

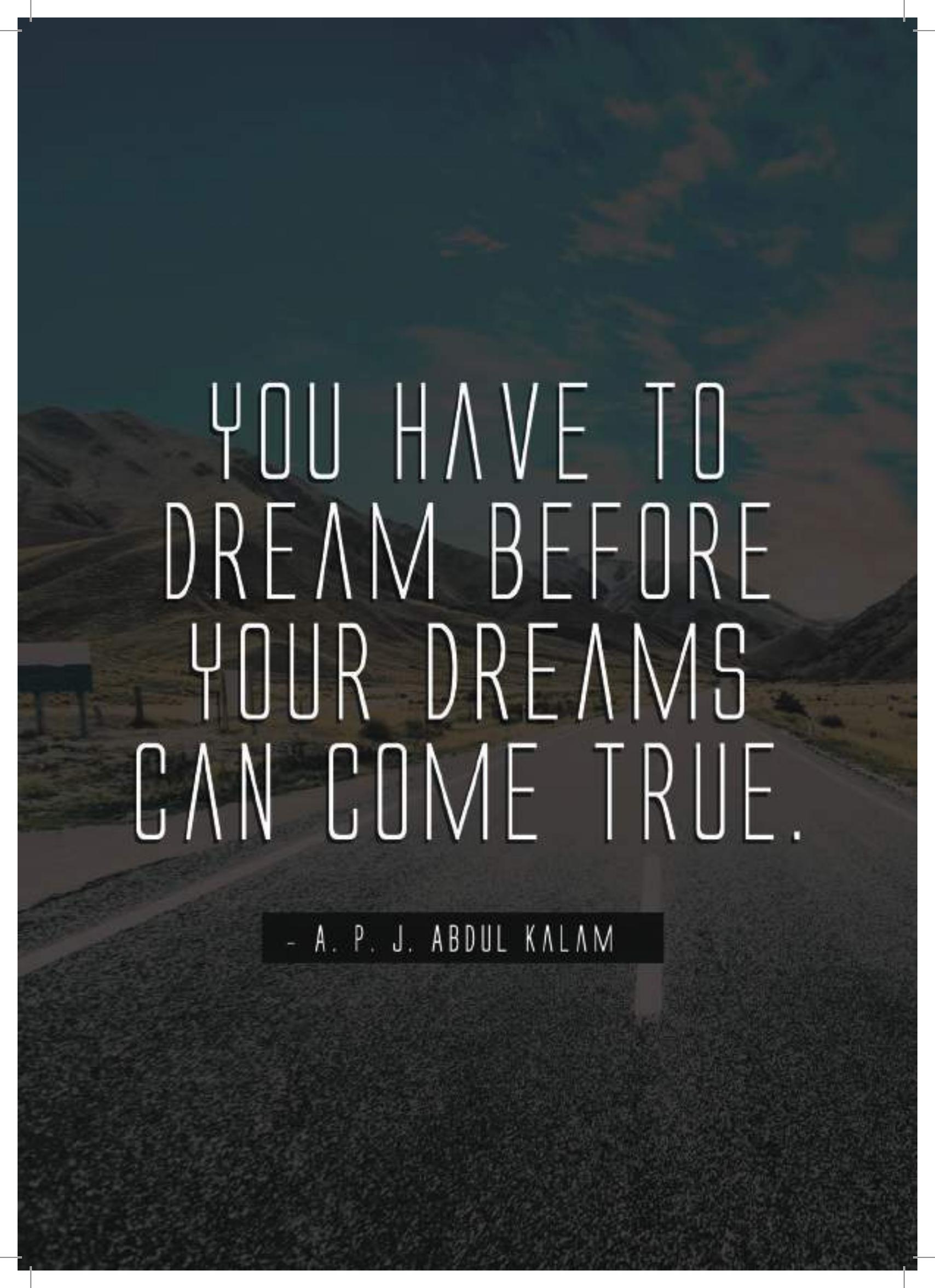


**Hero FinCorp Limited**  
26<sup>th</sup> Annual Report  
2016-17

# ...Karo Khwabon Se Ishq...







YOU HAVE TO  
DREAM BEFORE  
YOUR DREAMS  
CAN COME TRUE.

- A. P. J. ABDUL KALAM

# Conte

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**04**

● Our Legacy

**08**

● Key Highlights

**10**

● Letter from  
The Chairman

**14**

● Letter from  
Jt. MD & CEO

---

**22**

● Our Key  
Principles

**23**

● Board of  
Directors

**24**

● Enabling a  
Billion Dreams

**28**

● Our Journey

# nts

---

**30**

● Growth at a Glance

---

**32**

● Future Forward

---

**38**

● Board Committees

---

**39**

● Corporate Information

---

**41**

● Board's Report & its Annexures

---

**87**

● Standalone Financial Statements

---

**128**

● Consolidated Financial Statements

---

**161**

● Auditors' Additional Report

**Dr. Brijmohan Lall Munjal,  
Hero Forever**



# OUR LEGACY

Our story begins in 1923, Kamalia, Punjab (part of erstwhile British India), it started with the birth of our Founder and Chairman Emeritus Dr. Brijmohan Lall Munjal, a visionary leader whose thoughts and ideas were way ahead of his time. He came from humble origins but had very big dreams, he was amongst a select few, who understood the difference between working for oneself and working for a larger cause. Guided by simple yet superbly effective principles of perseverance, grit, and determination, he created one of India’s largest and most trustworthy business groups, and the world’s no. 1 two wheeler company.

**\$11+ Billion**  
Group Market Capitalisation\*

**\$2.8 Billion**  
Brand Value\*

**60+ Years**  
of Industry Leadership

**20+ Years**  
of Shareholder Value Creation

As a Hero Group Company, we are extremely proud of our illustrious history and heritage, which continues to provide us with direction and guidance. Hero FinCorp was incorporated as per the group ethos and our founder’s vision, which were aimed at addressing not one but multiple objectives, including the responsibility of leading The Hero Group’s foray into financial services. This was an all-new domain for the Group, whose activities so far had been centered around

manufacturing. Hero’s entry into financial services may appear a typical, but the move was essential, especially from a diversification and de-risking point of view.

We commenced operations by offering our products and services within the Hero Group Ecosystem, catering to the short and long term financing needs of our partner firms and entities, such as vendors, suppliers, dealers, and more.

\*WPP-Milward Brown 2016 India’s Top 50 brands      \*As of March 31, 2017

Although we were a Group Company, we still had to compete for the Group's business with external financial services players, and we did so with an honest value proposition based on the principles of transparency, quick turnaround and easy processing. Once we became the preferred financier within the Group Ecosystem, we started looking outwards, and began focusing on both, retail as well as corporate customers.

Therefore, for facilitating such a shift, we needed to have a flexible product portfolio which truly reflected the rising dreams and aspirations of our target customers as they passed through various life stages. In line with this thought, we have been constantly broadening our product portfolio. Some of our new launches include loyalty loans (similar to personal loans), used car finance, and more.

In the future, we plan to launch consumer durable loans, home loans, and many more products based on relevance. Currently, over 73% of our retail customers are first-time credit seekers, who have now become part of India's formal financial system, and we are happy to report, that some of these customers, who have built their credit scores and histories on the basis of their loans from Hero FinCorp, have gone ahead and taken additional loans and financing worth over \$2 Bn.

On the corporate lending front, our efforts are squarely aimed at nation building. We are working in this direction using a two pronged approach:

1. Market highly competitive financing solutions.
2. Build operational capability to efficiently manage both the operating and capital financing needs of our corporate clientele.

Over the past few years we have successfully partnered with over 2500 high potential emerging corporates, spread across the length and breadth of India, and operating in a wide array of industries ranging from handicrafts to renewable energy.

In addition, this vertical also places a special focus on the funding needs of India's under-penetrated Small & Medium Enterprise (SME) sector, which as per many experts is expected to drive the next phase of economic growth for our nation.

Going forward, building on our legacy, we aim to become a one-stop, full service, financial services entity, catering to all financial needs and requirements of our customers through all phases of their personal or professional lives. Ultimately, we would like to be known as *India's Next-Gen Ultra Lean Credit Champion!*



Over 73%  
of our retail  
customers  
are first-time  
credit seekers.

The background of the image is a soft-focus photograph of a sunrise or sunset. The sky is a gradient of warm colors, from deep orange near the horizon to a darker, muted purple at the top. Several hot air balloons are visible in the sky, including a prominent one on the right side and a smaller one on the left. The overall mood is inspirational and hopeful.

ALL OUR  
DREAMS CAN  
COME TRUE, IF  
WE HAVE THE  
COURAGE TO  
PURSUE THEM.

- WALT DISNEY

# KEY HIGHLIGHTS

**3700+**  
Employees<sup>#</sup>

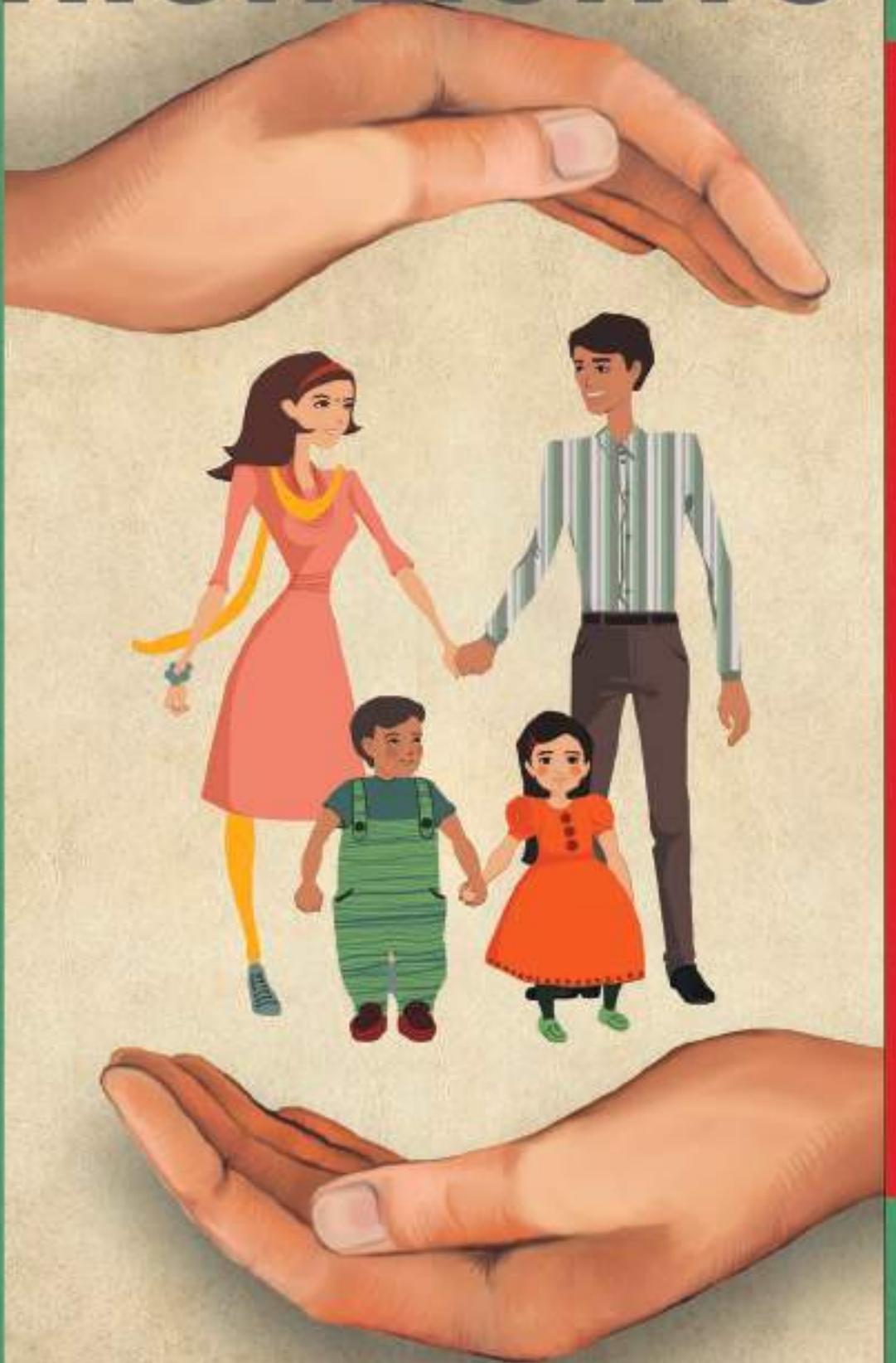
—  
FASTEST  
NETWORK  
ROLLOUT

—  
**1000**  
Cities

Touch Points

**2400+**

Consistently  
High Credit  
Rating of **AA+**



Focus on Financial  
Inclusion:

**73%**

of our customers  
are new to credit

OVER  
**1 LAKH**  
LOAN APPLICATION  
PROCESSING  
CAPABILITY  
PER MONTH

DISBURSING A  
LOAN EVERY  
**30**  
SECONDS



**1.5**  
Million  
Lives Impacted

Assets Under  
Management

**Rs. 9,815**  
Crores\*

\*Includes both on roll and off roll

\*As of 31st March 2017



# LETTER FROM THE CHAIRMAN

**Pawan Munjal**

## **Dear Shareholders,**

The Hero Group has been part of the industrial landscape of our nation for the past six decades, having successfully built institutions across varied industries.

