financial information.

The Directors have laid down internal financial controls to be followed by the Company and such policies and procedures have been adopted by the Company 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 record and the timely preparation of reliable financial information.

An external independent firm carries out the internal audit of the Company operations and reports its findings to the Audit Committee on a regular basis. Internal Risk and Control function also evaluates organisational risk along with controls required for mitigating those risks. Internal Audit provides assurance on functioning and quality of internal controls along with adequacy and effectiveness through periodic reporting.

The Company has a Code of Business Conduct for all employees and a clearly articulated and internalized delegation of financial authority. These authority levels are periodically reviewed by management and modifications, if any, are submitted to the Audit Committee and Board for approval. The Company also takes prompt action on any violations of the Code of Business Conduct by its employees.

The Audit Committee reviews the effectiveness of the internal control system and also invites senior management personnel to provide updates on operating effectiveness and controls from time to time. A CEO/CFO Certificate signed by the Chief Financial Officer of the Company confirms the existence and effectiveness of internal controls and reiterates their responsibilities to report deficiencies to the Audit Committee. The Audit Committee also reviews the Risk management framework periodically and ensures it is updated and relevant.

During the year under review, the Internal Financial Control Audit was carried out by the Statutory Auditors, the Report of which is forming part of this Annual Report.

DEPOSITS

Being a non-deposit taking Company, your Company has not accepted any deposits from the public/members under Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 during the year and within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

STATUTORY AUDITORS

Mr. Anil Agrawal, Chartered Accountants, (Membership No: 079054) Statutory Auditors of the Company, hold office till the conclusion of the Annual General Meeting of the Company to be

held for the Financial Year 2016-17 and are eligible for re-appointment. They have confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for re-appointment.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Ms. Kavita Raju Joshi, Practising Company Secretary to undertake the Secretarial Audit of the Company for a consecutive term of three financial years starting from 2015-16 to 2017-18. The Secretarial Audit Report is given as "Annexure-A" forming part of this Report.

DETAILS OF SUBSIDIARY/ JOINT VENTURES/ASSOCIATE COMPANIES

The Company does not have any subsidiary/joint ventures/associate companies.

SHARE CAPITAL

The paid up Equity Share Capital as on 31st March, 2016 was Rs. 58,70,60,083/- divided into 58,70,60,083 Equity Shares of Re. 1/- each. During the year under review, the Company has not issued any shares.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 and the same is annexed as "Annexure-B" to this Report.

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

a) Particulars of Conservation of Energy, Technology Absorption

The Provisions of Section 134(m) of the Act relating to conservation of energy and technology absorption do not apply to this Company as the Company has not carried out any manufacturing activities.

b) Foreign Exchange Earnings and Outgo

During the year under review there was no foreign exchange outgo nor was any foreign exchange earned.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

a) Declaration by Independent Directors

All the Independent Directors have given a declaration that they meet the criteria of Independence as laid down under Section 149(6) of the Companies Act, 2013 read with the rules made there under and as per SEBI(Listing Obligations & Disclosure Requirements) Regulations, 2015. In the opinion of the Board, they fulfil the conditions of independence as Specified in the Act and the rules made there under.

b) Familiarisation Programme

The Independent Directors are familiarised with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. On appointment, the Independent Director is issued a Letter of Appointment setting out in detail, the terms of appointment, duties, responsibilities and expected time commitments. The Director is also informed in brief the various compliances required from him/her as a Director. The Director is also explained in detail the various compliances required from him as a Director under the various provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015. The details of familiarization programme are available on the Company's website at www.kailfin.com.

c) Non-Independent Director

In accordance with the provisions of Companies Act, 2013, Mr. Dipan Patel Jesingbhai (DIN: 05359769), Director of the Company, is liable to retire by rotation and being eligible, offers himself for re-appointment. The Board recommends his appointment with a view to avail his valuable advices and wise counsel.

A brief profile of the above Director seeking appointment/re-appointment required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given in the Notice forming part of the Annual Report.

d) Changes in Directorship during the year

During the year under review Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director from Independent Director with effect from 06th August, 2015.

Mr. Probir Kumar (DIN: 07091126) resigned from the Directorship of the Company with effect from 16th October, 2015. The Board places on record their appreciation for the valuable services rendered by Mr. Probir Kumar (DIN: 07091126) during his tenure.

e) Key Managerial Personnel

Mr. Babalu Prasad Keshari (DIN: 06695960) resigned from the Managing Directorship of the Company with effect from 06th August, 2015. The Board places on record their appreciation for the valuable services rendered by Mr. Babalu Prasad Keshari (DIN: 06695960) during his tenure.

Ms. Anchal Gupta resigned from the post of Secretary of Company with effect from 15th May, 2015. Ms. Vidisha Gehani was appointed as the Whole Time Secretary of the Company in place of Ms. Anchal Gupta. Ms. Vidisha Gehani resigned from the post of Whole Time Secretary of the Company on 16th October, 2015. The Board places on record their appreciation for the valuable services rendered by Ms. Anchal Gupta & Ms. Vidisha Gehani during their tenure.

Mr. Murali Manohar Sarma was appointed as Whole Time Company Secretary with effect from 29th April, 2016.

Mr. Dilip Chauhan was appointed as Chief Financial Officer (CFO) of the Company with effect from 29th April, 2016.

ANNUAL EVALUATION OF BOARD'S PERFORMANCE

Pursuant to the provisions of Section 178 of the Companies Act, 2013 and the SEBI Listing Regulations, evaluation of all Board members is done on an annual basis. The evaluation is done by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the performance and effective functioning of the Board and Individual Directors. Such performance evaluation process was formulated in consultation with the Nomination and Remuneration Committee and approved by your Board. The performance evaluation, thus, included the following:

a) Criteria for evaluation of Board of Directors as a Whole

- The frequency of meetings;
- The length of meetings;
- The number of committees and their roles;
- The flow of information to board members and between board members;
- The quality and quantity of information;
- The disclosure of information to the stakeholders.

b) Criteria for evaluation of the Individual Directors

- Ability to contribute and monitor corporate governance practices;
- Ability to contribute by introducing best practices to address top management issues;
- Participation in long term strategic planning;
- Commitment to the fulfilment of Director obligations and fiduciary responsibilities;
- Guiding strategy;
- Monitoring management performance and development;
- Statutory compliance & Corporate Governance;
- Attendance and contribution at Board/Committee meetings;
- Time spent by each of the member; and
- Core competencies.

The Directors expressed their satisfaction over the evaluation process and results thereof.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS:

During the financial year ended 31st March, 2016, twelve Board Meetings were held on 14th April 2015, 05th May 2015, 15th May 2015, 30th May 2015, 06th August 2015, 14th August 2015, 02nd September 2015, 16th October 2015, 14th November 2015, 13th February 2016, 10th March 2016 and 29th March, 2016. The maximum time gap between any two meetings was less than four months as stipulated under SEBI (LODR) Regulations, 2015. Details of Board meetings held during the financial year have been furnished in the Corporate Governance Report forming part of this Annual Report.

MEETINGS OF INDEPENDENT DIRECTOR

During the year under review, a meeting of Independent Directors was held on 10th March 2016 wherein the performance of the non-independent directors and the Board as a whole was reviewed. The Independent Directors at their meeting also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board of Directors of the Company.

COMMITTEES OF THE BOARD

The Company has constituted/re-constituted various Board level committees in accordance with the requirements of Companies Act, 2013. Details of all the above Committees along with the composition and meetings held during the year under review are provided in the report on Corporate Governance forming part of this report.

AUDIT COMMITTEE

The composition and terms of reference of the Audit Committee has been furnished in the Corporate Governance Report forming part of this Annual Report. There has been no instances where the Board has not accepted the recommendations of the Audit Committee.

NOMINATION AND REMUNERATION COMMITTEE

The composition and terms of reference of the Nomination and Remuneration Committee has been furnished in the Corporate Governance Report.

STAKEHOLDER RELATIONSHIP COMMITTEE

The composition and terms of reference of the Stakeholders Relationship Committee has been furnished in the Corporate Governance Report forming part of this Annual Report.

POLICY ON DIRECTORS APPOINTMENT & REMUNERATION

A Nomination and Remuneration Policy has been formulated pursuant to the provisions of Section 178 and other applicable provisions of the Companies Act, 2013 and Rules thereto stating therein the Company's policy on Directors appointment and remuneration by the Nomination and Remuneration Committee was approved by the Board of Directors. The said policy is appended as "Annexure- C" to this Report.

The said policy may also be referred to, at the Company's website at www.kailfin.com

WHISTLE BLOWER POLICY/VIGIL MECHANISM

The Board has adopted a Whistle Blower Policy to maintain highest standards of professionalism, honesty, integrity, ethical behaviour and to provide a vigil mechanism for Directors/Employees to voice concern in a responsible and effective manner regarding unethical matters involving serious malpractice, abuse or wrongdoing within the organisation. The Company affirms that during the year no personnel have been denied access to the Audit Committee.

The Whistle Blower Policy is available on the website of the Company at www.kailfin.com.

PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT AT WORKPLACE

The Company as an organization is committed to provide a healthy environment to all employees and thus does not tolerate any discrimination and/or harassment in any form. The Company has

in place a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013.

No complaints were received during the financial year 2015-2016.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The Company is exempted from the applicability of the provisions of Section 186 of the Companies Act, 2013 read with Rule 11 of the Companies (Meetings of Board and its Powers) Amendment Rules, 2014 as the Company is engaged in the business of financing and is registered as Non-Bank Financing Company with Reserve Bank of India..

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

A Related Party Policy has been devised by the Board of Directors for determining the materiality of transactions with related parties and dealings with them. The said policy may be referred to, at the Company's website at www.kailfin.com.

There are no contracts or arrangements entered into by the Company during the year with Related Parties referred to in Section 188 (1) of the Companies Act, 2013. There are no materially significant related party transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

Directors draw attention of the members to Note No. 20 to the financial statement which set out related party disclosures.

DISCLOSURE RELATING TO REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND EMPLOYEES:

A statement containing the details of the Remuneration of Directors, Key Managerial Personnel (KMP) and Employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given as "Annexure-D" forming part of this Report.

The Company have no employee drawing a remuneration of Rs. 60,00,000/- (Rupees Sixty Lakhs) per annum or part thereof in terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

CORPORATE GOVERNANCE

Pursuant to the provisions of Regulations 34 read with point C & E of Schedule V of SEBI (LODR) Regulations, 2015, a report on Corporate Governance is given as "Annexure-E" for the financial year ended 31st March, 2016 along with the Certificate on its Compliance is forming part of this Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis is given as "Annexure-F" forms an integral part of this report and gives details of the overall industry structure, economic developments, performance and state of affairs of your Company's various businesses, internal controls and their adequacy, risk management systems and other material developments during the financial year 2015-16.

RISK AND MITIGATING STEPS

The Company has identified various risks faced by the Company from different areas. Appropriate structures are present so that risks are inherently monitored and controlled inter alia through strict quality assurance measures.

The Company has adequate internal control system and procedures to combat risks. The risk management procedure is reviewed by the Audit Committee and Board of Directors on a quarterly basis at the time of review of quarterly financial results of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) & 134(5) of the Companies Act, 2013, the Directors of your Company confirm that:

- in the preparation of the annual accounts for the financial year ended 31st March, 2016, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit & loss of the Company for the Financial Year ended 31st March, 2016;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records for the year ended 31st March, 2016, in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a 'going concern' basis;
- the internal financial controls laid down by the Directors were followed by your Company and that such internal financial controls are adequate and operating effectively; and
- proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENT

Your Directors wish to convey their gratitude and place on record their appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year.

Your Directors sincerely convey their appreciation to customers, shareholders, vendors, bankers, business associates, regulatory and government authorities for their continued support.

Place: Mumbai
Date: 30th May, 2016

For & On behalf of the Board
Dipan Patel Jesingbhai
Director / Chairman
DIN: 05359769

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
Kailash Auto Finance Limited
15, Rolland Complex
2nd Floor, 37/17, The Mall
Kanpur-208001, Uttar Pradesh

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **KAILASH AUTO FINANCE LIMITED, CIN: L65921UP1984PLC006829** (“the Company”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

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

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

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
In spite of efforts made, the Company was not able to appoint Key Managerial Personnel under Section 203 of the Companies Act, 2013 read with Rule 8 of Companies (Appointment & Remuneration of Managerial personnel) Rules, 2014 of the Companies Act, 2013.
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings- (*not applicable to the company*);
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 – **(not applicable to the company)**;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008- **(not applicable to the company)**;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- **(not applicable to the company)**; and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- **(not applicable to the company)**;
- vi. Reserve Bank of India Act, 1934

I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has substantially complied with the following laws applicable specifically to the Company:

- Reserve Bank of India Directions, Guidelines and Circulars applicable to Systematically Important Non-Deposit Accepting NBFCs.

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

- i. Secretarial Standard on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India (ICSI) effective from 1st July, 2015.
- ii. The Listing Agreements entered into by the Company with the Stock Exchange(s) namely BSE Limited (BSE) read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

I further report that

- 1. The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-executive Directors, Woman Director 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.
- 2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

3. I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
4. **I further report that** during the audit period no events occurred which add bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.

Place: Mumbai
Date: 30th May, 2016

Kavita Raju Joshi
Practising Company Secretary
Membership No: 22387
CP No: 8893

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

**To,
The Members
Kailash Auto Finance Limited**
15, Rolland Complex
2nd Floor, 37/17 The Mall
Kanpur-208001, Uttar Pradesh

My report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**Place: Mumbai
Date: 30th May, 2016**

**Kavita Raju Joshi
Practising Company Secretary
Membership No: 22387
CP No: 8893**

FORM NO. MGT 9
Extract of Annual Return
As on financial year ended on 31.03.2016

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

I REGISTRATION & OTHER DETAILS:

i	CIN	L65921UP1984PLC006829
ii	Registration Date	14-Nov-84
iii	Name of the Company	Kailash Auto Finance Limited
iv	Category/Sub-category of the Company	Public Company/Limited by Shares
v	Address of the Registered office & contact details	15 Rollant Complex, 37/17 The Mall, Kanpur-208001, Uttar Pradesh Email: info@kailfin.com
vi	Whether listed company	Yes
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	M/s Maheshwari Datamatics Pvt Ltd. 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001, Phone : 033 22435029 / 22482248, Fax : 033 22484787, Email : mdpldc@yahoo.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Investment in Securities	649	85.77
2	Interest Income	643	14.22

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	NIL	NIL	NIL	NIL	NIL

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No of Shares held at the beginning of the year [As on 01-April-2015]				No of Shares held at the end of the year [As on 31-March-2016]				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A Promotes									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	600000	0	600000	0.1022	600000	0	600000	0.1022	0.0000
e) Banks/ FI									
f) Any other									
Sub-total(A)(1)	600000	0	600000	0.1022	600000	0	600000	0.1022	0.0000
(2) Foreign									
a) NRIs - Individuals									
b) Other - Individuals									
c) Bodies Corp.									
d) Banks/ FI									
e) Any other									
Sub-total(A)(2)	0	0	0	0.0000	0	0	0	0.0000	0.0000
Total shareholding of Promoter(A)=(A)(1)+(A)(2)	600000	0	600000	0.1022	600000	0	600000	0.1022	0.0000
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	52293	0	52293	0.0089	1557	0	1557	0.0003	-97.0225
h) Foreign Venture Capital Funds									
i) Others (specify) Alternate Investment Funds Foreign Portfolio Investors Provident Funds / Pension Funds Qualified Foreign Investor									
Sub-total(B)(1)-	52293	0	52293	0.0089	1557	0	1557	0.0003	-97.0225
2 Non-Institutions									
a) Bodies Corp.									
i) Indian	468423865	4600	468428465	79.7923	462285523	4600	462290123	78.7466	-1.3104
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	29525544	959233	30484777	5.1928	40700735	976633	41677368	7.0993	36.7153
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	87242468	0	87242468	14.8609	79744405	0	79744405	13.5837	-8.5945
c) Others (Specify)									
Non Resident Indians	49539	0	49539	0.0084	298142	0	298142	0.0508	501.8329
Qualified Foreign Investor									
Custodian of Enemy Property									
Foreign Nationals									
Clearing Members	170541	0	170541	0.0291	2283488	0	2283488	0.3890	1238.9672
Trusts	32000	0	32000	0.0055	0	0	0	0.0000	-100.0000
Foreign Bodies-DR									
Foreign Portfolio Investors									
NBFCs registered with RBI	0	0	0	0.0000	165000	0	165000	0.0281	100.0000
Employee Trusts									
Domestic Corporate Unclaimed Shares Account									
Sub-total(B)(2)-	585443957	963833	586407790	99.8890	585477293	981233	586458526	99.8975	0.0087
Total Public Shareholding(B)=(B)(1)+(B)(2)	585496250	963833	586460083	99.8979	585478850	981233	586460083	99.8978	0.0000
C. Shares held by Custodian for GDRs & ADRs									
Grand Total(A+B+C)	586096250	963833	587060083	100.0000	586078850	981233	587060083	100.0000	0.0000

ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the Year [As on 01/Apr/2015]			Shareholding at the end of the Year [As on 31/Mar/2016]			% change in share holding during the Year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1	SRI KARANI EXPORTS PRIVATE LIMITED	314700	0.0536	0.0000	314700	0.0536	0.0000	0.0000
2	RADHASHYAM DEALTRADE PVT. LTD.	285300	0.0486	0.0000	285300	0.0486	0.0000	0.0000
TOTAL		600000	0.1022	0.0000	600000	0.1022	0.0000	0.0000

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

Sl No.	Name	Shareholding at the beginning [01/Apr/15]/end of the year [31/Mar/16]		Cumulative Shareholding during the year [01/Apr/15 to 31/Mar/16]	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	SRI KARANI EXPORTS PRIVATE LIMITED 01-04-2015 31-03-2016	314700	0.0536	314700	0.0536
		314700	0.0536		
2	RADHASHYAM DEALTRADE PVT. LTD. 01-04-2015 31-03-2016	285300	0.0486	285300	0.0486
		285300	0.0486		

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

Sl No.	Name	Shareholding at the beginning [01/Apr/15]/end of the year [31/Mar/16]		Cumulative Shareholding during the year [01/Apr/15 to 31/Mar/16]	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	NIRDESH TRADING PVT.LTD. 01-04-2015 31-03-2016	12000429	2.0442	12000429	2.0442
		12000429	2.0442		
2	OPTIMISTIC MERCANTILE PRIVATE LIMITED 01-04-2015 31-03-2016	11664909	1.9870	11664909	1.9870
		11664909	1.9870		
3	ALOK KNIT EXPORTS LIMITED 01-04-2015 31-03-2016	18810000	3.2041	18810000	3.2041
		18810000	3.2041		
4	EXPRESSION DEALERS PRIVATE LIMITED 01-04-2015 31-03-2016	10742134	1.8298	10742134	1.8298
		10742134	1.8298		

Sl No	Name	Shareholding at the beginning [01/Apr/15]/end of the year [31/Mar/16]		Cumulative Shareholding during the year [01/Apr/15 to 31/Mar/16]	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
5	BHOLEBABA SUPPLIERS PRIVATE LIMITED 01-04-2015 31-03-2016	11197380 11197380	1.9074 1.9074	11197380	1.9074
6	AMRAPALI AADYA TRADING & INVESTMENT PVT. LTD. 01-04-2015 30/06/2015 - Transfer 07/08/2015 - Transfer 14/08/2015 - Transfer 28/08/2015 - Transfer 30/10/2015 - Transfer 20/11/2015 - Transfer 27/11/2015 - Transfer 29/01/2016 - Transfer 05/02/2016 - Transfer 11/03/2016 - Transfer 18/03/2016 - Transfer 31-03-2016	1325743 -756200 -73800 77579 2000 6211 -4000 -127533 15250000 2500000 1000 -8260000 9941000	0.2258 0.1288 0.0126 0.0132 0.0003 0.0011 0.0007 0.0217 2.5977 0.4259 0.0002 1.4070 1.6934	569543 495743 573322 575322 581533 577533 450000 15700000 18200000 18201000 9941000 9941000	0.0970 0.0844 0.0977 0.0980 0.0991 0.0984 0.0767 2.6743 3.1002 3.1004 1.6934 1.6934
7	GAINSAY PROPERTY PRIVATE LIMITED * 01-04-2015 30/06/2015 - Transfer 07/08/2015 - Transfer 09/10/2015 - Transfer 11/03/2016 - Transfer 31-03-2016	9178466 928000 75000 18500 150000 10349966	1.5635 0.1581 0.0128 0.0032 0.0256 1.7630	10106466 10181466 10199966 10349966 10349966	1.7215 1.7343 1.7375 1.7630 1.7630
8	MULTIFOLD AGENCIES PRIVATE LIMITED 01-04-2015 31-03-2016	10016339 10016339	1.7062 1.7062	10016339	1.7062
9	MINDSPECS VANIJYA PRIVATE LIMITED # 01-04-2015 31-03-2016	9961901 9961901	1.6969 1.6969	9961901	1.6969
10	QUICKSCOPE DEALERS PRIVATE LIMITED 01-04-2015 30/06/2015 - Transfer 29/01/2016 - Transfer 31-03-2016	13319717 35000 -2375000 10979717	2.2689 0.0060 0.4046 1.8703	13354717 10979717 10979717	2.2748 1.8703 1.8703
11	SIGNATURE DEALTRADE PVT LTD 01-04-2015 31-03-2016	15487111 15487111	2.6381 2.6381	15487111	2.6381
12	SAKTIMATA MARKETING PRIVATE LIMITED 01-04-2015 30/06/2015 - Transfer	9983110 125000	1.7005 0.0213	10108110	1.7218

* Not in the list of Top 10 shareholders as on 01/04/2015 The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31/03/2016.

Ceased to be in the list of Top 10 shareholders as on 31/03/2016. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01/04/2015.

v) Shareholding of Directors and Key Managerial Personnel

Sl No.	Name	Shareholding at the beginning [01/Apr/15]/end of the year [31/Mar/16]		Cumulative Shareholding during the year [01/Apr/15 to 31/Mar/16]	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company

vi) Indebtedness

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
Additions	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

vii) Remuneration of Directors and Key Managerial Personnel

A) Remuneration to Managing Director, Whole time director and/or Manager:

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager		Total Amount
1	Gross salary	Babalu Prasad Keshri	Probir Kumar	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	63,704.00	1,50,000.00	2,13,704.00
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit others (specify)	-	-	-
5	Others, please specify	-	-	-
	Total (A)	63,704.00	1,50,000.00	2,13,704.00
	Ceiling as per the Act			42,00,000.00

B) Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of the Directors			Total Amount
		Dipan Patel, Jesingbhai	Deepak Kunjbihari Dave	Vanita Mansukh Parmar	
1	Independent Directors				
	(a) Fee for attending board committee meetings	-	-	-	-
	(b) Commission	-	-	-	-
	(c) Others, please specify	-	-	-	-
	Total (1)				
2	Other Non Executive Directors	-	-	-	-
	(a) Fee for attending board committee meetings	-	-	-	-
	(b) Commission	-	-	-	-
	(c) Others, please specify.	-	-	-	-
	Total (2)				
	Total (B)=(1+2)	-	-	-	-
	Total Managerial Remuneration				
	Overall Ceiling as per the Act.	-	-	-	-

C) Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel				Total
		Vidisha Gehani	Anchal Gupta	CEO	CFO	
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	59,300.00	17,300.00	-	-	76,600.00
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission	-	-	-	-	-
	as % of profit	-	-	-	-	-
	others, specify	-	-	-	-	-
5	Others, please specify	-	-	-	-	-
	Total	59,300.00	17,300.00	-	-	76,600.00

viii) Penalties/Punishment/Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty /Punishment/ Compounding fees imposed	Authority (RD/NCLT /Court)	Appeal made if any (give details)
A. Company					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. Directors/Other officers in Default					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

NOMINATION & REMUNERATION POLICY

1. PREAMBLE

The Board of Directors of KAILASH AUTO FINANCE LIMITED (“the Company”) had constituted a Nomination and Remuneration Committee consisting of three (3) Directors, of which two directors were Independent Directors.

2. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement. The Key Objectives of the Committee would be:

- a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- d) To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- e) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- f) To devise a policy on Board diversity
- g) To develop a succession plan for the Board and to regularly review the plan.

3. DEFINITIONS

- a) **“Act”** means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- b) **“Board”** means Board of Directors of the Company.
- c) **“Directors”** mean Directors of the Company.
- d) **“Key Managerial Personnel”** means
 - i. Chief Executive Officer or the Managing Director or the Manager;
 - ii. Whole-time director;
 - iii. Chief Financial Officer;
 - iv. Company Secretary; and
 - v. Such other officer as may be prescribed.

- e) **“Senior Management”** means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.
- f) **“Independent Director”**:- As provided under Clause 49 of the Listing Agreement and under Section 149(6) of the Companies Act, 2013. ‘Independent Director’ shall mean a non-executive director, other than a managing director or a whole-time director or a nominee director of the Company:
- i. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - ii. a) who is or was not a promoter of the company or its holding, subsidiary or associate company; -
b) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - iii. who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
 - iv. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year; -
 - v. who, neither himself nor any of his relatives-
 - a) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of –
 - a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
 - c) holds together with his relatives two per cent. or more of the total voting power of the company; or
 - d) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
 - e) who possesses such other qualifications as may be prescribed.

4. ROLE OF COMMITTEE

a) Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- ii. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- iii. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

b) Policy for appointment and removal of Director, KMP and Senior Management

i. Appointment criteria and qualifications

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

ii. Term / Tenure

- **Managing Director/Whole-time Director:**The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole Time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- **Independent Director:** An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be

appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act and Listing Agreement, from time to time.

iii. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly). The following criteria are to be followed for reviewing the director's performance

- a. Accomplishment of the organization's mission, objectives and strategic results for which the Executive Director is responsible.
- b. Ensuring that the Board is well informed on issues affecting the continuing relevance of the mission and the performance and reputation of the Company.
- c. Adequacy of processes which monitor business performance, Board member interaction with management, adequacy of Board knowledge, adequacy of business strategy, Board being informed, evaluation process for executives and Director.
- d. Appropriateness of balance and mix of skills, size of Board, contribution of individual Board members, adequacy of performance feedback to Board members, adequacy of procedures dealing with inadequate performance by a Board member.
- e. Board's effectiveness in use of time, whether Board allowed sufficient opportunity to adequately assess management performance.
- f. Working relationship between chairman and chief executive officer, segregation of duties between Board and management, ability of Directors to express views to each other and to management in a constructive manner, adequacy of Board discussions and management of divergent views.

The evaluation will take annually as per the requirement of law and Listing Agreement. The performance evaluation will typically address activities, events and accomplishments that took place during the most recently completed fiscal year.

iv. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

v. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

c) Policy relating to the Remuneration for the Director, KMP and Senior Management Personnel

i. General:

- The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required. The remuneration and commission to be paid to the Whole-time Director, KMP and Senior Management Personnel shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director, KMP and Senior Management Personnel.
- Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

ii. Remuneration to Director, KMP and Senior Management Personnel:

➤ **Fixed pay:**

The Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

➤ **Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Director, KMP and Senior

Management Personnel in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

➤ **Provisions for excess remuneration:**

If any Director, KMP and Senior Management Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

iii. Remuneration to Non- Executive / Independent Director:

➤ **Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

➤ **Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

➤ **Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

➤ **Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

5. MEMBERSHIP

- a) The Committee shall consist of a minimum 3 directors, majority of them being independent.
- b) Minimum two (2) members, one of which must be an Independent Director, shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

6. CHAIRPERSON

- a) Chairperson of the Committee shall be an Independent Director.

- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

7. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

8. COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

9. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

10. VOTING

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

11. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

- a) Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b) Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- c) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d) Determining the appropriate size, diversity and composition of the Board;
- e) Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f) Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- g) Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

- h) Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- i) Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- j) Recommend any necessary changes to the Board; and
- k) Considering any other matters, as may be requested by the Board.

12. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

- a) To consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate.
- b) To approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c) To delegate any of its powers to one or more of its members or the Secretary of the Committee.
- d) To consider any other matters as may be requested by the Board.
- e) Professional indemnity and liability insurance for Directors and senior management.

13. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

14. AMENDMENT(S)/MODIFICATION(S)

The Nomination and Remuneration Committee will review and may amend/modify this policy from time to time.

“Annexure-D”

Statement of particulars as per Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Sl. No.	Name of the Director	Ratio of the remuneration to the median remuneration of the employees
1.	Babalu Prasad Keshari (Managing Director)	1.11
2.	Probir Kumar (Executive Director)	2.64
3.	Dipan Patel Jesingbhai (Non-Executive Director)	NIL
4.	Deepak Kunjbihari Dave (Independent Director)	NIL
5.	Vanita Mansukh Parmar (Independent Director)	NIL

Notes:

- Mr. Babalu Prasad Keshari (DIN: 06695960) resigned from the post of Managing Director of the Company with effect from 06th August, 2015.
- Mr. Probir Kumar (DIN: 07091126) resigned from the Directorship of the Company with effect from 16th October, 2015.

(ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager in the financial year 2015-16:

Sl. No.	Name of the Director	Ratio of the remuneration to the median remuneration of the employees
1.	Babalu Prasad Keshari (Managing Director)	Nil
2.	Probir Kumar (Executive Director)	Nil
3.	Dipan Patel Jesingbhai (Non-Executive Director)	Nil
4.	Deepak Kunjbihari Dave (Independent Director)	Nil
5.	Vanita Mansukh Parmar (Independent Director)	Nil
6.	Anchal Gupta (Company Secretary)	Nil
7.	Vidisha Gehani (Company Secretary)	Nil

Notes:

1. There was no increase in the remuneration of any Director during the Financial Year 2015-16 in comparison to Financial Year 2014-15.
2. Ms. Vidisha Gehani & Ms. Anchal Gupta, both resigned from the post of Whole Time Secretary of the Company, hence the percentage increase is not applicable.
3. Except Mr. Babalu Prasad Keshari (Managing Director) & Mr. Probir Kumar (Executive Director), none of the directors were paid remuneration.
4. Mr. Babalu Prasad Keshari (DIN: 06695960) resigned from the post of Managing Director of the Company with effect from 06th August, 2015.
5. Mr. Probir Kumar (DIN: 07091126) resigned from the Directorship of the Company with effect from 16th October, 2015.

(iii) The percentage of increase in the median remuneration of employees in the financial year: 138.75%

(iv) The number of permanent employees on the rolls of the Company: 10 (Ten)

(v) The explanation on the relationship between average increase in remuneration and Company performance:

The remuneration of any Director was not increased in the Financial Year 2015-16.

(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

S1. No.	Remuneration of Key Managerial Personnel	Performance of the Company for the year ended 31st March, 2016
1	The remuneration of Key Managerial Personnel was not increased	Total Income of the Company decreased from Rs. 5925.50 Lakhs to Rs. 3158.11 Lakhs for the financial year 2015-16 and net profit also decreased from Rs. 178.59 Lakhs to Rs. 3.36 Lakhs.

(vii) a) Variations in the Market Capitalisation of the Company: The Market Capitalisation as on 31st March, 2016 was Rs. 8277.55 Lakhs (Rs. 27885.35 Lakhs as on 31st March, 2015).

b) Price Earnings Ratio of the Company was nil as at 31st March, 2016 and was Rs. 158.33 as at 31st March, 2015.

(viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Average salary increase of non-managerial employees is 78.34 % in the financial year 2015-2016 and there was no increase in the average salary of managerial employees in the financial year 2015-16.

(ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company:

There is no increase in remuneration of any KMP during the last financial year 2015-16 in comparison to Financial Year 2014-15.

(x) The key parameters for any variable component of remuneration availed by the directors:

There is no variable component of remuneration availed by the Directors.

(xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:

During the financial year 2015-16, no employees received remuneration in excess of the highest paid Director.

(xii) Affirmation that the remuneration is as per the remuneration policy of the Company:

Remuneration paid during the year ended March 31, 2016 is as per the Remuneration Policy of the Company.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY’S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company considers good Corporate Governance a pre-requisite for meeting the needs and aspirations of its shareholders and other stakeholders in the Company and firmly believes that the same could be achieved by maintaining transparency in its dealings, creating robust policies and practices for key processes and systems with clear accountability, integrity, transparent governance practices and the highest standards of regulatory compliances.

2. BOARD OF DIRECTORS

a) Composition

The composition of the Board of Directors is in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As at 31st March, 2016, the Board consisted of three members comprising:

- One Non-Executive Director
- Two Non-Executive Independent Director

The composition and category of the Board are as follows:

Sl No.	Name	Designation	Category
1	Mr. Dipan Patel Jesingbhai	Chairman/Director	Non-Executive Director
2	Mr. Deepak Kunjbihari Dave	Director	Non-Executive Independent
3	Ms. Vanita Mansukh Parmar	Director	Non-Executive Independent

Notes:

1. Mr. Babalu Prasad Keshari (DIN:06695960) resigned from the post of Managing Director of the Company with effect from 06th August, 2015.
2. Mr. Probir Kumar (DIN:07091126) resigned from the Directorship of the Company with effect from 16th October, 2015.
3. Mr. Dipan Patel Jesingbhai (DIN:05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

This appropriate composition of the Board of Directors enables in maintaining the independence of the Board and separates its functions of governance and management. Over a period of time, the Board has fostered a culture of leadership to sustain your Company’s growth with a long-term vision and ingenious policy to improve the degree of Corporate Governance.

b) Board Meetings & Procedure

The Board ensures that the Company’s reporting and disclosure practices meet the highest standards of Corporate Governance and that the business practices followed by the Company are oriented towards meeting obligations towards various stakeholders and enhancing shareholders value.

The Board meets at regular intervals to discuss and decide on, inter alia, Company's business policies and strategies. Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are generally circulated at least seven days prior to the Board meeting.

c) Number and dates of Board Meetings held during the year

During the financial year ended 31st March, 2016 twelve Board Meetings were held. Details of board meetings held during the financial year and the number of directors present are listed below:

S1 No	Date of Board Meeting	Total strength of the Board	No. of directors present
1.	April 14, 2015	5	5
2.	May 05, 2015	5	5
3.	May 15, 2015	5	5
4.	May 30, 2015	5	5
5.	August 6, 2015	5	5
6.	August 14, 2015	4	4
7.	September 02, 2015	4	4
8.	October 16, 2015	4	4
9.	November 14, 2015	3	3
10.	February 13, 2016	3	3
11.	March 10, 2016	3	2
12.	March 29, 2016	3	3

The maximum time gap between any two meetings was less than four months as stipulated under Clause 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Attendance at aforesaid Board Meetings, at the last Annual General Meeting and the number of Directorships and Committee Chairmanship/Memberships in other Companies of each of the Directors as on 31st March, 2016 are below:

Name of Director	Board Meeting attended during the year	Attendance at the last AGM	Number of Directorships and Committee Membership/Chairmanship as on 31st March, 2016		
			Other Directorship #	Committee Membership ##	Committee Chairmanship
Mr. Dipan Patel Jesingbhai	11	Yes	-	2	-
Mr. Deepak Kunjbihari Dave	12	Yes	-	-	2
Ms. Vanita Mansukh Parmar	12	Yes	2	4	-

Notes:

1. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

Excluding Private Limited Companies and Companies under section 8 of the Companies Act, 2013.

Includes only membership of Audit Committee and Stakeholders Relationship/Grievance Committee as per SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015.