In FY13, we set out to create one of India's most differentiated and diversified Financial Services Institution. This was the genesis of Hero FinCorp, which in its earlier avatar was known as Hero FinLease, and was only engaged in financing the dealers

and vendors within the Hero ecosystem.

Built on our guiding principle of social impact, scale and the highest degree of corporate governance, Hero FinCorp has grown phenomenally in a short span of time to touch the lives of over 1.5 million customers. Each of these valued customers have been able to improve the quality of their lives by obtaining financing from Hero FinCorp - whether through a loan for purchasing a two-wheeler or through an SME loan to expand and grow their businesses.

In the past three years, your company has also achieved great scale. With approximately Rs. 10,000 crore of assets under management, presence in about 2,400+ touch points across 1,000+ cities, towns and villages, and a dedicated team of over 3,700 people, we have built an institution worthy of carrying the Hero brand. I believe that the Hero Group's biggest legacy is the respect that it commands when it comes to corporate governance. This same principle is reflected in the management of Hero FinCorp and has resulted in not only a best-in-class credit rating of AA+ but also in one of the lowest borrowing costs across the industry.

With a stable and decisive government at the Centre, India is going through a great period of development and growth. The demographic dividend is truly beginning to pay off with numerous job seekers entering the work force, looking to bring their hopes and dreams to life. This is a great

opportunity for Hero FinCorp to serve the population of a growing India. Seamless and easy to configure loans for personal consumption or for business expansion are the need of the hour and we are geared to deliver.

At The Hero Group, our customers have always been at the center of everything we do. This is the way we have always conducted our business and this is why Hero MotoCorp - the Group's flagship company - has been the largest two-wheeler manufacturer in the world for the past 16 years.

This same DNA has been infused into Hero FinCorp. While we have built a growth-oriented sustainable business, we are not going to rest on our laurels. We will continue to innovate to create value through initiatives that are unique and exceptionally well executed.

As I said, the first pillar of our strategic roadmap is customer-centricity. We will create products in sync with the life stages of our customers and businesses. In order to capitalize on the market opportunity, these products will be transparent both in terms of processes and pricing.

Hero FinCorp has grown phenomenally in a short span of time to touch the lives of over 1.5 million customers.

The second pillar of our strategy is to create a strong technology platform in order to offer a seamless experience to our customers. The technology stack being envisioned at Hero FinCorp will be ahead of the curve, and best-in-class when compared to industry. It will include path breaking platforms that are focused on automated and instant approvals, ease of transaction processing, hassle free customer service and the highest levels of data security.

The third pillar is a lean approach towards the organization. 'Lean' is a philosophy that is taken very seriously at the Group and is intended to reduce waste and, therefore, save on costs. We aim to ensure that we have the lowest operating expenditure in the industry so that we can pass on the savings to our customers. In doing so, we create not only a pricing advantage, but also improve the internal operations of your company.

Finally, it is our belief, that truly valuable businesses surpass generations in their sustained growth and endurance. Therefore, your company will have the highest degree of focus on sustainability and on enhancing the triple bottom line. We have taken great initiatives in this field by introducing paper-less processes in many of our lines of business and this focus will continue to be enhanced.

We also pledge to give back to the community by executing unique CSR initiatives. These initiatives will be focused

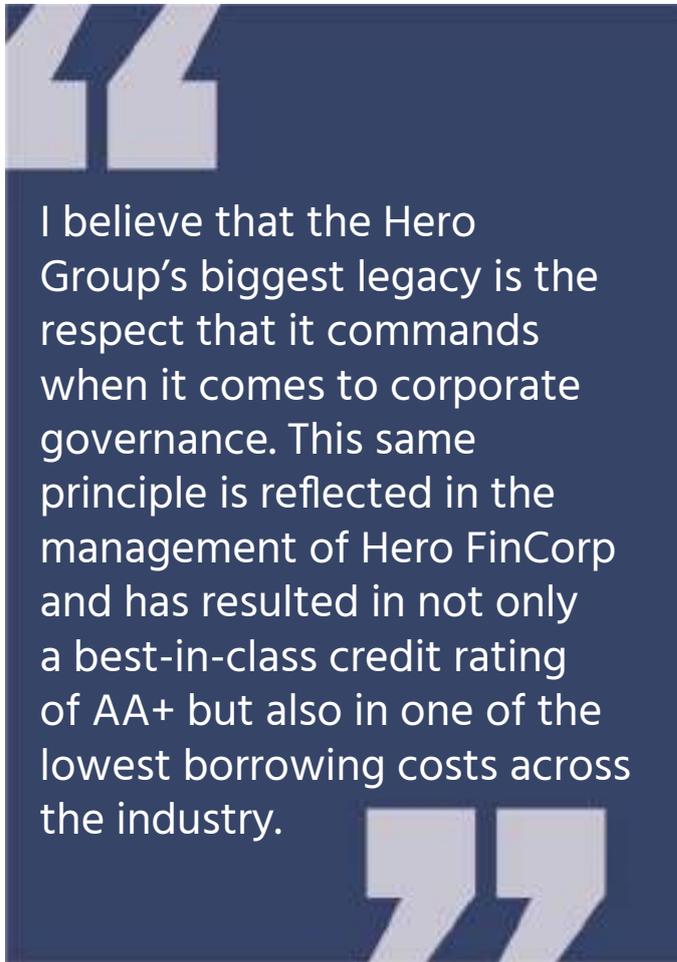
on financial education and serving the under-served.

Your company is well on its way towards becoming one of the leading financial institutions in India. It is in this backdrop of opportunity that I am pleased to present to you this Annual Report focusing on our legacy and our performance.

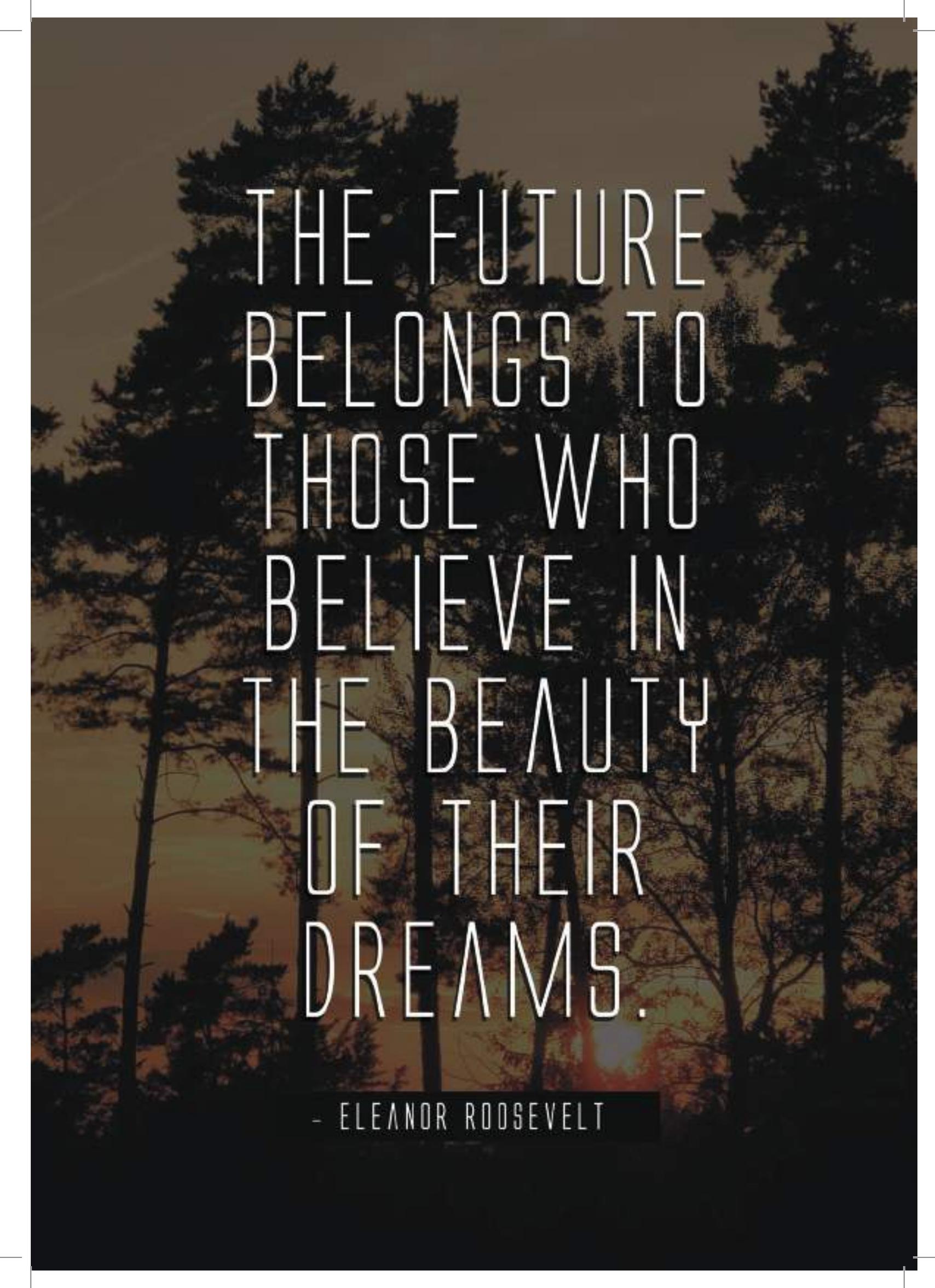
I would like to thank the Hero FinCorp family for a stellar performance in FY'17 as we look forward to creating new benchmarks in the coming fiscal year.

Sincerely,

**Pawan Munjal**  
CHAIRMAN, HERO FINCORP



I believe that the Hero Group's biggest legacy is the respect that it commands when it comes to corporate governance. This same principle is reflected in the management of Hero FinCorp and has resulted in not only a best-in-class credit rating of AA+ but also in one of the lowest borrowing costs across the industry.



THE FUTURE  
BELONGS TO  
THOSE WHO  
BELIEVE IN  
THE BEAUTY  
OF THEIR  
DREAMS.