None of the Directors on the Board is a Member of more than 10 Board-level Committees or Chairman of more than 5 such Committees as specified in SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015, across all the Companies in which he/she is a Director.

None of the other Directors is acting as Independent Director in more than seven listed companies.

None of the Directors are related inter-se.

d) Information placed before Board of Directors

The Company has complied with Part-A of Schedule –II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 17(7) of the said regulations with regard to information being placed before the Board of Directors.

e) Meeting of Independent Directors

During the Financial year ended 31st March, 2016, one meeting of Independent Directors was held on 10th March, 2016 which was attended by all the Independent Directors of the Company, to discuss, inter-alia:

- Evaluation of the performance of the Non-Independent Directors and Board of Directors as a whole;
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to perform its duties effectively and reasonably.

3. COMMITTEES OF THE BOARD

The Board Committees have been constituted to review/deal with specific areas and activities, relevant Committee is meant for. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles including roles mandated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which are to be performed by the members of the Board as a part of good governance practice. The minutes of the meeting of all the Committees are placed before the Board for review.

A. AUDIT COMMITTEE

Composition

As on 31st March, 2016, the Committee consists of 3 Directors, all endowed with years of experience in the field of operations, finance and accounts. The Committee comprises of:

Sl No	Name	Category	Designation
1.	Mr. Deepak Kunjbihari Dave	Independent Director	Chairman
2.	Mr. Dipan Patel Jesinghbhai	Non-Executive Director	Member
3.	Ms. Vanita Mansukh Parmar	Independent Director	Member

Notes:

1. Mr. Dipan Patel Jesinghbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

The Chairman of the Audit Committee is an Independent Director and the Secretary of the Company acts as the Secretary to the Committee.

The Committee's composition and its terms of reference meet the requirements of Section 177 of the Companies Act, 2013 and SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee is empowered, pursuant to its terms of reference *inter-alia*, to:

- Investigate any activity within its terms of reference
- Seek information from any employee
- Obtain outside legal or other professional advice
- Secure attendance of outsiders with relevant expertise, if it considers necessary
- Have full access to information contained in the records of the Company

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal controls and financial reporting process and *inter alia* performs the following functions:

1. Overseeing your Company's financial reporting process and the disclosure of its information to ensure that the financial statements are correct, sufficient and credible;
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor, fixing of audit fees and approving payments for any other service;
3. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report as per Sec 134(3)(c) of the Companies Act, 2013;
 - Changes, if any, in the accounting policies and practices and the 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 the Listing Regulations and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions; and
 - Qualifications in the draft audit report, if any.
4. Examination of financial statements and the Auditors' report thereon.
 5. Reviewing with the management quarterly, half-yearly, nine months and annual financial statements, before submission to the Board for approval;
 6. Reviewing and monitoring the auditors' independence and performance, and effectiveness of audit process.
 7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
 8. Formulating in consultation with the Internal Auditor, the scope, functioning, periodicity and methodology for conducting the internal audit;
 9. Discussion with the internal auditors on internal audit reports relating to internal control weaknesses and any other significant findings and follow-up thereon;
 10. Evaluating the internal financial controls and risk management policies system of the Company;
 11. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 12. To review the functioning of the Whistle Blower Mechanism
 13. Any other matter referred to by the Board of Directors.

Meetings and Attendance during the year

The Audit Committee held Four (4) Meetings during the Financial Year 2015-16, the dates of the meeting being 30th May 2015, 14th August 2015, 14th November 2015 & 13th February 2016. The maximum gap between any two Meetings of the Audit Committee held during the year was not more than 120 days.

The attendance of the Members at the above Audit Committee meetings was as follows:

Name of the Member	No. of meetings held	No. of meetings attended
Mr. Deepak Kunjbihari Dave	4	4
Mr. Dipan Patel Jesingbhai	4	4
Ms. Vanita Mansukh Parmar	4	3
Mr. Babalu Prasad Keshari	4	1

Notes:

1. Mr. Babalu Prasad Keshari (DIN: 06695960) resigned from the post of Managing Director of the Company with effect from 06th August, 2015.
2. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

B. NOMINATION & REMUNERATION COMMITTEE

The role of the Nomination and Remuneration Committee is governed by its Charter and its composition is in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

Composition

As on 31st March, 2016, the Committee comprises of:

Sl No	Name	Category	Designation
1	Mr. Deepak Kunjbihari Dave	Independent Director	Chairman
2	Mr. Dipan Patel Jesingbhai	Non-Executive Director	Member
3	Ms. Vanita Mansukh Parmar	Independent Director	Member

Notes:

1. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

The composition and the terms of reference of the Committee meet with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Section 178 of the Companies Act, 2013 including rules framed there under.

Terms of reference of the Committee, inter alia, includes the following:

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;

- Formulate a criteria for determining qualifications, positive attributes and independence of a director;
- Carry out the evaluation of every director's performance and formulate criteria for evaluation of Independent Directors, Board/Committees of Board and review the term of appointment of Independent Directors on the basis of the report of performance evaluation of Independent Directors;
- Recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Devise a policy on Board Diversity;
- Undertake any other matters as the Board may decide from time to time.

Meetings and attendance during the year

During the financial year ended 31st March, 2016, one meeting of the Committee was held on 06th May, 2015.

The attendance of the members of the above Committee was as follows:

Name of the Member	No. of meetings held	No. of meeting attended
Mr. Deepak Kunjbihari Dave	1	1
Mr. Dipan Patel Jesinghbhai	1	1
Ms. Vanita Mansukh Parmar	1	1

Notes:

1. Mr. Dipan Patel Jesinghbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

Remuneration Policy

The success of the organization in achieving good performance and good governing practices depends on its ability to attract and retain individual with requisite knowledge and excellence as executive and non-executive directors.

The Remuneration Policy of the Company is attached as "Annexure-C" to the Board's Report.

Details of Remuneration to all Directors:

The details of remuneration paid to the Directors for the year ended 31st March, 2016 are as under:-

Name	Designation	Salary	Perquisites	Sitting Fees	Total
Mr. Deepak Kunjbihari Dave	Independent Director	-	-	-	-
Mr. Dipan Patel Jesinghbhai	Non-Executive Director	-	-	-	-
Ms. Vanita Mansukh Parmar	Independent Director	-	-	-	-
Mr. Babalu Prasad Keshri	Managing Director	63704	-	-	63704
Mr. Probir Kumar	Executive Director	150000	-	-	150000

Notes:

1. Mr. Babalu Prasad Keshari (DIN: 06695960) resigned from the post of Managing Director of the Company with effect from 06th August, 2015.
2. Mr. Probir Kumar (DIN: 07091126) resigned from the Directorship of the Company with effect from 16th October, 2015.
3. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

Disclosure pursuant to Part-II, Section-II, 3rd Provision, Point No-IV of Schedule-V under Section 196 and 197 of all the Directors

- i. All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc of all the Directors- As stated above
- ii. Details of fixed component and performance linked incentives along with performance criteria- Nil
- iii. Service Contracts, notice period, severance fees- Not Applicable
- iv. Stock options details, if any and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable- Not Applicable

None of the Non-Executive Director of the Company holds shares of the Company as on 31st March, 2016.

Performance Evaluation of Directors

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the Board of Directors has carried out an annual evaluation of its own performance and that of its Committees and Individual Directors.

The performance of the Board and Individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee members. The Nomination and Remuneration Committee reviewed the performance of the Individual Directors.

A separate meeting of Independent Directors was also held to review the performance of the Board, Non-Independent Directors and Chairman of the Company taking into account the views of Executive Directors and Non-Executive Directors.

The criteria for performance evaluation of the Board include aspects like Board composition and structure, effectiveness of Board processes, information and functioning, etc. The criteria for performance evaluation of committees of the Board include aspects like composition of committees, effectiveness of committee meetings, etc. The criteria for performance

evaluation of the Individual Directors include aspects like contribution to the Board and Committee Meetings, professional conduct, roles and functions, etc. In addition, the performance of Chairman is also evaluated on the key aspects of his roles and responsibilities.

C. STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of the Stakeholder Relationship Committee is in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

The Committee met 4 (four) times during the financial year 2015-16 on 30th May 2015, 14th August 2015, 14th November 2015 and 13th February 2016. The constitution of the Stakeholders Relationship Committee of the Board of Directors of your Company comprises of:

Sl No	Name	Category	Designation
1	Mr. Deepak Kunjbihari Dave	Independent Director	Chairman
2	Mr. Dipan Patel Jesingbhai	Non-Executive Director	Member
3	Ms. Vanita Mansukh Parmar	Independent Director	Member

Notes:

1. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

Meetings and Attendance during the year

The Committee held Four (4) Meetings during the Financial Year 2015-16, the dates of the meeting being 30th May 2015, 14th August 2015, 14th November 2015 & 13th February 2016.

The attendance of the Members at the above Committee meetings was as follows:

Name of the Member	No. of meetings held	No. of meetings attended
Mr. Deepak Kunjbihari Dave	4	4
Mr. Dipan Patel Jesingbhai	4	4
Ms. Vanita Mansukh Parmar	4	4

Notes:

1. Mr. Dipan Patel Jesingbhai (DIN: 05359769) was re-designated as Non-Executive Director of the Company from Independent Director with effect from 06th August, 2015.

4. GENERAL BODY MEETINGS

- a) Details of last three AGM and the summary of Special Resolutions passed therein are as under:

Year	Location	Date	Time	Special Resolutions Passed
2014-15	Mehfil Restaurant, 16/12 Civil Lines, Near I G Police Residence, Kanpur-208001	26.09.2015	11:00 am	Nil
2013-14	Mehfil Restaurant, 16/12 Civil Lines, Near I G Police Residence, Kanpur-208001	23.09.2014	11:00 am	Nil
2012-13	19, Rollant Complex, 37/17, The Mall, Kanpur-208001	23.09.2013	11:00 am	Nil

No special resolutions were passed in the last year through postal ballot.

There is no proposal as on date to pass any special resolution through postal ballot.

5. DISCLOSURES

1. There are no materially significant related party transactions of your Company which have potential conflict with the interests of the Company at large. The policy on related party transactions has been placed on the Company's website www.kailfin.com
2. The Company has generally complied with the requirements of the Stock Exchanges/SEBI and statutory authorities on all matters during the last three years. No penalty or strictures were imposed on the Company by these authorities.
3. Quarterly/Yearly Reports on compliance of mandatory and non-mandatory requirements in the prescribed format have been submitted to the Stock Exchanges where the shares of the Company are listed within the stipulated time. The Company has complied with all mandatory requirements to the extent applicable to the Company.
4. The Chief Financial Officer have certified to the Board in accordance with Part B of Schedule II to the Listing Regulations pertaining to CEO/CFO certification for the Financial Year ended 31st March, 2016.
5. The Company has a well defined risk management framework in place. The Company periodically places before the audit committee and the Board, the key risks and the risk assessment and mitigation procedures followed by the Company.
6. The Board has adopted a Whistle Blower Policy to maintain highest standards of professionalism, honesty, integrity, ethical behaviour and to provide a vigil mechanism for Directors/Employees to voice concern in a responsible and effective manner regarding unethical matters involving serious malpractice, abuse or

wrongdoing within the organisation. The Company affirms that during the year no personnel have been denied access to the Audit Committee.

The Whistle Blower Policy is available on the website of the Company www.kailfin.com

7. The Company has laid down a Code of Conduct for the members of the Board as well as for the employees of the Company. The Code has also been posted on the website of the Company – www.kailfin.com. The Director has confirmed and declared that all members of the Board and Senior Management have affirmed compliance with the Code of Conduct as per the requirements of the Regulation 26(3) of Listing Regulations, 2015.
8. The Financial Statements for the Financial year 2015-16 have been prepared in accordance with the applicable accounting principles in India, the mandatory Accounting Standards ('AS') as prescribed under Section 133 and other applicable provisions of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the guidelines issued by the Securities and Exchange Board of India to the relevant extent. The significant accounting policies which are consistently applied are set out in the Notes to the Financial Statements.