- ELEANOR ROOSEVELT

# LETTER FROM JT. MD & CEO

Abhimanyu Munjal



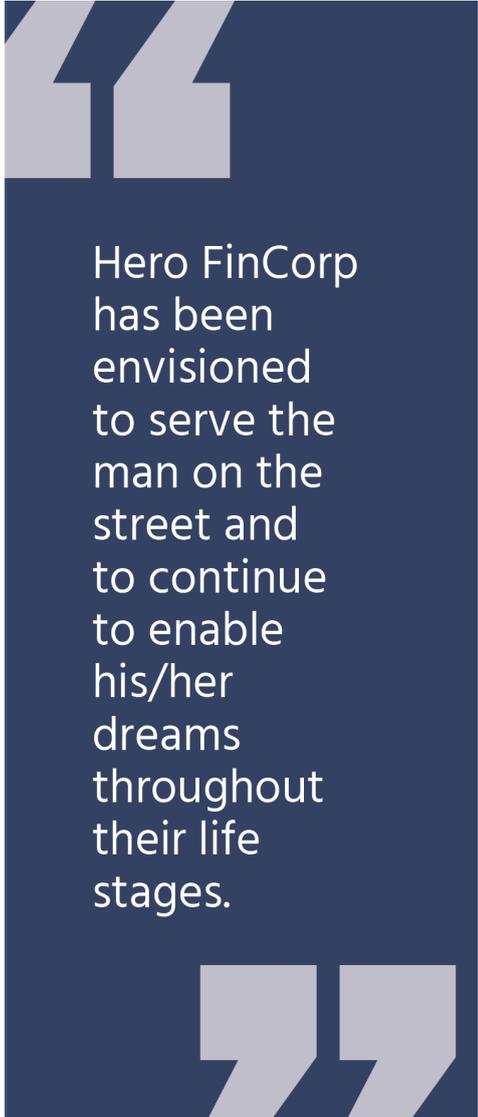
## Dear Shareholders,

It gives me immense pleasure to share with you this year's re-vamped Annual Report. The report has been designed to provide you with a greater level of information about your company in a more visual and appealing manner.

Hero FinCorp has been envisioned to serve the man on the street and to continue to enable his/her dreams throughout their life stages. This has been our driving philosophy when it comes to our product roadmap, customer centric processes, communications, network roll-outs and our branding. We even brought this to life through the first major branding campaign, aptly named 'Karo Khwabon Se Ishq'. This theme very articulately encapsulates the power of dreams and how we enable people who strive towards fulfillment.

This re-vamped annual report also borrows the same theme and I hope it will serve to establish this ethos even more in the heart of every Hero FinCorp family member & stakeholder.

Continuing in the spirit of 'Enabling Dreams', today, I would like to share with you Hero FinCorp's journey over the past 5 years. A journey rife with challenges but driven by a dream to build *India's Next Gen Ultra Lean Credit Champion*.



Hero FinCorp has been envisioned to serve the man on the street and to continue to enable his/her dreams throughout their life stages.

## Business Build Philosophy

We are part of a dynamic India, an India that is fast growing with a GDP growth rate of 7.6%. The financial services sector is viewed as a shining beacon of Indian industry. Retail loans are expected to grow by 5 times in the next ten years, with some estimates suggesting a market size of over 3 trillion US dollars. This growth is stemming largely from the fact that consumer loans are still under penetrated in our country with a consumer loan to GDP ratio of 17% as opposed to over 60% in developed economies of Asia. NBFCs are best positioned to capture this growth and have delivered a 5 year compounded annual growth of 24% in total assets.

With such positivity in the sector, we wondered why should lending continue to be old world? Why can't someone help the under-served masses to achieve their dreams?

Building on this thesis, we re-incarnated Hero FinCorp in 2013 with a vision to create the most differentiated consumer lender in India.



Management Team at Annual Meet 2016.

From left to right: Abhimanyu Munjal, Ajay Sahasrabuddhe, Subhransu Mandal, Nipun Kapur, Shyam Lal, Joydeep Basu, Badsha Roy, Amit Jain.

**WE AIMED TO SIMPLIFY LENDING AND MAKE CREDIT AVAILABLE TO THE REMOTEST CORNERS OF INDIA, THUS ENABLING THE MASSES TO FULFILL THEIR DREAMS.**

Our mission is to be "India's next generation, ultra lean, credit champion". With an asset light, technology driven operating model, we have created transparent processes, industry leading disbursal times and an easy and hassle free service culture.

We exist to serve consumers, entrepreneurs and business owners. For our retail customers, our intent is to provide financing solutions throughout their life cycle. Beginning with two-wheeler loans and onwards to used car and consumer durable loans, and then to home loans. Through all their life stages, we want to be the financier of choice. For entrepreneurs and business owners, our strategy is similar. We straddle segments beginning from small SMEs to emerging corporates with a product portfolio constituting Term Loans, Working Capital Loans and Loans Against Property. Our current customers include small traders and manufacturers, doctors as well as emerging corporates across various industry sectors.

### Business Initiation Goals

Back in 2012, when tasked with the leadership of Hero FinCorp, I took on the challenging role of building one of the most differentiated financial services company.

Multiple competing goals had to be visualized and aligned. These included but were not limited to:

1. Growing the business rapidly and achieving scale while maintaining the profitability of the company through this investment phase.
2. Building systems and processes that were unique and differentiated while also being extremely low cost.
3. Serving the financial inclusion agenda of the government and regulator while ensuring that it is a prudently run financial services player with best in class returns.
4. Hiring thousands of people from the FS industry and mobilizing them to work in a new and differentiated way.

We exist to serve consumers, entrepreneurs and business owners. For our retail customers, our intent is to provide financing solutions throughout their life cycle.



Press Conference Sept-2016.

From left to right: Sanjay Kukreja - MD, ChrysCapital; Abhimanyu Munjal - Jt. MD & CEO, Hero FinCorp; Pawan Munjal - Chairman, Hero FinCorp; Mihir Doshi - MD & Country Head, Credit Suisse.

Staying true to these themes, we identified a team of key professionals and led them towards building Hero FinCorp. This massive scale up was managed through a permanent Program Management Office, strict governance and controls, and periodic and detailed monitoring. It involved building processes, designing products, operating models, financial models, technology stack and HR practices all aligned with the vision and ethos of the Hero Group.

### Where have we reached?

It gives me great satisfaction to share with you that the impact has been astonishing. Hero FinCorp has grown from a 2 person organization to a 3,700+ member strong financial services institution and has been recognized by the "Great Places to Work" survey. From two seats occupied in the Finance department of Hero MotoCorp, it now has over 2,400+ touch points across 1,000+ cities, towns and villages. The AUM has increased from INR 300 Cr. in 2013 to INR 10,000 Cr. as on date.

From a handful of customers (under 100) in the beginning, the customer base now exceeds over 1.5 million. 73% of these customers are "new to credit" or first time borrowers, thus creating a deep social impact as well.

Hero FinCorp is now at a scale where its monthly PBT is higher than its annual PBT for FY13. Going forward, the company aims to walk with its customers through their life stages and provide differentiated products based on cutting edge technology platforms.



***How did we get here? - Driving innovation as a core***

Building this differentiated company meant that every known truth about lending and financial services had to be re-thought. The constraint always is that when you fly against conventional wisdom, it always takes longer to execute and costs more. We have been able to deliver an organization that innovates at extremely low costs and at a very fast pace. This ethos is very visible across the retail lending process and the back end operating model. Both of these are exemplars of innovation that help in controlling costs and in increasing productivity.

When Hero FinCorp entered the two-wheeler financing space, competitors' used a process that was run using a pen & paper application and fax was used as a communication channel. Applications would get routed to the closest branch office where they would get approved manually and a long drawn process would follow for the disbursement of funds. This process typically took close to ten days and was very labor intensive.

We envisioned a simple, technology driven process and operating model. This model relied on centralization as opposed to branch offices and used technology as a core. The pen/paper/fax model was replaced with state-of-the-art dual screen computers that would enable data entry for the loan applications. This data would be entered on a core loan origination and management software so that the applications would be visible in real time to the credit and operations teams sitting out of a central location in Delhi. As a result, all core processes were built on this tech platform, effectively making it a paper-light process.

This innovation has had impacts on key areas like increased productivity, reduced costs, faster turn-around times, increased customer satisfaction, and faster payments to dealers, thereby increasing market share.

From a handful of customers (under 100) in the beginning, the customer base now exceeds over 1.5 million.

The productivity of a standard sales executive for competitors used to be 16 loans per person per month. In the Hero FinCorp process, this has increased to 26. Costs due to centralization have also been kept in check and on a per unit basis, the product is almost 1.5 times more profitable than that of competition. The ten day processing period has been reduced to 48 hours and for 80% of the cases it is below 24 hours. The process has been so successful that it is now being emulated by competition.

## Creating value for stakeholders

As Hero FinCorp continued to grow at over 100% over the last 4 years, a large capital raise was required to fund this growth. In 2016, we initiated Hero FinCorp's first external capital raise. The thesis behind this capital raise was to serve two objectives.

1. This raise would serve as a validation of the business model. If the external investors saw a value in the business then it would mean that the company is moving on the right trajectory.
2. The second objective was to get a thought partner on board that would provide directional governance.

I am heartened to share that the capital raise process was an extremely successful one with a high degree of interest received from over 40 global and domestic investors. These spanned across, regular Private Equity, Sovereign and Wealth funds, Fund of Funds and even family offices.

The contenders were then shortlisted to 5 potentials and the transaction was closed with two investors. ChryCapital and Credit Suisse became

Hero FinCorp's newest shareholders with a combined investment of INR 702 Cr. at a benchmark valuation of 4 times P/B. Hero FinCorp was thus valued at just shy of a billion dollars. For ChryCapital, this is one of the largest investments out of their current fund, and for Credit Suisse, only their second proprietary investment in Asia.

Through all these efforts, from FY13 till date, the economic value generated through Hero FinCorp for its stakeholders has been close to USD 0.7 Billion.

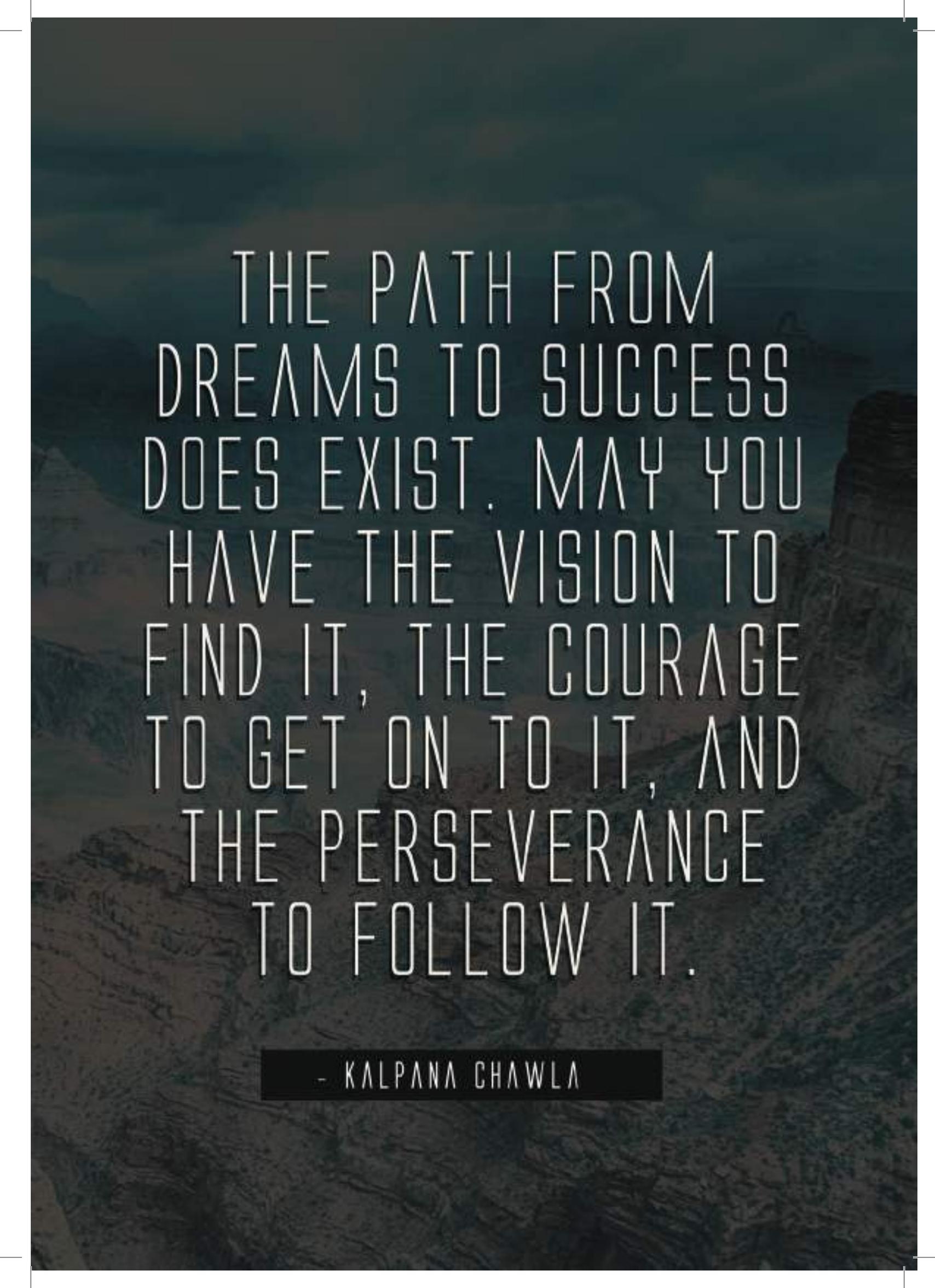
## Future Outlook

To bring the next phase of our journey to fruition, we will continue to drive innovation in all our processes, expand our network into rural areas, enhance our product portfolio and invest further in technology & people. Further details about our plans are available in the Future Forward section.

Finally, I thank you for your continued support, and look forward to interacting with you as our journey continues.

Sincerely,

**Abhimanyu Munjal,**  
JT. MD & CEO, HERO FINCORP



THE PATH FROM  
DREAMS TO SUCCESS  
DOES EXIST. MAY YOU  
HAVE THE VISION TO  
FIND IT, THE COURAGE  
TO GET ON TO IT, AND  
THE PERSEVERANCE  
TO FOLLOW IT.

- KALPANA CHAWLA

# OUR KEY PRINCIPLES



## VISION

To be a financier of choice and become a one-stop financial services company, by offering world class products through innovation & teamwork.



## MISSION

We strive to be the best, most transparent, next-gen, ultra lean, credit champion.



## VALUES

Our culture manifests through 5 core values - 'TITHI'  
Teamwork | Integrity | Trust & Respect  
| Humility | Innovation & Speed

## BOARD OF DIRECTORS



**Mr. Pawan Munjal**

Mr. Pawan Munjal is the Chairman & Director of Hero FinCorp Ltd., he also serves on the Boards of various Hero Group Companies and various Governmental/ Environmental Institutions.



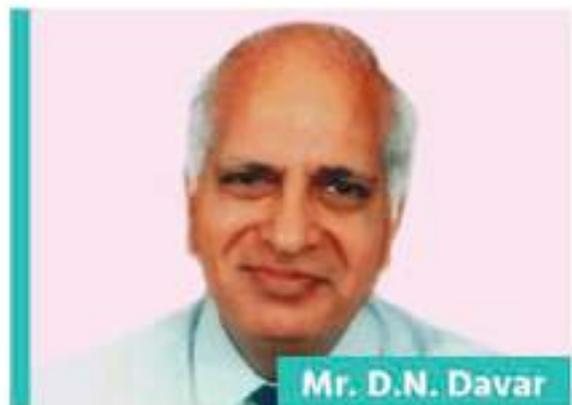
**Mrs. Renu Munjal**

Mrs. Renu Munjal is the Managing Director of Hero FinCorp Ltd, she is also actively involved in various philanthropic activities across the Hero Group.



**Mr. Abhimanyu Munjal**

Mr. Abhimanyu Munjal has over 13 years of experience in strategic leadership and people management. He has successfully spearheaded international JVs, M&As & complex transformations.



**Mr. D.N. Davar**

Mr. D.N. Davar holds a Masters in Economics and CAIIB besides being a fellow of the Economic Development Institute of the World Bank.



**Mr. Sanjay Kukreja**

Mr. Sanjay Kukreja is the MD of ChrysCapital, and leads the Business Services, Financial Services and Manufacturing sectors for the firm. He holds an M.B.A. from IIM, Bangalore and a BA in Economics from SRCC, Delhi University.



**Mr. Pradeep Dinodia**

Mr. Pradeep Dinodia is a member of The ICAI, and a senior partner in the Delhi-based Chartered Accountancy firm M/s. S.R. Dinodia & Co.

# ENABLING A BILLION DREAMS



**A dream is where it all starts. A dream is the beginning of a journey, a ray of sunshine and a glimmer of hope. Dreams are what makes us alive, make us chase what we truly want and drive us through our everyday lives. And that is why we need to stand up for our dream, love it and chase it.**

We at Hero FinCorp have a dream of helping every Indian achieve their dreams. We are committed to enabling dreams and walking with those who want to turn their dreams into tomorrow's reality. Whether it's the farmer wanting to buy a bike for ferrying his crops or his children across the rough village roads, an entrepreneur dreaming of building a factory or scaling up their business, or the office-goer who wants to buy a plot of land to build his dream house, Hero FinCorp is committed to help them attain their financial dreams.

In line with our goal of enabling dreams of the man-on-the-street, we were christened Hero FinCorp in 2011, and we haven't looked back since. Now, we successfully enable a dream every thirty seconds.

We aim to reach out to every corner of our country with hope and promise of a better tomorrow. We have leveraged technology to help us move faster towards building a financially stronger India. A million dreams have been achieved in this journey, but there are still a billion hands to be held and a billion dreams to be realized.

For every dreamer out there, who has the courage to follow his or her dream, we are there to be a part of your journey.

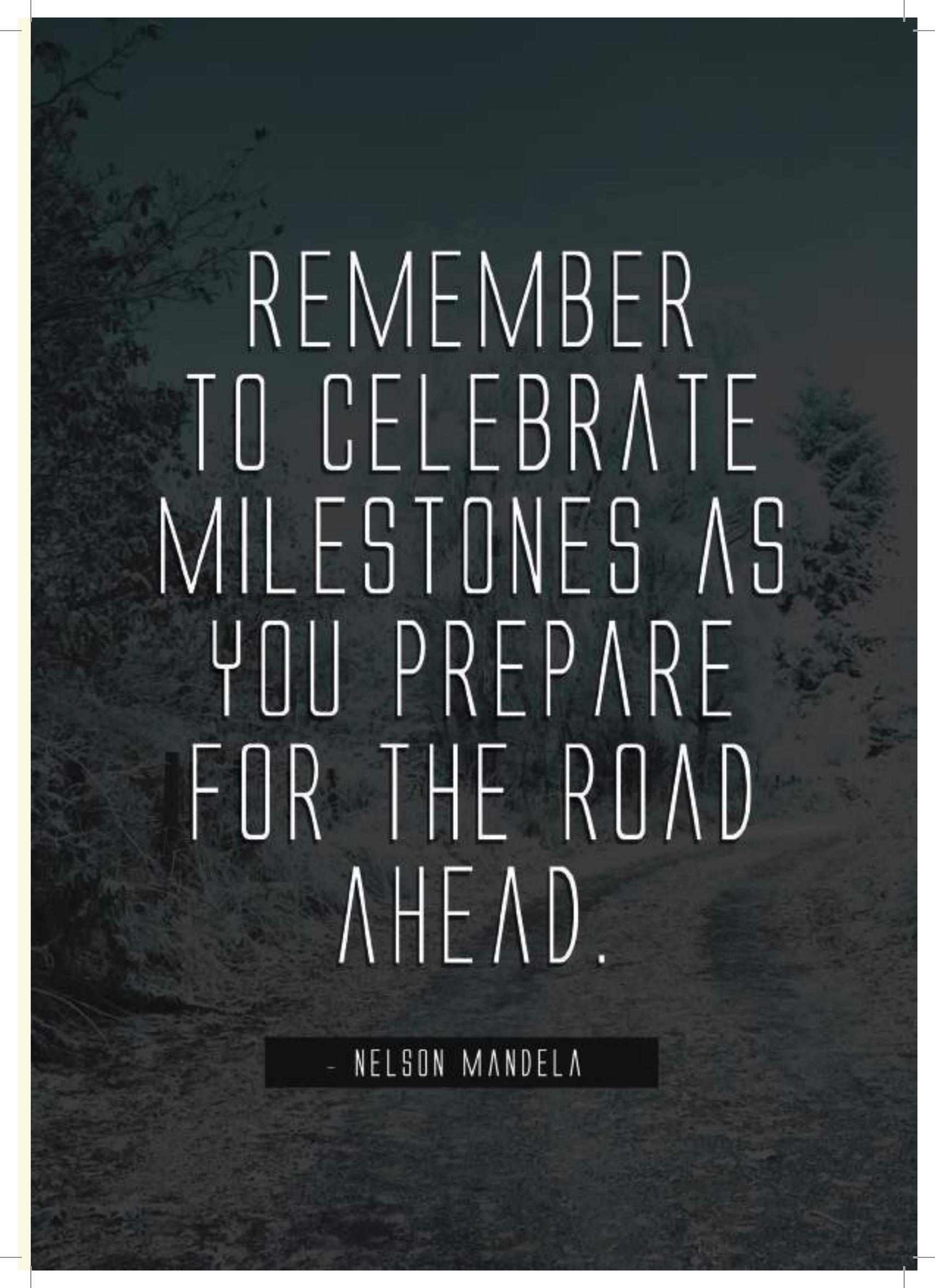


# Nurturing Beautiful Dreams

26<sup>th</sup> Annual Report 2016-17



**Rs. 1.47 Cr Spent on CSR activities**



REMEMBER  
TO CELEBRATE  
MILESTONES AS  
YOU PREPARE  
FOR THE ROAD  
AHEAD.

- NELSON MANDELA

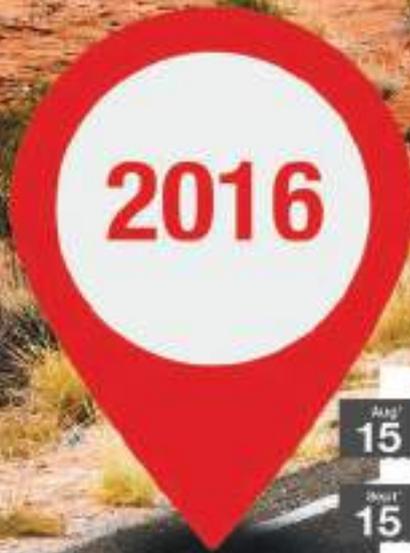
Business plan created for the new entity **Nov' 12**

Equity infusion of ₹106 Cr **Feb' 13**

Incorporated as Hero Honda FinLease Ltd. **Dec' 91**

Financed captive needs of the Hero Ecosystem **1992-2012**

Company renamed as Hero FinCorp Ltd. **Jul' 11**



- Aug' 15** Equity infusion of ₹407 Cr.
- May' 15** Launched Loyalty Loan Programme
- Nov' 15** First Mass Marketing Campaign 'Karo kwabon Se Ishq' launched across TV, Radio & Digital Platforms
- Mar' 16** Assets Under Management reaches ₹6,383 Cr.