The Company has no subsidiary and hence there is no need to frame any policy for determining 'material' subsidiary.

The Company is not dealing in commodity and hence disclosure relating to commodity price risks and commodity hedging activities are not applicable.

9. Management Discussion and Analysis Report: This forms part of the Directors Report as "Annexure-F".

6. MEANS OF COMMUNICATION

1. The quarterly, half-yearly and yearly financial results of the Company as per the statutory requirements of the SEBI (LODR) Regulations, 2015 are published within the stipulated time as per the regulations in the leading newspapers i.e. Financial Express (all India edition) and Mumbai Lakshadeep.
2. The financial results are also filed electronically with BSE Limited and posted on the website of the Company.
3. The results are also displayed on the Company's website www.kailfin.com shortly after its submission to Stock Exchange.
4. During the year under review, the Company did not make any presentation to institutional investors or to analysts.
5. Comprehensive information about the Company, its business and operations can be viewed on the Company's website at www.kailfin.com. The "Investor" tab on the website of the Company gives information relating to financial results, Annual Reports, Shareholding Pattern, etc.

7. GENERAL SHAREHOLDER INFORMATION

1. The Thirty First (31st) Annual General Meeting will be held at Mehfil Restaurant, 16/12 Civil Lines, Near I G Police Residence, Kanpur-208001 on Saturday, 24th September, 2016 at 11:00 am.

2. Financial Calendar (Tentative and subject to change)

Period	Approval of Quarterly Results
For the Quarter ended June 30, 2016	2 weeks of August 2016
For the half year ended September 30, 2016	2 weeks of November 2016
For the Quarter ended December 31, 2016	2 weeks of February 2017
For the Financial Year ended March 31, 2017	Last week of May, 2017

3. Book Closure period: Saturday 17th September 2016 to Saturday 24th September, 2016

4. Listing on Stock Exchanges: The Company's Equity Shares are listed on

- BSE Limited (BSE)

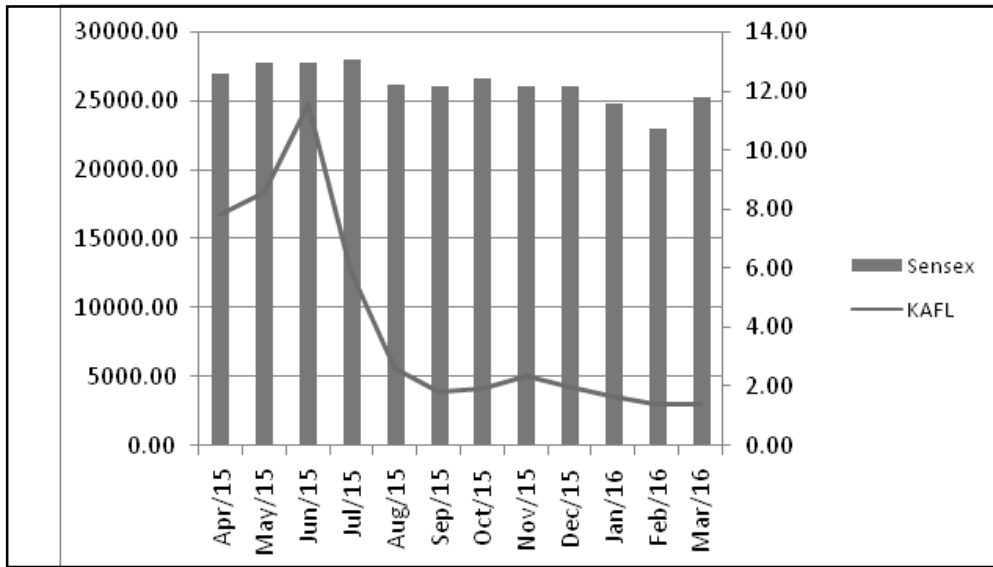
The annual listing fees for Equity Shares have been paid to the aforesaid Stock Exchange for the Financial Year 2016-17.

5. Stock Code:

- BSE Limited 511357

8. MARKET PRICE DATA

Year/Month	BSE (in Rs.)		SENSEX (in Rs.)	
	High	Low	High	Low
April, 2015	7.83	4.60	29094.61	26897.54
May, 2015	9.69	6.85	28071.16	26423.99
June, 2015	12.70	8.31	27968.75	26307.07
July, 2015	14.00	5.37	28578.33	27416.39
August, 2015	6.18	2.63	28417.59	25298.42
September, 2015	2.58	1.84	26471.82	24833.54
October, 2015	2.20	1.75	27618.14	26168.71
November, 2015	2.53	1.66	26824.30	25451.42
December, 2015	2.40	1.83	26256.42	24867.73
January, 2016	2.09	1.68	26197.27	23839.76
February, 2016	1.70	1.41	25002.32	22494.61
March, 2016	1.43	1.41	25479.62	23133.18



9. REGISTRAR & SHARE TRANSFER AGENT

M/s Maheshwari Datamatics Pvt Ltd
 6, Mangoe Lane, 2nd Floor, Kolkata -700001
 Tel No.: 033-2243 5029/5809
 Fax No.: 033-2248 4787
 Email Id: mdpldc@yahoo.com

10. SHARE TRANSFER SYSTEM

Requests for dematerialisation and transfer for shares in physical form are processed by the Registrar and Share Transfer Agent and approved by the Stakeholder Relationship Committee. The Share transfer process is reviewed by the said Committee.

11. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2016

Distribution of Shareholding

Range of Shares	No. of Shareholders	No. of Shares
1-500	6220	1194929
501-1000	1241	1095846
1001-2000	819	1321925
2001-3000	341	905128
3001-4000	161	591798
4001-5000	284	1374138
5001-10000	412	3285165
10001 and above	1236	577291154
Total	10714	587060083

Shareholding Pattern as on March 31, 2016

Category of Shareholders	No. of Shareholders	Total No. of Shares held	% of total Capital
Promoters	2	600000	0.10
Bodies Corporate	371	462290123	78.75
Resident Individual	10242	121421773	20.68
Non-Resident Individual	37	298142	0.05
Others	60	2283488	0.39
FII's	1	1557	0.00
NBFC	1	165000	0.03
Total	10714	587060083	100.00

12. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories, viz. National Securities Depository Limited (NSDL) & Central Depository Services Limited (CDSL).

As on March 31, 2016, 58,60,78,850 shares representing 99.83% of the total equity share capital of the Company were held in dematerialized form. The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL is INE410O01022.

Electronic Form with NSDL	:	283106789
Electronic Form with CDSL	:	302972061
Physical	:	981233

13. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY TO IMPACT ON EQUITY: Not applicable.**14. ADDRESS FOR CORRESPONDENCE**

- **Kailash Auto Finance Ltd**
Registered Office:
15, Rolland Complex, 2nd Floor
37/17, The Mall, Kanpur-208001, Uttar Pradesh

Corporate Office:
Office No. 214, Sterling Chamber, Mogra Village Road
Opp Old Nagardas Road, Andheri (East)
Mumbai-400069, Maharashtra
Ph- +91 22 2205 7729
Email: info@kailfin.com
Website: www.kailfin.com

- **M/s Maheshwari Datamatics Pvt Ltd**
Registrar & Share Transfer Agent
6, Mangoe Lane, 2nd Floor, Kolkata - 700001
Tel No.: 033-2243 5029/5809
Fax No.: 033-2248 4787
Email Id: mdpldc@yahoo.com

15. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT

The Company has laid down a Code of Conduct for the members of the Board as well as for the employees of the Company. The Code has also been posted on the website of the Company – www.kailfin.com.

The Director has confirmed and declared that all members of the Board and Senior Management have affirmed compliance with the Code of Conduct as per the requirements of the Regulation 26(3) of Listing Regulations, 2015 and the same has been published in this Report.

Place: Mumbai
Date: 30th May, 2016

For and On Behalf of Board of Directors
Dipan Patel Jesingbhai
Director / Chairman
DIN: 05359769

CEO / CFO CERTIFICATE

To,
The Board of Directors
M/s. Kailash Auto Finance Limited

- 1) I have reviewed financial statements and the cash flow statement of M/s Kailash Auto Finance Limited for the year ended 31st March, 2016 and to the best of my knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- 3) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting and I have disclosed to the auditors and Audit Committee, deficiencies in the design or operation of such internal control, if any, of which I am aware and the steps have been taken or propose to rectify these deficiencies.
- 4) I have indicated to the Auditors and the Audit Committee:
 - a. that there are no significant changes in internal control over financial reporting during the year;
 - b. that there are no significant changes in accounting policies during the year;
 - c. that there are no instances of significant fraud of which I have become aware.

Place: Mumbai
Date: 30th May, 2016

Dilip Chauhan
Chief Financial Officer

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director and Executive Directors. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors and Independent Directors. These codes are available on the Company's website.

I confirm that the Company has in respect of the year ended March 31, 2016, received from the Senior Management Team of the Company and the members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

Place: Mumbai
Date: 30th May, 2016

For and On Behalf of Board of Directors
Dipan Patel Jesingbhai
Director / Chairman
DIN: 05359769

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
M/s Kailash Auto Finance Ltd

- 1) I have examined the compliance of conditions of Corporate Governance by M/s Kailash Auto Finance Ltd (“**the company**”) for the year ended 31st March, 2016 as stipulated in:
 - Ø Clause 49 (excluding Clause 49(VII)(E)) of the Listing Agreements of the Company with the Stock Exchanges for the period from April 1, 2015 to November 30, 2015.
 - Ø Clause 49 (VII)(E) of the Listing Agreements of the Company with Stock Exchanges for the period from April 1, 2015 to September 01, 2015
 - Ø Regulation 23(4) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“the listing regulations”) for the period from September 2, 2015 to March 31, 2016 and
 - Ø Regulations 17 to 27 (excluding Regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and paragraphs C,D and E of Schedule V of the Listing Regulations for the period from December 1, 2015 to March 31, 2016.
- 2) The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- 3) In my opinion and to the best of my information and according to the explanations given to me, and the representations made by the Directors and the Management, I certify that the Company has complied, in all material respect, with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement or SEBI Regulations, 2015, for the respective periods of applicability as specified under Paragraph 1 above, during the year ended March 31, 2016
- 4) I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Mumbai
Date: 30th May, 2016

Kavita Raju Joshi
Practising Company Secretary
Membership No-22387
CP No: 8893

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Global Outlook

According to the World Bank, global GDP will grow at 2.9 per cent in 2016, after growing at 2.4 per cent in 2015. Growth rate is expected to move up to 3.1 per cent in 2017. The estimates by International Monetary Fund (IMF) are a little more optimistic than the World Bank projections. IMF expects global economy to grow by 3.2 per cent in 2015 and by 3.5 per cent in 2016.

Global growth engines are following divergent economic policies. USA is experiencing continuous improvement in housing and labour markets, although the rising bond spreads suggest that markets are nervous about the sustainability of profits. Quantitative easing has stopped, but the Federal Reserve is willing to keep monetary conditions accommodative till there is a full-fledged recovery. However, the protectionist overtones from the Presidential election campaign do not augur well for global trade. In the Euro area, private consumption has picked up due to the liberal monetary policy and low oil price. Meanwhile, Europe tries to cope with a refugee crisis. The ramifications of a possible exit of Britain from the European Union are still unknown. Japan continues with expansionary monetary policy and has adopted a negative savings rate in order to fuel consumption. The Chinese economy continues to rebalance itself and is moving away from manufacturing and investment led growth towards a more services and consumption driven model. China's slowdown is creating pressure on Emerging and Developing Economies (EDEs), especially those with strong trade linkages with China.

Compared to previous years, the EDEs are no longer seen as drivers of global growth anymore. EDEs with financial imbalances are likely to be the worst affected. The IMF points towards the possibility of global economy entering a phase of widespread stagnation.