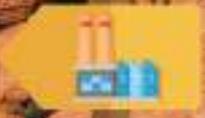
# OUR JOURNEY



Apr 13 Launched Two Wheeler Financing business

Mar 14 Assets Under Management reaches ₹1,123 Cr

2014



2015



Launched Corporate Finance Division Apr 14

Equity infusion of ₹312 Cr Apr 14

Assets Under Management reaches ₹3,072 Cr Mar 15

2017

Launched pre-owned car finance business May 16

Fund raising agreement of ₹1,002 Cr from PE investors & Promoters Sept 16

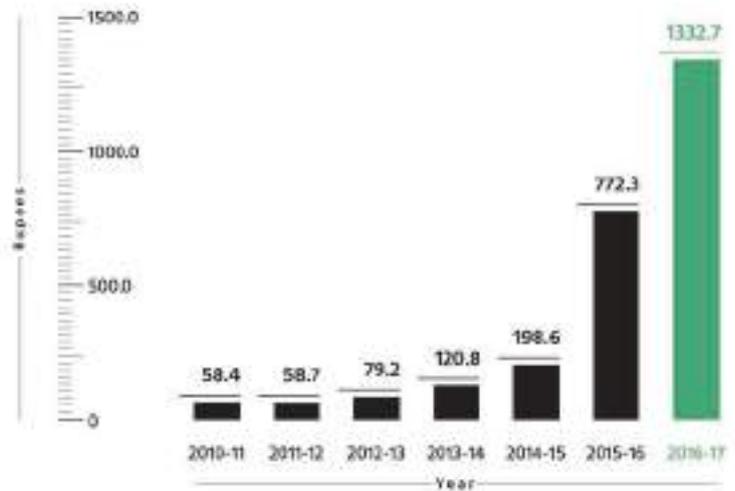
Capitalized Hero Housing Finance Ltd. by ₹50 Cr Dec 17

Assets Under Management reaches ₹9,815 Cr Mar 17

# GROWTH AT A GLANCE

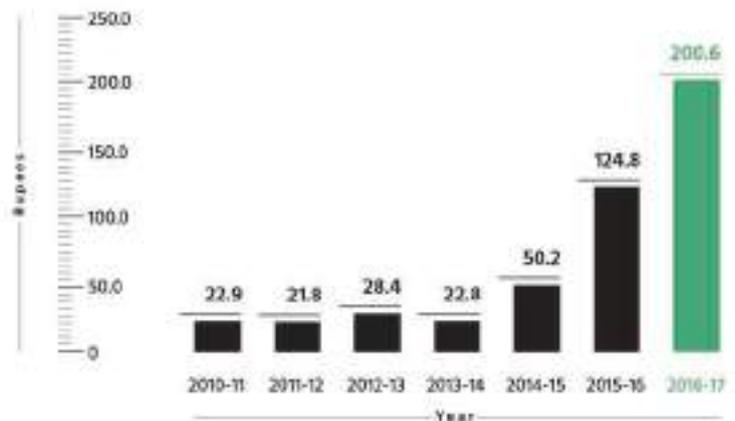
## TOTAL INCOME

(INR Crores)	
Year	Total Income
2010-11	58.4
2011-12	58.7
2012-13	79.2
2013-14	120.8
2014-15	198.6
2015-16	772.3
<b>2016-17</b>	<b>1332.7</b>



## Profit Before Tax (PBT)

(INR Crores)	
Year	Profit before tax (PBT)
2010-11	22.9
2011-12	21.8
2012-13	28.4
2013-14	22.8
2014-15	50.2
2015-16	124.8
<b>2016-17</b>	<b>200.6</b>

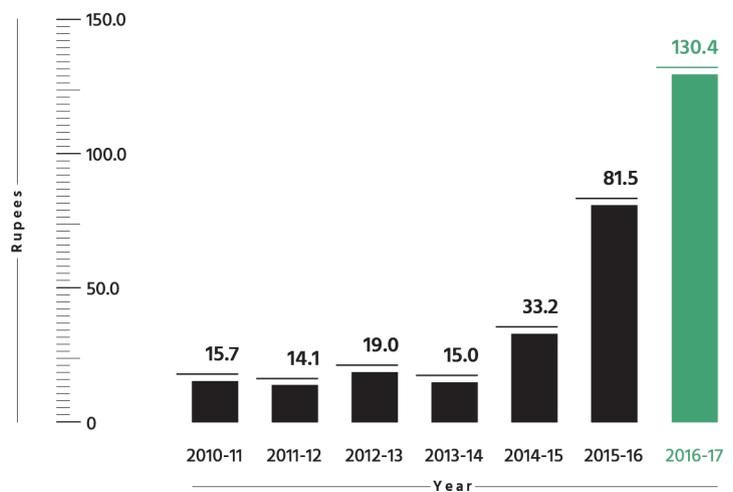




## Profit After Tax (PAT)

(INR Crores)

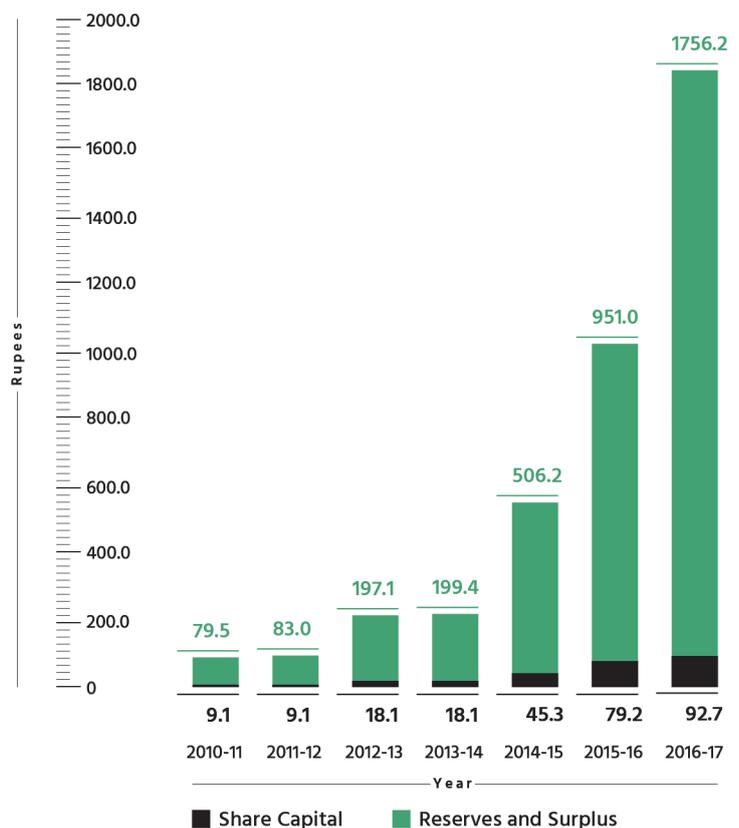
Year	Total Income
2010-11	15.7
2011-12	14.1
2012-13	19.0
2013-14	15.0
2014-15	33.2
2015-16	81.5
<b>2016-17</b>	<b>130.4</b>



## Share Capital vis-à-vis Reserves

(INR Crores)

Year	Share Capital	Reserves and Surplus
2010-11	9.1	79.5
2011-12	9.1	83.0
2012-13	18.1	197.1
2013-14	18.1	199.4
2014-15	45.3	506.2
2015-16	79.2	951.0
<b>2016-17</b>	<b>92.7</b>	<b>1756.2</b>





**Disruptive  
Technology**

**Scaling Up**



**Financing the  
Under-served**

**Diversification of  
Product Portfolio**



**STRONGER  
INDIA**



**Prudent Risk  
Management**



**Customer First**



**FUTURE FORWARD**

## Financing the Under-served

Financial inclusion is a particularly relevant topic for India, which according to estimates, is home to 21 per cent of the world's unbanked population even today. Even as the country boasts of higher economic growth than several developed countries, it still has a large section of its population who do not have any access to financial services or products.

This presents us with a unique opportunity to continue our group's legacy of nation building by bringing financial services to the un-served and turning this into a viable business growth opportunity that can take us to the next level.

In our journey since 2013, we have demonstrated our ability to lend to the financial excluded segment by building a retail book that has 73% of its customers who are new to credit. Also, on the corporate side we have partnered with over 2500 SMEs many of whom were largely under-penetrated till now.

We are encouraged by the fact that our asset book is of benchmark quality, which gives credence to the systems, processes, data and intelligence that we have built in-house to lend to this previously ignored segment.

We are confident that going forward we will be able to scale these capabilities and build a business on the back of these next billion customers.



## Customer First

We at Hero FinCorp believe in a strong “Customer First” approach. This goes back to our brand promise of delivering services which are quick, easy and transparent.

We strive hard to inculcate this belief in all of our products, pricing and services. Our product portfolio is defined by the needs of our customers, they are priced for the masses and our customer service is being made even more responsive through a number of new technology initiatives. A key initiative is contact centers upgradation which involves unifying customer interaction history across channels. This integration of data will make customer servicing a seamless process.

A number of similar initiatives are being put in place which will help in quick resolutions of grievances, deliver consistent customer experience and improved lifecycle management across products and business lines.

## Disruptive Technology

Technology is a great enabler which can help in scaling businesses while maintaining low operating costs. Firm in this belief, we have built our loan process to be quick, efficient and paper-light. These processes, built on cutting edge technology platforms, are automated in loan origination and management. As a result, we have observed high impact on key areas such as increased productivity, reduced costs, faster turn-around-time and increased customer satisfaction.

Going forward, we intend to pursue acquisition of profitable customer relationships, provide easy self-service capability to customers and cross-sell financial products by mining customer data through disruptive technology platforms.

The key goals for our technology initiatives and investment remain:

1. Capture enhanced information of customers so as to establish identity and repayment intent through aid of platforms like Aadhaar and other new age data sources
2. Manage delinquencies and collection costs through automation of credit underwriting process
3. Enhance customer servicing by delivering through an Enterprise Service Bus (ESB) middleware layer thus promoting re-use and enabling delivery through multiple channels including Interactive Voice Response and Customer Relationship Management tools

4. Tighten information security through a robust Information Security and Governance program by partnering with Tier 1 partners such as Price Waterhouse Coopers and Deloitte Consulting
5. Upgrade our Information Technology infrastructure, comprising of data network, computing capability and software licenses to ensure uninterrupted availability of applications at scale
6. Add IT talent at various levels to strengthen program management,

architecture of enterprise applications and effective translation of business processes to technology platform capabilities

As we move to the future, we will extend the philosophy of a lean, tech-driven business model to new businesses as well. Accordingly, Hero Housing Finance will be built with the highest level of online acquisition, mobility-based origination, automated disbursement and collections systems which will ultimately lead to faster delivery of loans and increased customer satisfaction.

## Prudent Risk Management

Risk Management is recognised as a critical business function and enjoys strategic management focus. We have developed and implemented a well-defined governance & risk framework which has been approved by Hero FinCorp's distinguished board of directors.

Additionally, we have a 3-tier risk management framework and a robust compliance and audit department to ensure adherence to operating procedures set. As a result, internal audit processes have been strengthened, IFC controls have been put in place and frequency of reviews has been optimized. The overall aim remains to minimize credit & operational risk as we build our loan book.

## Diversification of Product Portfolio

Our two-wheeler loans is usually the first loan a customer takes. Our aim is to remain connected to the customer even after this loan gets over, with the intention of being their financing partners throughout their changing life stages. With this intent, it becomes imperative that we diversify our products to fulfill the financing needs of our growing customer base. In essence our product roadmap will be defined by our customers.

Some of the new product offerings that we have already launched or will launch soon are :

1. Pre-Owned Car Loans (launched) - Financing in the unorganized used car market in Tier 2 and Tier 3 cities secured against the underlying asset.

2. Business Installment Loan – Short-term working capital loans for SMEs/ e-commerce retailers.
3. Personal Loans - Short term personal loans for existing and new high credit quality customer base
4. PoS Financing for SMEs - Short term working capital loans for SMEs/ e-commerce retailers basis value and volume of POS transactions

## Scaling Up

Our scale up, aided our aim of playing a defining role in nation building by extending credit to the unbanked segments of society. Going forward, we will need to undertake a number of disruptive initiatives to further scale our operations, few of these initiatives are:

1. **Increase Reach** – On the retail business side, we are currently present in 1000+ locations through 2,400+ touchpoints. Through these touch-points we are successfully financing 15% of Hero MotoCorp’s monthly sales. Looking forward we will go deeper into the Hero MotoCorp dealership network with a view to double our finance penetration of Hero MotoCorp’s sales by 2020.
2. **Industry First Partnerships** – Given our focus on innovation and constant drive to improve operations, we are actively pursuing partnerships which will help us to grow our top-line and / or help us improve our operational efficiency. Under this theme, we are in talks with leading digital channels for customer acquisition as well as start-ups working on Artificial Intelligence, Deep Tech and Machine Learning Technologies to drive cost containment initiatives.
3. **Talent Management & Skill-set Enhancement** – Training and development is pervasive across all levels at Hero FinCorp. Through the continuous run learning programs, like Parichay, Step up, Rising Star, Hi-fliers and Stepping into leadership, we are committed to investing in our people to keep ahead of the curve in today’s competitive marketplace. We have seen enormous success for our marquee training program ‘Ivy League’ as well this year. Our first batch of high potential employees got the opportunity to attend a week long training program at the Singapore Management University (SMU) in April 2017. This highly competitive program is expected to develop the next generation of leaders at Hero FinCorp who would take up larger roles as we grow into a highly-diversified financial services player.

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Pradeep Dinodia	Member

### NOMINATION & REMUNERATION COMMITTEE

Mr. D. N. Davar	Chairman
Mr. Pawan Munjal	Member
Mr. Pradeep Dinodia	Member

### ASSET & LIABILITY MANAGEMENT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Pradeep Dinodia	Member
Mr. Sanjay Kukreja	Member

### RISK MANAGEMENT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Pradeep Dinodia	Member
Mr. Sanjay Kukreja	Member

### ESOP COMMITTEE

Mr. Abhimanyu Munjal	Chairman
Mr. Sanjay Kukreja	Member

### STAKEHOLDER RELATIONSHIP COMMITTEE

Mrs. Renu Munjal	Chairperson
Mr. Pradeep Dinodia	Member
Mr. Abhimanyu Munjal	Member

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mrs. Renu Munjal	Chairperson
Mr. Pawan Munjal	Member
Mr. D. N. Davar	Member
Mr. Pradeep Dinodia	Member
Mr. Abhimanyu Munjal	Member

### COMMITTEE OF DIRECTORS

Mr. Pawan Munjal	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

### KEY MANAGERIAL PERSONNELS

Mrs. Renu Munjal	Managing Director
Mr. Abhimanyu Munjal	Joint Managing Director and Chief Executive Officer
Mr. Shyam Lal	Chief Financial Officer
Mr. Amit Jain	Head - Legal & Company Secretary

## CORPORATE INFORMATION

CIN No. U74899DL1991PLC046774

### STATUTORY AUDITORS

Deloitte Haskins & Sells,  
Chartered Accountants, (FRN. No. 015125N)  
7th Floor, Building No. 10, Tower B,  
DLF Cyber City Complex, DLF City Phase - III,  
Gurgaon - 122 002, Haryana  
Tel: 0124 679 2000, Fax: 0124 679 2012  
Website: [www.deloitte.com/in](http://www.deloitte.com/in)

### INTERNAL AUDITORS

1. JRA & Associates, Chartered Accountants,  
B 15 (LGF), G.K. Enclave-II, New Delhi - 110 048  
Tel: 011 4056 2787, Fax: 011 4056 2779  
Website: [www.jraca.com](http://www.jraca.com)
2. Ernst & Young LLP, Chartered Accountants,  
14th Floor, The Ruby, 29, Senapati Bapat Marg,  
Dadar (West), Mumbai - 400 028  
Tel: 022 6192 0000, Fax: 022 6192 1000  
Website: [www.ey.com](http://www.ey.com)

### PRINCIPAL BANKERS

1. State Bank of India
2. HDFC Bank
3. Punjab National Bank
4. Indian Bank
5. Axis Bank
6. Bank of India
7. BNP Paribas

### DEBENTURE TRUSTEE

**Vistra ITCL (India) Limited**  
(Formerly known as IL&FS Trust Company Ltd.)  
The IL&FS Financial Centre, Plot C- 22, G Block,  
Bandra Kurla Complex, Bandra(E),  
Mumbai - 400 051  
Tel: 022 2425 5215  
Website: [www.itclindia.com](http://www.itclindia.com)

### REGISTRAR & TRANSFER AGENTS

#### 1. FOR EQUITY SHARES RELATED MATTERS

Beetal Financial & Computer Services Pvt. Ltd.  
Beetal House, 3rd Floor, 99, Madangir,  
Behind LSC, New Delhi - 110 062  
Tel: 011 2996 1281 (283)  
Fax: 011 2996 1284  
Email: [beetalrta@gmail.com](mailto:beetalrta@gmail.com)  
Website: [www.beetalfinancial.com](http://www.beetalfinancial.com)

#### 2. FOR NON-CONVERTIBLE DEBENTURE RELATED MATTERS

Karvy Computershare Pvt. Ltd.  
Karvy Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District,  
Nanakramguda, Hyderabad - 500 032  
Tel: 040 6716 2222  
Fax: 040 2300 1153

### REGISTERED OFFICE

34, Community Centre, Basant Lok,  
Vasant Vihar, New Delhi - 110 057  
Tel: 011 4604 4100, 011 2614 2451  
Fax: 011 2614 3321, 011 2614 3198

### CORPORATE OFFICE

09, Community Centre, Basant Lok,  
Vasant Vihar, New Delhi - 110 057  
Tel: 011 4948 7150  
Fax: 011 4948 7197



YOU ARE  
NEVER TOO OLD  
TO SET ANOTHER  
GOAL OR TO  
DREAM A NEW  
DREAM.

- C.S. LEWIS

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Sixth Annual Report, together with the Company's Audited Financial Statements for the financial year ended March 31, 2017.

### FINANCIAL RESULTS – STANDALONE & CONSOLIDATED

The Standalone and Consolidated financial highlights of your Company are as follows:

Particulars	Standalone		Consolidated
	2016-17	2015-16	2016-17
Total Revenue	1,332.69	771.38	1,332.70
Profit before Finance Costs, Depreciation & Amortization Expense	756.74	435.91	755.28
Less: Finance Costs	535.23	293.35	535.23
Depreciation & Amortization Expense	20.89	17.80	20.89
<b>Profit before tax</b>	<b>200.62</b>	<b>124.76</b>	<b>199.16</b>
Less: Provision for tax			
Current	100.37	56.83	100.37
Deferred	(30.16)	(13.57)	(30.42)
<b>Profit after tax</b>	<b>130.41</b>	<b>81.50</b>	<b>129.21</b>
Add: Balance of profit brought forward	82.63	31.63	82.63
Balance available for appropriation	213.04	113.13	211.84
<b>Appropriations</b>			
Dividend (Rs.) – Proposed	13.90	7.92	13.90
Corporate Dividend Tax – Current year	2.83	1.61	2.83
Transfer to Statutory Reserve	26.08	16.30	26.08
Transfer to General Reserve	13.04	8.15	13.04
Other Adjustments	-	(3.48)	-
<b>Balance carried to Balance Sheet</b>	<b>173.92</b>	<b>82.63</b>	<b>172.72</b>
Dividend (%) (Proposed)	15	10	15
Basic Earnings per Share (EPS)	15.38	12.11	15.24
Diluted Earnings per Share (EPS)	15.22	12.11	15.07

The Consolidated Financial Statements are being prepared for the first time, therefore previous year figures are not given.

### FINANCIAL HIGHLIGHTS

During the year under review, receivables under financing activity including leasing portfolio has grown by 53.77% from Rs. 6,382.48 Crores in 2015-16 to Rs. 9,814.55 Crores in 2016-17. The total revenue has shown an impressive growth of 72.77% from Rs. 771.38 Crores in 2015-16 to Rs. 1,332.69 Crores in 2016-17. Profit before tax (PBT) increased by 60.80% from Rs. 124.76 Crores in 2015-16 to Rs. 200.62 Crores in 2016-17, so also the Profit after tax (PAT) registered an increase of 60.01% from Rs. 81.50 Crores in 2015-16 to Rs.130.41 Crores in 2016-17. The operations of the subsidiary in FY 2016-17 were not significant and hence the consolidated profit of the Company almost equals its standalone profit.

A detailed discussion on the Company's operations is mentioned in the Section 'Management Discussion and Analysis' Report', and attached to this Report as **Annexure-A**.

## **SUBSIDIARY COMPANIES, JOINT VENTURE AND CONSOLIDATED FINANCIAL STATEMENTS**

During the financial year 2016-17, your Company had incorporated a subsidiary company viz. Hero Housing Finance Limited (HHFL) and invested Rs. 49.99 Crores in its subsidiary company. HHFL will be engaged into the business of providing housing loans. The Company holds 4,99,99,940 equity shares of Rs. 10 each in its subsidiary company. Further, to commence its business, HHFL was required to be registered with National Housing Bank (NHB) and the application is in process for approval with NHB.

The consolidated financial statements of the Company including its subsidiary duly audited by the statutory auditors are presented in the Annual Report. A report on performance and financial position of the subsidiary included in the consolidated financial statement is presented in a separate section in this Annual Report. Please refer AOC-1 annexed to the financial statements in the Annual Report.

The Company shall make available the annual accounts of the subsidiary company to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the registered office of the Company and respective subsidiary company.

## **DIVIDEND**

Your Directors have considered it financially prudent in the long-term interests of the Company to reinvest the profits into the business to build a strong reserve base and to expand the business of the Company and accordingly pleased to recommend a Dividend of 15% (Rs. 1.50/- per Equity Share) for the Financial Year 2016-17 (Re. 1/- per Share in the previous year).

## **INCREASE IN AUTHORISED SHARE CAPITAL & AMENDMENT IN MEMORANDUM OF ASSOCIATION OF THE COMPANY**

During the year under review, your Company increased its Authorised Share Capital from Rs. 100 Crores (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores only) equity shares of Rs.10 each to Rs. 150 Crores (Rupees One Hundred Fifty Crores only) divided into 15,00,00,000 (Fifteen Crores only) equity shares of Rs. 10 each. The Company accordingly amended the Capital Clause of its Memorandum of Association in order to give effect to the increase in its Authorised Share Capital.

## **RAISING OF FUNDS/ CAPITAL**

### **A. PRIVATE PLACEMENT OF EQUITY SHARES AND WARRANTS TO INVESTORS AND PROMOTERS**

In order to maintain a healthy rate of growth, Debt-Equity Ratio and Capital-Adequacy Ratio, the Company, in terms of the provisions of the Companies Act, 2013 and rules framed thereunder, on 15th September, 2016, entered into Investment Agreement(s) to raise equity capital of Rs. 1,002 Crores on a preferential basis through private placement in the following manner:

- (i) Issue of 88,02,614 fully paid up and 46,89,602 partly paid up equity shares of face value of Rs. 10 each, at a premium of Rs. 510.30 per Equity Share, aggregating to Rs. 702.00 Crores to the following Investors:

<b>S.No.</b>	<b>Name of the Investors</b>	<b>No. of Fully paid up Equity Shares</b>	<b>No. of Partly paid up Equity Shares</b>
1.	Otter Limited	71,11,282	38,43,936
2.	Credit Suisse (Singapore) Limited	16,91,332	8,45,666
<b>Total</b>		<b>88,02,614</b>	<b>46,89,602</b>

During the year under review, the Company with the approval of its Board of Directors called and received the balance call money on partly paid up equity shares from all the investors and accordingly the partly paid up shares were converted into fully paid up shares.

- (ii) Issue of 57,65,905 Convertible Warrants, having face value of Rs. 10 each issued at a price of Rs. 520.30 per Warrant aggregating to Rs. 300.00 Crores to the following investors. Each Warrant is Convertible into 1 (One) Equity Share of Rs. 10 each within 18 months from the date of allotment.