B. Indian Scenario

India is presently the fastest growing major economy in the world. IMF's global economic forecast has identified India as the “bright spot” amidst a bleak global economy. This year's Economic Survey describes India as a “refuge of stability and an outpost of opportunity” at a time of global turbulence and volatility. India grew 7.2 per cent in 2014-15 and 7.6 per cent (advance estimate) in 2015-16. For 2016-17, the Survey pegs the GDP growth at between 7 and 7.75 per cent, quite a broad range keeping in mind the interplay of a number of domestic and international factors.

The Government of India has done well in adhering to the fiscal targets, initiating a number of national schemes and structural reforms, expanding the scope of the direct benefit transfer scheme, re-starting stalled projects besides stepping up public investment in infrastructure projects and ushering in a sense of competitive federalism. Low international oil prices have helped in containing inflation and currency has also remained stable. Also, Foreign Direct Investment (FDI) figures are at an all-time high touching USD 51 billion during April-February 2015-16.

C. NBFCs in India

NBFCs have always been an integral part of the Indian financial system. They have been complementing and supplementing the banking sector in reaching out credit to the un-banked segments of the society thus promoting financial inclusion, and over the years their gamut of

activity has kept on expanding, so much so, that the difference between the banks and NBFCs is getting blurred. The biggest contribution of NBFCs is their ability to cater to the needs of the Micro, Small & Medium Enterprises (MSMEs) which form the cradle of entrepreneurship and innovation in India. After all, it is these MSMEs, scattered throughout the Country, account for nearly 40 per cent of India's total employment and form the backbone of the India Growth Story. NBFCs, because of their ground level understanding of customers' profile and their credit needs and their ability to innovate and customise products as per their clients' needs, are the perfect conduit for credit delivery to MSMEs.

The year under review witnessed several regulatory developments for the NBFC sector. The major ones are the following:-

- NBFC Infrastructure Debt Funds (NBFC-IDFs) have been allowed by RBI to:
 - refinance non-PPP infrastructure projects too (earlier they were restricted to refinance only PPP projects)
 - provide take-out financing for infrastructure projects that have completed one year of operation in PPP segment without a tripartite agreement
 - provide take-out financing for infrastructure projects in non-PPP segment subject to conditions
 - enter sectors where there is no presence of any project authority provided those are infrastructure projects which have completed at least one year of satisfactory commercial operation.
- Central Board of Direct Taxes (CBDT) widened the scope of tax exemption for NBFC-IDFs provided infrastructure projects have completed one year of commercial operation
- NBFCs with minimum asset size of Rs. 100 crore will have to maintain a loan-to-value (LTV) ratio of 50 per cent in case of lending against collateral of listed shares (not applicable in case of unlisted shares)
- RBI released draft guidelines on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs' in order to put in place adequate safeguards for addressing the risks involved therein and to bring compliance levels in line with the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC)
- NBFC registered with RBI are eligible to undertake Repo transactions in corporate debt securities
- Prior written permission from RBI is now needed for any takeover or acquisition of control, any change in shareholding resulting in 26 per cent or more as well as any change in management of an NBFC
- RBI has allowed NBFCs to retain 'standard asset' tag on a restructured loan for an extended period if an infrastructure project is mired in Court cases or has been stuck due to reasons beyond control of promoters
- RBI has allowed NBFCs to upgrade credit facilities to borrowing entities whose ownership has changed outside Strategic Debt Restructuring (SDR) to 'standard' category upon such change in ownership

D. Overview of the Company

Your Company believes that by pursuing Innovative business modes, the businesses can be transformed to create sustainable benefits for all and long term value for our stakeholders. The year has not been good for the Company.

We executed transactions with transparency imbibing knowledge keeping our commitment by building partnerships with our clients and that synchronizes our work with our core values. Our approach is object oriented and therefore, we work with core purposes of providing solutions.

E. OPPORTUNITIES

The major opportunities are:

1. Healthy and sustainable economic growth rate with sound macro-economic fundamentals.
2. Young and aspiring population.
3. NBFCs are fast emerging as an important segment of Indian Financial System.
4. Recognized as complementary to the banking sector due to its customer oriented services, flexibility and timeliness in meeting the credit needs of specified sectors, etc.

F. THREATS

The major threats are:

1. Stiff competition with NBFCs as well as with banking sector.
2. Technology Advancement.
3. Adverse Regulatory Changes.
4. Increased competition from local and global players operating in India.

G. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

In any industry, the process and internal control systems play a critical role in the health of the Company. The Company has set up internal control procedures commensurate with its size and nature of the business to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly, applicable statutes and corporate policies are duly complied with. The Audit Committee also seeks the views of statutory auditors on the adequacy of the internal control systems in the Company. Internal audit is conducted to assess the adequacy of our internal control procedures and processes, and their reports are reviewed by the audit committee of the Board. Policy and process corrections are undertaken based on inputs from the internal auditors. The prime objective of such audits is to test the adequacy and effectiveness of the internal controls lay down by management and to suggest improvements.

H. HUMAN RESOURCES

Human Resource is one of the most important key to success of any Company. Your Company business critically depends on quality of manpower. Your Company posses unique challenges to the Human Resource function. The HR function of your Company has been

structured and aligned in line with the business needs and requirements. The Company business is managed by a team of competent and passionate leaders, capable of enhancing your company standing in the competitive market. The Company employees have a defining role in significantly accelerating its growth and transformation, thereby enhancing its position as one of the largest corporate houses. The Company has a structured recruitment process; the focus is on recruiting people who have the right mindset for working, supported by structured training programme and internal growth opportunities. The Company consistently invests efforts in training and developing its employees, which in turn leads to sustained growth.

I. CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis, describing the Company's objectives, opportunities and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. The actual result may vary materially from those expressed or implied in the statement. Several factors make a significant difference to the Company operation including the government regulation, taxation and economic scenario affecting demand and supply condition and other such factors over which the Company does not have any direct control.

INDEPENDENT AUDITOR'S REPORT

To
The Members of
KAILASH AUTO FINANCE LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Kailash Auto Finance Limited** ("the Company"), which comprise the Balance Sheet as at **31st March 2016**, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so

required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at **31st March 2016**, and its Profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the **Companies (Auditor's Report) Order, 2016** ("the Order") issued by the 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 the paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on March 31, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**", and
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :
 - i. The pending litigation of the Company is disclosed in Notes No 23 & 24 to the Standalone Financial Statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. The derivative contracts during the year have been accounted for as per the accounting policy mentioned in note no 1.10.
 - iii. There was no amount required to be transferred, to the Investor Education and Protection Fund by the Company.

**For Anil Agrawal
Chartered Accountants**

**Anil Agrawal
Proprietor
Membership No: 79054
Place: Mumbai
Date: May 30, 2016**

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure A referred to in paragraph 1 in Report on Other Legal & Regulatory Requirement of the Independent Auditor's Report to the members of the company on the standalone financial statements for the year ended March 31, 2016, we report that:

- i (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals. We have been informed that no material discrepancies were noticed on such physical verification.
- (c) The Company does not have any immovable property.
- ii According to the information and explanation given to us, in respect of equity shares held as stock for trade, the same has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As explain to us no material discrepancies were noticed on physical verification.
- iii According to the information and explanation given to us, the company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnership or other parties covered in the Register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii)(a),(b)and (c) of the order are not applicable to the company and hence not commented upon.
- iv According to the information and explanation given to us, the company has complied with the provisions of section 185 & 186 of the Act.
- v According to the information and explanation given to us, the company has not accepted any deposits from the public in accordance with the provisions of sections 73 to 76 or any relevant provisions of the Act and the rules frame there under.
- vi The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act.
- vii (a) According to the information and explanations given to us, and on the basis of our examination of the records of the company, amounts deducted /accrued in the books of account in respect of undisputed statutory dues, including Provident Fund , Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Duty of Customs ,Duty of Excise, Value Added Tax and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax and any other material statutory dues were in arrears, as at 31st March, 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the dues which have not been deposited by the company on account of disputes are as follows

1. **Interest Tax:**

Assessment Years 1998-99, 1999-00 and 2000-01: Cases are pending before Allahabad High Court by the Income Tax Department against the order of ITAT where in it is held that the Finance Charges on Hire Purchase is not interest but a profit.

2. **Income Tax:**

- a. Assessment Year 2001-02 and 2002-03: Cases are pending before Allahabad High Court (by the Deptt.) against the order of the ITAT wherein depreciation is allowed at the rate of 40% on leased vehicles.

- b. Assessment Year 1996-97: Case is pending before Allahabad High Court against the penalty order passed by the ITAT.
- c. Assessment Year 2004-05: Case is pending before ITAT (u/s 254) and before High Court against the legal ground that case cannot be opened u/s 148 before completion of 12 months in which return of income was originally filed.
- d. Assessment Year 2006-07: Case is pending before CIT (Appeals) Kanpur against the order of the Assessing Officer.
- e. Assessment Year 2007-08: Case is pending for assessment before DCIT – 6 Kanpur.
- f. Assessment Year 1995-96: We have filed a Writ Petition before Lucknow High Court under the KAR VIVAD SAMADHAN SCHEME and matter is pending before Lucknow High Court.
- g. Assessment Year 1992-93: Application is pending for appeal effect to be given before the Assessing Officer.

The quantification of above liabilities has not been done on account of cases pending before the authority.

3. Legal Cases:

- a. Disputed Case of Bhubaneswar Branch for recovery of Rs. 4.45/- Lacs deposited in court.
 - b. Disputed Case of Citi Corp for recovery of Rs. 3.04/- Lacs of Alwar Branch.
 - c. Disputed Case liabilities of Rs 3.08/- Lacs repayable if claimed by the customer.
- viii According to the information and explanation given to us, and based on our examination of records, the company has not availed of any loans from any financial institution or banks and has not issued any debentures.
 - ix The company did not raise any money by way of initial public offer or further public offer (including debt instrument) and term loans during the year.
 - x According to the information and explanation given to us, no material fraud on the company by its officers and employees or fraud by the company has been noticed or reported during the course of our audit.
 - xi According to the information and explanations given to us and based on the examination of the records of the company, the company has paid /provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
 - xii According to the information and explanations given to us, in our opinion the Company is not a Nidhi Company as prescribed under Section 406 of the Act.
 - xiii According to the information and explanations given to us and based on our examination of records of the company transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, were applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
 - xiv According to the information and explanations given to us, and based on our examination of records of the company, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
 - xv 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.

xvi According to the information and explanations given to us, and as per our examination of records, the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and the registration has been obtained.