<b>S.No.</b>	<b>Name of the Investors</b>	<b>No. of Partly paid up Convertible Warrants</b>
1.	Hero Motocorp Ltd.	20,45,551
2.	M/s Brijmohan Lall Om Prakash (Partnership Firm)	17,98,386
3.	Munjal Acme Packaging Systems Private Ltd.	19,21,968
<b>Total</b>		<b>57,65,905</b>

In terms of the Investment Agreement(s) executed amongst Otter Limited, Credit Suisse (Singapore) Limited, the Promoter Group companies and the Company, both the foreign investors were required to pay the entire call money within 12 months of date of execution of Investment Agreement whereas the convertible warrants issued to the Promoters of Hero Group are required to be converted within the period of 18 months.

During the year, for the issuance of convertible warrants, your Company also amended the Articles of Association of the Company under the applicable provisions of the Companies Act, 2013 and rules framed thereunder empowering the Company to issue Convertible Warrants.

## **B. NON CONVERTIBLE DEBENTURES**

Secured Non-Convertible Debentures worth Rs. 1,038.00 Crores were issued by the Company during the year under review. Additionally, your Company raised Rs. 100.00 Crores of Tier II Subordinated Debt during the year. The said Non-Convertible Debentures had also been listed on the National Stock Exchange of India Limited.

## **C. COMMERCIAL PAPERS**

Commercial Papers worth Rs. 7,350.00 Crores were issued by the Company during the year under review. Total Commercial paper outstanding as on March 31, 2017 was Rs. 1,570.00 Crores as against Rs.1,525.00 Crores as on March 31, 2016.

## **D. BANK LINES**

Secured Term Loans of worth Rs. 1,370.00 Crores were borrowed from different banks during the year under review. Additionally, your Company enhanced the working capital lines (Secured and Unsecured) from Rs. 1,605.00 Crores to Rs. 2,561.00 Crores during the year under review. The Company inducted 4 new banks during the year. The Company also deepened relationships with the existing bankers not just in terms of additional working capital and term loan facilities but also notably deepening the banks' subscription to our Commercial papers and Debentures.

## **RATINGS**

Despite a tough economic environment, the Company retained all its credit ratings owing to strong parentage, adequately capitalised, adequate capital adequacy, strong promoter support and robust asset liability management. During the year under review, the rating agencies reaffirmed the long term and short term ratings of the Company.

<b>Rating</b>	<b>Program/Category</b>	<b>Outlook</b>	<b>Quantum (INR Crores)</b>
<b>ICRA</b>			
ICRA AA+	Non-Convertible Debentures	Stable	2,400.00
ICRA AA+	Subordinated Debt	Stable	400.00
ICRA AA+	Bank Loan Rating	Stable	6,500.00
ICRA A1+	Commercial Paper	-	250.00
<b>CRISIL</b>			
CRISIL AA+	Non-Convertible Debentures	Stable	1,000.00
CRISIL AA+	Subordinate Debt	Stable	400.00
CRISIL AA+	Bank Loan Rating	Stable	3,000.00
CRISIL A1+	Commercial Paper	-	3,600.00

## **CAPITAL ADEQUACY RATIO**

The Company continues to fulfill all the norms and standards laid down by the RBI pertaining to non-performing assets, capital adequacy, statutory liquidity assets etc. As against the RBI norm of 15%, your Company has maintained a Capital Adequacy Ratio (CAR) of 21.29% as on March 31, 2017, which is well above the RBI mandated norm of 15%.

## FIXED DEPOSITS

During the year under review, in pursuance to the approval of the Board of Directors, the Company has not accepted any deposit(s) under Section 73 of the Companies Act 2013, read with Companies (Acceptance of Deposits) Rules, 2014.

## TRANSFER TO GENERAL AND STATUTORY RESERVE

Your Directors are pleased to report that with a view to reinforcing the financial strength of the Company, a sum of Rs. 13.04 Crores being 10% of the Profit after tax of the year under review, has been transferred to the General Reserve of the Company.

Further, an amount of Rs. 26.08 Crores (being 20% of net profit) was transferred to Statutory Reserve of the Company pursuant to Section 451C of the Reserve Bank of India Act, 1934.

## DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL INCLUDING THOSE WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR

In terms of the applicable provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Pawan Munjal, Director of the Company retires by rotation at the ensuing 26th Annual General Meeting (AGM) and being eligible, offered himself for re-appointment. Brief resume and other details of Mr. Pawan Munjal, who is proposed to be re-appointed as a Director of your Company have been furnished, along with the Explanatory Statement to the Notice of the ensuing 26th AGM.

Pursuant to the Investment Agreement executed between Otter Limited, Hero MotoCorp Limited, M/s. Brijmohan Lal Om Parkash (a Partnership Firm), Munjal Acme Packaging Systems Private Limited, Hero InvestCorp Private Limited, Bahadur Chand Investments Private Limited & the Company, Otter Limited was entitled to nominate 1 (One) Director to the Board. Accordingly, your Board of Directors had appointed Mr. Sanjay Kukreja as an Additional Director of the Company designated as Non-Executive Director with effect from September 15, 2016. Mr. Sanjay Kukreja, aged 40 years is a MBA from IIM Bangalore and an alumni of SRCC, Delhi University. He is the Managing Director of ChrysCapital, and leads the business services, financial services, and Manufacturing sectors for the firm.

Further, pursuant to the provisions of Sections 149, 152 and 160 of the Companies Act, 2013 and as per the Resolution passed by the Shareholders on January 16, 2017 through Postal Ballot, Mr. Sanjay Kukreja was appointed as Non-Executive Director of the Company liable to retire by rotation.

Details of the Whole Time Key Managerial Personnel ("KMP") of the Company as on the date of this Report are as under:

1.	Mrs. Renu Munjal	Managing Director
2.	Mr. Abhimanyu Munjal	Joint Managing Director and Chief Executive Officer
3.	Mr. Shyam Lal	Chief Financial Officer
4.	Mr. Amit Jain	Head Legal and Company Secretary

## DECLARATION BY INDEPENDENT DIRECTORS

In accordance with the provisions of Section 149 of the Companies Act, 2013, the Independent Director(s) have submitted their declaration of Independence, stating that they meet the criteria of independence as provided in sub section (6) of Section 149 of the Companies Act, 2013.

In the opinion of the Board, Independent Directors fulfil the conditions specified in the Act, Rules made thereunder and are independent of the management.

## CORPORATE GOVERNANCE

The report on Corporate Governance is annexed at **Annexure - B** and forms part of this Annual Report. The Company is committed to maintain the high standards of Corporate Governance. The Company has also implemented several Best Corporate Governance Practices.

## EXTRACTS OF ANNUAL RETURN

In accordance with the provisions of Section 92 of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014, the extracts of the Annual Return in Form MGT 9 is attached to this report at **Annexure-C**.

## NUMBER OF BOARD MEETINGS

Your Board of Directors met 6 (Six) times during the Financial year 2016-17. The details of the Board Meetings and the attendance of the Directors are provided in the Corporate Governance Report.

## DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 134(5) of the Companies Act, 2013, your Directors state:

1. That in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2017, the applicable Accounting Standards have been followed along with proper explanation relating to material departures in the Auditor Report and Notes to Accounts;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the Annual Accounts on a "going concern" basis.
5. The Directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## CORPORATE SOCIAL RESPONSIBILITY

Your Company has undertaken the Corporate Social Responsibility (CSR) activities and complied with all the provisions of Section 135 of Companies Act, 2013. The details of CSR activities including the details of expenditure and CSR Committee are provided in the **Annexure – D** to this Report.

The CSR Committee has formulated the CSR Policy indicating the activities to be undertaken by your Company from time to time. The CSR Committee has been entrusted with the prime responsibility of recommending to the Board and monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

## STATUTORY AUDITORS AND REPORT

M/s. Deloitte Haskins & Sells, Chartered Accountants, (ICAI Firm Registration No. 015125N) were appointed as the Statutory Auditors for a period of 4 (four) years upto the conclusion of 27<sup>th</sup> AGM of the Company to be held in the year 2018 and in accordance with the provisions of the Companies Act, 2013, their appointment needs to be ratified annually.

Your Company had received an eligibility letter from the Statutory Auditors to the effect that the ratification of their appointment, would be in accordance with Section 139 and 141 of the Companies Act, 2013. The Board recommends the ratification of their appointment.

The observations of Auditors in their Report, read with notes to the accounts are self explanatory and therefore do not require further comments/elaborations pursuant to Section 134 of the Companies Act, 2013. There is no qualification made by the Statutory Auditors in their Report.

## SECRETARIAL AUDITORS & REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding Rules framed thereunder, M/s Malavika Bansal & Associates were appointed as the Secretarial Auditors of the Company to carry out the Secretarial Audit of the Company for the financial year ended 31st March, 2017.

A Secretarial Audit Report given by the Secretarial Auditors in requisite **Form No. MR-3** is annexed with this Report as **Annexure-E**. There are no qualifications, reservations or adverse remarks made by Secretarial Auditors in their Report.

## **LOAN, GUARANTEES AND INVESTMENTS**

Pursuant to Section 186(1)(a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India are exempt from the applicability of provisions of Section 186 of the Act. As such, the particulars of loans and guarantee have not been disclosed in this Report.

## **RELATED PARTY TRANSACTIONS AND POLICY**

All the Related Party Transactions pursuant to Section 188(1) of the Companies Act, 2013 that were entered into by the Company during the year under review were on an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions made by your Company with its Promoters, Directors, Key Managerial Personnel or other designated persons, which might have a potential conflict with the interest of the Company at large.

During FY 2016-17, your Company has not entered into any contracts/arrangements/transactions with related parties which could be considered 'material'. Thus, there are no transactions required to be reported in form AOC-2.

Your Board had approved and put in place a policy on Related Party Transactions. All the Related Party Transactions had been placed before the Audit Committee for its approval. Pursuant to Section 188 of the Companies Act, 2013, your Company has developed Standard Operating Procedures for the purpose of identification of Related Party Transactions and monitoring on a regular basis.

## **VIGIL MECHANISM**

Your Company has in place a well formulated Vigil Mechanism to deal with instances of fraud and mismanagement, if any. The Policy enables the employees, Directors and other stakeholders to raise their concerns. There was no incident where the access to the Audit Committee was denied to any employees with respect to Vigil Mechanism.

## **MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

No other material changes and commitments affecting the financial position of the Company occurred between April 1, 2017 and the date of this Report.

## **CHANGE IN THE NATURE OF BUSINESS, IF ANY**

There was no change in the nature of business of the Company during the financial year ended 31st March, 2017.

However, in view of exploring good business opportunities, your Company proposed to obtain Corporate Agency License of various insurance products namely life insurance, non-life insurance as well as general insurance in pursuant to the provisions of Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

## **INFORMATION ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE**

Your Company, being engaged in leasing and financing business within the Country, does not have any activity relating to conservation of energy, technology absorption and export of materials, goods or services.

The information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is as follows:

- I. Parts A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- II. Foreign Exchange earnings and outgo:  
Earnings—Rs. NIL  
Outgo – Rs. 1.20 Crores on account of travel etc. (Previous year Rs. 0.54 Crores).

## RISK MANAGEMENT

Effective risk management is essential to success and is an integral part of our culture. While we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity, and enables us to be resilient and respond decisively to the changing environment.

Our approach to risk management assists us in identifying risks early and addressing them in ways that manage uncertainties, minimize potential hazards, and maximize opportunities for the good of all our stakeholders including shareholders, customers, suppliers, regulators and employees. Risks can be broadly classified as Strategic, Operational, Financial, and Legal/Regulatory.

In accordance with the requirements of the Companies Act, 2013 and RBI Regulations, the Company, last year, adopted Risk Management Policy and established a risk management framework to identify, mitigate and control the risk.

## ANNUAL EVALUATION-BOARD AND ITS COMMITTEES

The Nomination and Remuneration (“NR”) Committee has laid down proper criteria and procedure to evaluate and scrutinize performance of the Chairperson, each Director (including Executive, Non-Executive and Independent Directors), of the Board as a whole and its Committee.