**For Anil Agrawal
Chartered Accountants**

**Anil Agrawal
Proprietor
Membership No: 79054**

**Place: Mumbai
Date: May 30, 2016**

**ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE
STANDALONE FINANCIAL STATEMENTS OF KAILASH AUTO FINANCE LIMITED**

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

We have audited the internal financial controls over financial reporting of Kailash Auto Finance Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness

exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- ii. 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 authorizations of management and directors of the company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

**For Anil Agrawal
Chartered Accountants**

**Anil Agrawal
Proprietor
Membership No: 79054**

**Place: Mumbai
Date: May 30, 2016**

BALANCE SHEET AS AT 31ST MARCH, 2016

	Notes	As at 31st March, 2016 Rs	As at 31st March, 2015 Rs
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	587,060,083	587,060,083
Reserves and Surplus	3	12,509,364	12,173,578
		<u>599,569,447</u>	<u>599,233,661</u>
Non- Current Liabilities			
Long Term Borrowings	4	3,727,099	1,447,099
		<u>3,727,099</u>	<u>1,447,099</u>
Current Liabilities			
Other Current Liabilities	5	14,435,969	28,826,319
Short-Term Provisions	6	16,350,477	16,133,933
		<u>30,786,446</u>	<u>44,960,252</u>
TOTAL		<u>634,082,992</u>	<u>645,641,012</u>
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Asset	7	333,808	653,877
Non-Current Investments	8	39,107,139	35,202,139
Long Term Loans & Advances	9	28,212,095	35,545,000
Deferred Tax Assets (Net)	10	373,309	339,763
		<u>68,026,351</u>	<u>71,740,779</u>
Current Assets			
Inventories	11	-	21,696,952
Cash and Bank Balances	12	10,812,886	11,557,316
Short Term Loans and Advances	13	555,243,755	540,645,965
		<u>566,056,641</u>	<u>573,900,233</u>
TOTAL		<u>634,082,992</u>	<u>645,641,012</u>
Significant Accounting Policies :	1		
Notes on Financial Statements :	2-37		

The accompanying notes are an integral part of Financial Statements
As per our Report of even date attached

For Anil Agrawal
Chartered Accountants

On behalf of the Board

CA Anil Agrawal
Proprietor

D J Patel
Diretor

D K Dave
Director

Membership No: 79054
Place : Mumbai
Date : 30th May, 2016

M M Sarda
Company Secretary

D Chauhan
Chief Financial Officer

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

	Notes	As at 31st March, 2016 Rs	As at 31st March, 2015 Rs
INCOME			
Revenue from Operations	14	337,501,925	624,161,768
Other Income	15	6,000	26,215
Increase/(Decrease in Inventories)	16	(21,696,952)	(31,637,581)
TOTAL REVENUE		315,810,973	592,550,402
EXPENDITURE			
Purchases		309,114,671	553,774,108
Employee Benefit Expenses	17	1,257,810	994,160
Finance Cost	18	1,621,908	1,063,699
Depreciation		342,069	87,751
Other Expenses	19	2,951,479	8,795,984
TOTAL EXPENSES		315,287,937	564,715,702
Profit Before Tax		523,036	27,834,699
Provision for Standard Assets		24,987	171,319
Provision for Substandard Assets		-	350,000
Tax Expense			
Current Tax		195,810	9,426,664
Deferred Tax		33,546	27,070
Profit for the year		335,785	17,859,646
Earnings per share of face value of Re 1/- each			
Basic		0.00	0.03
Diluted		0.00	0.03

Significant Accounting Policies : 1
Notes on Financial Statements : 2-37

The accompanying notes are an integral part of Financial Statements
As per our Report of even date attached

For Anil Agrawal
Chartered Accountants

On behalf of the Board

CA Anil Agrawal
Proprietor

D J Patel
Diretor

D K Dave
Director

Membership No: 79054
Place : Mumbai
Date : 30th May, 2016

M M Sarda
Company Secretary

D Chauhan
Chief Financial Officer

Cash Flow Statement for the year ended 31st March, 2016

(Amount in Rs)

PARTICULARS	2015-2016	2014-2015
A. Cash Flow from Operating Activities		
Profit Before Tax	523,036	27,834,699
Adjustments for:		
Depreciation	342,069	87,751
Dividend Income	(26,506)	-
Operating Profit before Working Capital Changes	<u>838,599</u>	<u>27,922,450</u>
Changes in Working Capital		
(Decrease) / Increase in Other Current Liabilities	(14,390,350)	2,371,207
(Decrease) / Increase in Long Term Borrowings	2,280,000	-
(Increase) / Decrease in Inventories	21,696,952	31,637,581
(Increase) / Decrease in Long Term Loans & Advances	7,332,905	(26,100,000)
(Increase) / Decrease in Short Term Loans & Advances	<u>(14,597,790)</u>	<u>(73,342,967)</u>
Cash Flow before Prior Period & Extraordinary Items	3,160,316	(37,511,729)
(Decrease) / Increase in Income Tax Payable	(4,252)	-
Cash Flow from Operating Activities (A)	<u>3,156,064</u>	<u>(37,511,729)</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(22,000)	(720,976)
(Increase) / Decrease in Investments	(3,905,000)	37,249,483
Dividend Recd	26,506	-
Cash Flow from Investing Activities (B)	<u>(3,900,494)</u>	<u>36,528,507</u>
C. Cash Flow from Financing Activities (C)	-	-
Net Increase / (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	<u>(744,430)</u>	<u>(983,222)</u>
Cash & Cash Equivalents at the beginning of the year	<u>11,557,316</u>	<u>12,540,539</u>
Cash & Cash Equivalents at the end of the year	<u>10,812,886</u>	<u>11,557,316</u>

The accompanying notes are an integral part of Financial Statements

As per our Report of even date attached

For Anil Agrawal
Chartered Accountants

On behalf of the Board

CA Anil Agrawal
Proprietor
Membership No: 79054
Place : Mumbai
Date : 30th May, 2016**D J Patel**
Diretor
M M Sarda
Company Secretary**D K Dave**
Director
D Chauhan
Chief Financial Officer

1 Significant Accounting Policies:

1.1 Basis of Accounting:

The Financial Statements are prepared under the historical cost convention, on accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the applicable Accounting Standards referred to under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014.

1.2 Use of Estimates:

The preparation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made by management that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialized.

1.3 Revenue Recognition:

Income and expenditure are recognized and accounted on accrual basis as and when they are earned or incurred. Revenue from sales transaction is recognized as and when the significant risk and reward attached to ownership in goods is transferred to the buyer. However leave with wages and bonus is accounted on cash basis.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sale price and the carrying value of the investment. Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

Hire purchase and Lease Income is accounted by using the internal rate of return (IRR) implicit in contracts to provide a constant periodic rate of return on the net outstanding on those contracts.

Prompt payment rebate and overdue charges are determined and accounted for on termination of the contracts.

The company follows prudential norms for recognition of Income of Non Performing Assets as per the directions prescribed by Reserve Bank of India for NBFC.

1.4 Fixed Assets

Fixed Assets are stated at cost inclusive of installation and attributable expenses less accumulated depreciation/ amortization thereon and impairment losses, if any.

1.5 Depreciation:

Depreciation on fixed assets is provided on written down value method (WDV) at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013.

Intangible assets are amortized over their estimated useful life on a straight line basis.

1.6 Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standards) Rules, 2006. Current investments also include current maturities of long- term investments. All other investments

are classified as non-current investments. Current investments are carried at lower of cost and market price determined category-wise. All non-current investments are carried at cost. However, provision for diminution in value, other than temporary in nature, is made to recognize a decline, on an individual basis.

Investment in Venture Capital Fund is valued at cost.

1.7 Impairment:

The carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment based on internal/external factors. Where the carrying value exceeds the estimated recoverable amount, provision for impairment is made to adjust the carrying value to the recoverable amount. The recoverable amount is the greater of the assets estimated net realizable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discounting rate. If at the Balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum of depreciable historical cost.

1.8 Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

1.9 Inventories

Stock in trade is valued at cost or market price whichever is lower.

1.10 Derivatives

Pursuant to the announcement on Accounting for derivatives issued by the Institute of Chartered Accountants of India (ICAI), the company in accordance with the principle of prudence as enunciated in Accounting Standard 1 on 'Disclosure of Accounting Policies' provides for losses in respect of all outstanding derivative contracts at the Balance Sheet date by marking them to market. Any gains arising on such mark to market are not recognized as income.

1.11 Foreign Currency:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary items in foreign currencies are stated at the closing exchange rate. Gains/losses on conversion/translation are recognized in the Statement of Profit and Loss. All forward exchange contracts are backed by underlying transactions and the premium or discount arising at inception of such a forward exchange contract is amortized as expense or income over the life of the contract and the exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change.

1.12 Cash Flow Statement:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals

or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

1.13 Employee Benefits:

Short term benefits and post employment benefits are accounted in the period during which the services have been rendered.

1.14 Taxation:

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

In accordance with the guidance note issued by the Institute of Chartered Accountants of India ('ICAI') on accounting for credit available in respect of Minimum Alternate Tax (MAT) under the Income Tax Act, 1961, the Company recognizes MAT credit as an asset only when and to the extent there is convincing evidence that the Company will be liable to pay normal income tax during the specified period.

Deferred tax charge or credit and correspondingly deferred tax liability or asset is recognized using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. In the event of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount i.e. reasonable/virtually certain (as the case may be) to be realized.

1.15 Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the 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 the 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.

1.16 Earnings per Share:

The basic earnings per share are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except where the results would be anti-dilutive.

1.17 Provisioning For Standard Assets

The Reserve Bank of India (RBI) vide Notification no. DNBS 223/CGM/(US)-2011 dated January 17, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets. Accordingly, the company has made provision @0.25% on standard assets in accordance with RBI directions.

1.18 Segment Reporting:

The generally accepted accounting principles used in the preparation of the financial statements are applied to record revenue and expenditure in individual segments.

Segment revenue and segment results include transfers between business segments. Such transfers are accounted for at the agreed transaction value and such transfers are eliminated in the consolidation of the segments.

Expenses that are directly identifiable to segments are considered for determining the segment result. Expenses, which relate to the company as a whole and are not allocable to segments, are included under unallocated corporate expenses.

Segment assets and liabilities include those directly identifiable with the respective segments. Unallocated corporate assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

Notes forming part of the Financial Statements

Note 2 SHARE CAPITAL

(Amount in Rs)

Particulars	As at	As at	As at	As at
	31st March, 2016 (No of Shares)	31st March, 2016 Rs	31st March, 2015 (No of Shares)	31st March, 2015 Rs
(a) Authorised Share Capital				
Equity Shares of Rs 10/- each	10,000,000	100,000,000	10,000,000	100,000,000
Equity Shares of Re 1/- each	600,000,000	600,000,000	600,000,000	600,000,000
Preference Shares of Rs100/- each	500,000	50,000,000	500,000	50,000,000
	<u>610,500,000</u>	<u>750,000,000</u>	<u>610,500,000</u>	<u>750,000,000</u>
(b) Issued , Subscribed and Fully Paid up				
Equity Shares of Re 1/- each fully paid up	587,060,083	587,060,083	587,060,083	587,060,083
TOTAL	<u>587,060,083</u>	<u>587,060,083</u>	<u>587,060,083</u>	<u>587,060,083</u>

Notes:

(A) Reconciliation of number of equity shares outstanding as at the beginning and at the end of the reporting period:

Particulars	As at	As at
	31st March, 2016 (No of Shares)	31st March, 2015 (No of Shares)
Equity Shares of Re1/- each outstanding at the beginning of the year	587,060,083	587,060,083
Equity Shares of Re1/- each outstanding at the end of the year	<u>587,060,083</u>	<u>587,060,083</u>

(B) The details of shareholders holding more than 5% shares:

Name of shareholders	31st March, 2016		31st March, 2015	
	Number of shares held	% held	Number of shares held	% held
-	-	-	-	-

(C) Information on equity shares allotted without receipt of cash or allotted as bonus shares or shares bought back.

5,85,91,08,00 Equity Shares were allotted to the erstwhile shareholders of Careful Projects Advisory Ltd and Panchshul Marketing Ltd pursuant to Scheme of Amalgamation sanctioned by the Hon'ble High Courts in the year 2013-14.

(D) Rights, preference and restrictions attached to the Equity Shares

The Equity Shares of the Company , having par value of Re1 per share, rank paripasu in all respects including voting rights and entitlement to dividend.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

	As at 31st March, 2016 Rs	As at 31st March, 2015 Rs
Note - 3 Reserves & Surplus		
Profit & Loss Account		
At the Beginning of the year	(20,429,004)	(38,288,650)
Add For The Year	335,785	17,859,646
At the end of the year	(20,093,218)	(20,429,004)
General Reserve		
At the Beginning and at the end of the year	8,955,000	8,955,000
Securities Premium Account		
At the Beginning and end of the year	19,262,549	19,262,549
Statutory Reserve		
At the Beginning and at the end of the year	3,528,000	3,528,000
Capital Reserve		
At the Beginning and at the end of the year	857,033	857,033
	<u>12,509,364</u>	<u>12,173,578</u>
Note - 4 Long Term Borrowings		
Fixed Deposit with Public	270,000	270,000
Add Interest Accrued and Due on Fixed Deposits	19,280	19,280
Less Amount Deposited in SBI Escrow Account	<u>321,590</u>	<u>(32,310)</u>
Other Liabilities	3,759,409	1,479,409
	<u>3,727,099</u>	<u>1,447,099</u>
Note - 5 Other Current Liabilities		
Liabilities For Expenses	250,609	123,190
Trade Payables	14,060,306	28,470,603
Statutory Dues	125,054	232,526
	<u>14,435,969</u>	<u>28,826,319</u>
Note - 6 Short Term Provisions		
Provision for Standard Assets	1,343,242	1,318,256
Provision for Substandard Assets	350,000	350,000
Provision for Tax	14,657,235	14,465,677
	<u>16,350,477</u>	<u>16,133,933</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

Note 7: FIXED ASSETS

(Amount in Rs)

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	Cost as on 01.04.2015	Additions	Sales/ Adjustment	Cost as on 31.03.2016	Upto 01.04.2015	Sales/ Adjustment	For the Year	Upto 31.03.2016	As on 31.03.2016	As on 31.03.2015
Computer	537,018	-	-	537,018	85,092	-	288,270	373,362	163,656	451,926
Furniture & Fixture	211,726	-	-	211,726	11,412	-	51,957	63,369	148,357	200,314
Printer	22,048	-	-	22,048	20,411	-	536	20,947	1,101	1,637
Air Conditioner	-	22,000	-	22,000	-	-	1,306	1,306	20,694	-
Total	770,792	22,000	-	792,792	116,915	-	342,069	458,984	333,808	653,877
Prev:Year	49,816	720,976	-	770,792	29,164	-	87,751	116,915	653,877	-

Notes forming part of the Financial Statements

	As at 31st March, 2016 Rs	As at 31st March, 2015 Rs
Note - 8 Non Current Investments		
Investments (at Cost):		
Investment In Venture Capital Fund	27,150,000	27,150,000
Other Investments	11,957,139	8,052,139
	<u>39,107,139</u>	<u>35,202,139</u>
Note - 9 Long Term Loans & Advances		
(Unsecured, considered good unless otherwise stated)		
Advances Given	27,767,095	35,100,000
Security Deposit with Court	445,000	445,000
	<u>28,212,095</u>	<u>35,545,000</u>
Note - 10 Deffered Tax Assets		
Opening Balance	339,763	366,833
Addition during the Year	33,546	(27,070)
Closing Balance	<u>373,309</u>	<u>339,763</u>
Note - 11 Inventories		
Closing Stock of Equity Shares	-	21,696,952
	<u>-</u>	<u>21,696,952</u>
Note - 12 Cash and Cash Balances		
Cash on hand	1,502,636	955,712
Balance with Scheduled Banks		
- In current account	9,310,250	10,601,604
Escrow Account	-	-
	<u>10,812,886</u>	<u>11,557,316</u>
Note - 13 Short Term Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Loans & Advances	537,296,938	527,302,267
Advance recoverable in cash or in kind or value to be received	361,531	172,791
Balance with Revenue Authorities	17,585,286	13,170,907
	<u>555,243,755</u>	<u>540,645,965</u>
Note - 14 Revenue From Operations		
Sales	289,465,783	576,223,822
Interest Income	48,009,636	47,937,946
Other Operating Income	26,506	-
	<u>337,501,925</u>	<u>624,161,768</u>

Notes forming part of the Financial Statements

	As at 31st March, 2016 Rs	As at 31st March, 2015 Rs
Note - 15 Other Income		
Miscellaneous income	6,000	26,215
	<u>6,000</u>	<u>26,215</u>
Note - 16 Increase /(Decrease in Inventories)		
Closing Stock of Shares	-	21,696,952
Opening Stock of Shares	21,696,952	53,334,533
	<u>(21,696,952)</u>	<u>(31,637,581)</u>
Note - 17 Employees Benefit Expenses		
Salaries and Bonus	1,054,154	846,418
Staff Welfare	203,656	147,742
	<u>1,257,810</u>	<u>994,160</u>
Note - 18 Finance Cost		
Interest Paid	<u>1,621,908</u>	<u>1,063,699</u>
	1,621,908	1,063,699
Note - 19 Other Expenses		
Advertisement	28,364	69,118
Printing & Stationery	34,772	67,300
Rent paid	455,616	266,832
Travelling & Conveyance	137,662	380,695
Miscellaneous expenses	826,615	4,661,384
General Expenses	168,276	111,329
Postage & Courier Charges	14,117	101,864
Bank Charges	15,474	29,021
Professional & Legal Fees	763,420	2,622,130
Connectivity Charges	182,443	191,012
Listing Fees	224,720	186,799
Auditors' Remuneration		
As Audit Fees	50,000	45,000
Tax Audit Fees	15,000	10,000
In Other capacity	35,000	53,500
	<u>2,951,479</u>	<u>8,795,984</u>

20 Related Party Transactions

- a. Name of the related parties in transaction with the company and description of relationship

Key Managerial Personnel:

Mr Babalu Prasad Keshari — Managing Director

Ms Vidisha Gehani — Company Secretary

- b. Transaction with Related Parties during the Year

Name	Nature of Transactions	Year Ending March 31, 2016	Year Ending March 31, 2015
Mr. Babalu Prasad Keshari	Remuneration	63,704	1,80,000
Ms. Vidisha Gehani	Remuneration	59,300	—

21 Earnings per Share as per Accounting Standard 20:

Particulars	Year Ending 31st March, 2016	Year Ending 31st March, 2015
Profit after Tax	3,35,785	1,78,59,646
Weighted Average number of Equity Shares used as denominator for calculating EPS	58,70,60,083	58,70,60,083
Basic Earnings Per Share of Re1/- each	0.00	0.03
Potentially dilutive shares	58,70,60,083	58,70,60,083
Diluted Earnings per share	0.00	0.03

22. Deferred Tax Asset

Particulars	Year Ending 31st March, 2016	Year Ending 31st March, 2015
Fixed Asset as per Income Tax Act	3,46,497	5,62,567
Fixed Asset as per Companies Act	3,33,809	6,53,877
Difference	(12,688)	91,310
Deferred Tax Liability / (Assets)	(3,920)	29,626

23. The Securities and Exchange Board of India had passed an ad interim exparte order against the company on 29.03.2016 under section 19 read with section 11(1), section 11(4) and section 11B of the SEBI Act 1992 restraining the company from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner

what so ever till further directions. The management has informed that the company had already made a suitable representation before the SEBI vide its letter dated May 02, 2016 and hoping to get away from the said restraint soon. Further the management has informed that the above restraint will not have any material impact on the financial performance of the company.

24. Contingent Liabilities:

a. Contingent Liabilities not provided for

Particulars	Year Ending March 31, 2016 Rs	Year Ending March 31, 2015 Rs
Income Tax & Interest Tax demands disputed by the company (Amount already paid Rs 57,98,482/-)	58,37,482	58,37,482
Service Tax on Hire Purchase and Lease transaction not realized and paid in view of interim stay of Hon'ble Madras High Court.	Amount not ascertained	Amount not ascertained
Disputed penalty liabilities in legal cases (Amount already paid Rs 3,55,000/-)	7,00,213	7,00,213
Income Tax Demand for the F.Y.2003-04 (Matter pending with ITAT)	4,45,727	4,45,727

b. Stock in hire repossessed include 14 cases amounting to Rs 18,17,000/- which are legally disputed and their recovery is pending before the legal authorities.

c. The Contingent liabilities as mentioned in point no a & b above except disputed liabilities on account of income tax and other statutory taxes had been assigned to M/s Kailash Motors Finance Pvt Ltd, Jabalpur vide assignment deed executed on 13.02.2012

25 Fixed Deposits repayment due within one year is Rs 2,89,280/- (Previous Year Rs2,89,280/-) an all due amount deposited in SBI Escrow A/c. The interest on Fixed Deposit has not be taken during the year.

26 The Company is engaged primarily in the business of Non Banking Financial Activities and accordingly there are no separate reportable segments as per Accounting Standard AS -17- segment reporting issued by ICAI.

27 Certain Balances of parties under sundry debtors, creditors, loans and advances are under confirmations/reconciliation.

28 Information as required in terms of paragraph 9BB of NBFC Prudential Norms (Reserve Bank) Direction 1998 is attached.

29 There was no expenditure/earning in Foreign Currency during the year.

30 There was no outstanding derivative contract as on 31st March 2016.

31 As informed there are no dues to Micro Small and Medium Enterprises as on 31.3.2016.

32 Advance against Property includes amount paid / advance to various parties for striking property purchase deal in favour of the company.

33 Short term Loans & Advances includes amount given as Loans repayable on demand during the normal course of the business of the company.

- 34 The provision @0.25% on standard assets was made in accordance with RBI directions.
- 35 Balance with Revenue Authorities includes balances with Income Tax Department.
- 36 The Non Banking business of the company under category "A" of Reserve Bank of India has been converted to category "B" i.e. non deposit acceptance company w.e.f 12th Jan, 2009.
- 37 The Previous year's figures have been regrouped, reclassified or rearranged wherever necessary.

For Anil Agrawal
Chartered Accountants

For Kailash Auto Finance Ltd

CA Anil Agrawal
Proprietor

D J Patel
Diretor

D K Dave
Director

Membership No: 79054
Place : Mumbai
Date : 30th May, 2016

M M Sarda
Company Secretary

D Chauhan
Chief Financial Officer

Information as required in terms of Paragraph 9BB of Non Banking Financial Prudential Norms (Reserve Bank) Direction 1998 :-

(Rs in Lakhs)

Particulars	Amount Outstanding	Amount Overdue
Liabilities Side:		
1 Loans & Advances availed by the NBFC's inclusive of interest accrued thereon but not paid		
(a) Debentures :		
Secured	-	-
Unsecured	-	-
(Other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Intercompany Loans & Borrowings	37.30	-
(e) Commercial Papers	-	-
(f) Public Deposits	-	-
(g) Other Loans (specify nature)	-	-
2 Break up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)		
(a) In the form of Unsecured debentures	-	
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	
(c) Other Public Deposits	-	
Assets side:		
3 Break-up of Loans & Advances including bills receivables (other than those include in para (4) below)	Amount Outstanding	
(a) Secured	-	
(b) Unsecured	5,650.64	
4 Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP 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 EL/HP activities		
(a) Loans where assets have been repossessed		-
(b) Loans other than (a) above (Nos)		-
5 Break-up of Investment		
Current Investments		
1 Quoted		
(i) Shares (a) Equity		-
(b) Preference		-
(ii) Debentures & Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others (please specify)		-
2 Unquoted		
(i) Shares (a) Equity		-
(b) Preference		-
(ii) Debentures & Bonds		-
(iii) Units of mutual funds		-
(iv) Government Securities		-
(v) Others (please specify)		-

(Rs in Lakhs)

Particulars	Amount Outstanding
Long Term Investments	
1 Quoted	
(I) Shares	
(a) Equity	-
(b) Preference	-
(ii) Debentures & Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2 Unquoted	
(I) Shares (a) Equity	116.34
(b) Preference	-
(ii) Debentures & Bonds	-
(iii) Units of mutual funds	271.50
(iv) Government Securities	-
(v) Others	3.23

6 Borrower group wise classification of all leased assets stockon hire and loans and advances

Category	Amount Net of Provisions		
	Secured	Unsecured	Total
1 Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other Related Parties	-	-	-
2 Other than Related Parties	-	5,650.64	5,650.64
Total	-	5,650.64	5,650.64

7 Investor group wise classification of all investments (Current-and long term) in shares & securities (both quoted & unquoted)

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1 Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other Related Parties	-	-
2 Other than Related Parties	387.84	387.84
Total	387.84	387.84

8 Other Information

Particulars	
1 Gross Non Performing Assets	
(a) Related Parties	-
(b) other than Related Parties	3.50
2 Net Non Performing Assets	
(a) Related Parties	-
(b) other than Related Parties	3.50
3 Assets acquired in satisfaction on debts	-

If undelivered, please return to:
KAILASH AUTO FINANCE LIMITED
15, Rolland Complex,
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