The criteria include different aspects covered under Administrative, Strategic, Operational and Compliance headings.

As per laid down procedure, the Independent Directors held a separate meeting to review the performance of the Chairperson of the Company after taking into account the views of Executive and Non Executive Directors. The substantial, and continuing, contribution of the Chairperson in the growth of the Company has been highly commended. The Independent Directors also reviewed performance of every Executive and Non-Executive Director of the Board. The performance evaluation of each Independent Director was done by the entire Board (except the Independent Directors being evaluated).

The performance of each committee has been evaluated by its members and found to be highly satisfactory.

On the basis of this exercise, the NR Committee and the Board, after recognizing the important contribution being made by each Independent Director have decided that all Independent Directors should continue to be on the Board.

Board of Directors had also approved and adopted the Nomination & Remuneration Policy, inter alia, for appointment and fixing remuneration of the Directors, Key Managerial Personnel and other employees. The said Policy is attached herewith at **Annexure-F** to this Report.

## INTERNAL CONTROL SYSTEMS

Internal Control Culture is pervasive in the Company. The Company has a comprehensive Internal Control System for all the major processes to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources.

The Internal Control system basically covers the area of Accounting Control, Compliance Audit at regular intervals by the Internal Auditor.

The Internal Auditors also assesses opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follow up the implementation of corrective actions and improvements in business processes after review by the Audit Committee.

During the year under review, M/s Ernst & Young LLP was appointed as Joint Internal Auditor of the Company.

## AUDIT COMMITTEE

Pursuant to the provisions of Section 177 of the Companies Act, 2013, your Company has an Audit Committee comprising of three Directors out of which two- third are Non-Executive and Independent. The Chairman of the Committee is an Independent Director. The Committee regularly interacts with the Statutory Auditors, Internal Auditors and Auditees in dealing with matters falling within its terms of reference. The Audit Committee mainly deals with matters relating to Accounting, Financial Reporting and Internal Controls. In compliance with the provisions of the Companies Act, 2013, the Committee met 4 (four) times during the year.

Pursuant to the provisions of Companies Act, 2013, the terms of reference of the Committee comprises of the following:

- a) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- b) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- c) examination of the financial statement and the auditors' report thereon;
- d) approval or any subsequent modification of transactions of the company with related parties;
- e) scrutiny of inter-corporate loans and investments;
- f) valuation of undertakings or assets of the company, wherever it is necessary;
- g) evaluation of internal financial controls and risk management systems;
- h) monitoring the end use of funds raised through public offers and related matters.
- i) Management of the Vigil Mechanism in the Company

## **PARTICULARS OF EMPLOYEES**

Your Directors place on record their appreciation for the significant contribution made by all employees, who through their competence, dedication, hard work, co-operation and support have enabled the Company to cross new milestones on a continual basis.

A detailed note on personnel is given in the Management Discussion and Analysis, which forms part of this Annual Report.

The statement containing particulars of employees as required under Section 197 of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate Annexure forming part of this Report. Further, the Report and the Accounts are being sent to the members excluding the aforesaid Annexure. In terms of Section 136 of the Act, the said Annexure is open for inspection at the Registered Office of the Company. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

In order to attract, retain, reward and motivate the employees to achieve their organizational targets as well as high level of individual performances, the Board of Directors subject to the approval of the shareholders of the Company had approved to formulate and implement HFCL Employee Stock Option Plan, 2017 ('ESOP 2017'). The Scheme envisages grant of upto 26,39,703 Equity Shares of the Company on Preferential and Private Placement Basis.

## **TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

Pursuant to the provisions of Section 125 of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014, your Company had transferred unclaimed/unpaid dividend of Rs. 5,91,000 and Rs. 5,55,000 for FY 2008-09 and 2007-08 respectively lying with the Company for a period of 7 years after declaration of dividend to the Investor Education and Protection Fund (IEPF) of Central Government of India.

## **STATUTORY DISCLOSURES**

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

1. Deposit from the public falling within the ambit of Section 73 of the Act and rules made thereof.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
4. Buy Back of Shares

## **DISCLOSURE UNDER PREVENTION OF SEXUAL HARASSMENT POLICY**

During the year under review, the Company has complied with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Prevention of Sexual Harassment (POSH) Policy is in place and Internal Complaints Committee had been constituted and are functioning. No Complaint was received under POSH during the year ended December 31, 2016.

## **ACKNOWLEDGEMENT**

The Board of Directors acknowledge with gratitude the co-operation and assistance extended by the Company's Bankers, Customers, Associates and Employees. The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from the shareholders.

By Order of the Board  
for **Hero FinCorp Ltd.**

**Pawan Munjal**  
Chairman  
DIN:00004223

**Place:** New Delhi

**Date:** May 08, 2017

**Registered Office:**

34, Community Centre, Basant Lok, Vasant Vihar, New Delhi-110057

**CIN:** U74899DL1991PLC046774

**Phone:** 011-4604 4100, 011-4948 7150;

**Fax:** 011-2614 3321, 011-4948 7197

**E-mail:** investors@herofincorp.com

**Website:** www.herofincorp.com

## ANNEXURE-A

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Global Economy

It was another difficult year for the world economy with stagnant global trade, subdued investment, and heightened policy uncertainty. As per International Monetary Fund, global growth is expected to be around 3.1% for 2016. The year 2017 is expected to be moderately better for both emerging and developing economies with global growth projected at 3.4%. Increasing protectionist pressures, inadequate progress in repairing balance-sheets of the economies and their banks are the key risks to global growth.

Emerging market and developing economies (EMDEs) grew by 4.1 percent in 2016 led by net commodity importers like India. Overall, EMDE growth is projected to pick up to 4.5 percent in 2017 and 4.8 percent in 2018. High corporate debt and capital flow reversal remain the major threats to the EMDEs.

#### Indian Economy

As per International Monetary Fund (IMF), India has emerged as the fastest growing major economy in the world. The improvement in India's economic fundamentals was led by a combination of strong government reforms, RBI's vigilance on inflation, which remained benign largely because of the global commodity prices.

Gross Domestic Product (GDP) for the year 2016-17 is likely to grow at 7.1 per cent. It is projected that India will become the 6th largest economy of the world by 2019 overtaking France. The government in its annual budget decided to keep the fiscal deficit at 3.2%, a number which is expected to strike a balance between fiscal prudence and growth catalyst. Effects of implementation of the Goods and Service Tax and the Indian monsoons are expected to be key triggers in the upcoming fiscal.

#### Financial Service Sector and Developments

India's financial services sector is diversified, comprising of entities such as Commercial Banks, Co-operatives, Insurance Companies, Pension Funds, Mutual Funds, Housing Finance Companies (HFCs), Non-Banking Financial Companies (NBFCs) and various other entities. Introduction of Small finance banks and payments banks along with the rapid digital innovations taking place makes it imperative to all the existing players to continuously evolve to remain competitive.

#### Regulatory and Industry developments

NBFCs have been complementing the banking sector in reaching out credit to the unbanked segments of society, especially, to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship. The role of NBFCs assumes even greater significance at a time when banking institutions are struggling with credit growth and focusing upon cleaning their balance sheet.

NBFCs' nimbleness, ground-level understanding of their customers' profile give them an edge over banks to innovate and customize products as per their clients' needs. This makes them the perfect conduit for delivering credit to the unbanked and SMEs.

On the regulatory front, convergence between banks and NBFCs on provisioning norms will be complete in the upcoming fiscal. on the liability side, NBFCs still do not enjoy a level playing field. This needs to be addressed to help NBFCs realize their full potential and thereby perform their duties with greater efficiency.

#### The Company

Hero FinCorp currently provides two-wheeler financing, pre-owned car financing, inventory funding, loan against property, loans to SMEs and emerging corporates. The company also set up a subsidiary Hero Housing Finance Limited with an intention to disburse home loans once the license from NHB is obtained.

#### Financial and Operational performance

The Company had begun the year with the theme "Go for Gold". Hero FinCorp's asset book grew at a robust pace. The key operational highlights were as under-

Receivables under financing activity including leasing portfolio grew by 53.77% from Rs. 6,382.48 Crores in 2015-16 to Rs. 9,814.56 Crores in 2016-17.

Total revenue has shown an impressive growth of 72.77 % from Rs. 771.38 Crores in 2015-16 to Rs. 1,332.69 Crores in 2016-17.

Profit before tax (PBT) increased by 60.80 % from Rs. 124.76 Crores in 2015-16 to Rs. 200.62 Crores in 2016-17

Profit after tax (PAT) registered an increase of 60.01% from Rs. 81.50 Crores in 2015-16 to Rs. 130.41 Crores in 2016-17.



**Segment wise performance**

**Retail Business**

The retail business is present at 862 dealerships at the end of Financial Year 2017 (764 at the end of Financial Year 2016). The services are now available at over 2,400+ touch points spread across 1,000+ cities, towns and villages.

The retail team has built the capacity to disburse more than a loan every minute. Over 1.5 million two-wheeler loan applications were processed till March-2017; an amazing achievement within a short span of less than 4 years. A total of 6.7 Lakh of two wheeler loans were disbursed in the last financial year (4.68 Lakh in FY16) amounting to a total active customer base of around 1.2 Million and an asset book of Rs. 2,942 Crores.

**Loan against Property, SME and Emerging Corporate Business**

At present your company is operating out of 42 Locations on the non-retail segment. The team’s built a capacity to process more than 550 applications every month. Rs. 3,718 Crores worth of loans was disbursed during the year under review. The LAP and emerging corporate verticals have performed exceptionally well, disbursing around Rs. 2,073.4 Crores and Rs. 1,063 Crores respectively. The SME division has also consolidated its position by disbursing Rs. 382 Crores during the year. The Company has closed the year with an impressive corporate asset book of Rs. 5,831 Crores.

**New Business Segments**

In FY16-17, Company launched a new product i.e. pre-owned car finance and made a total business Rs. 88.5 Crores.

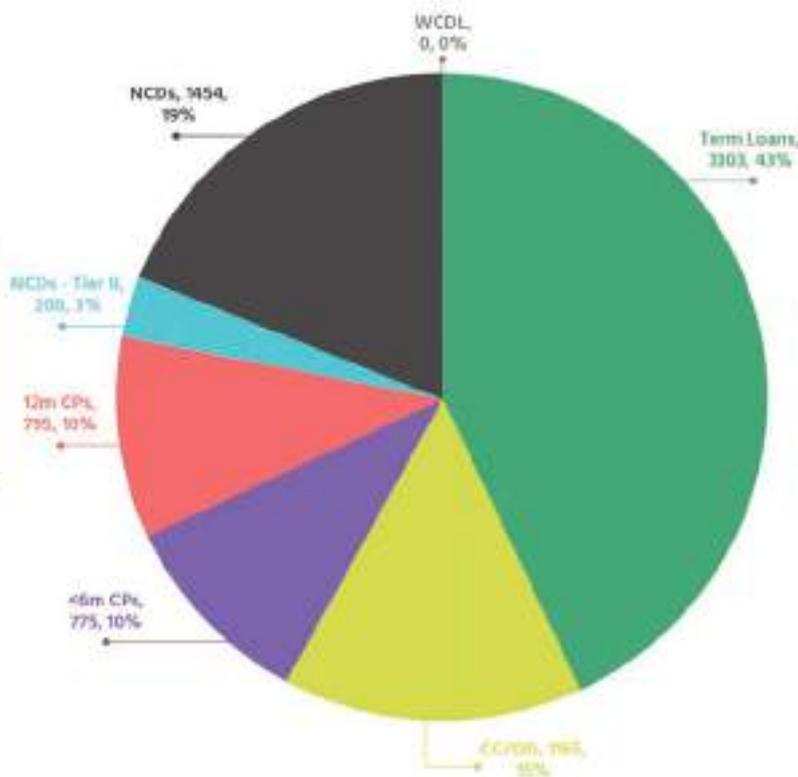
**Borrowings:**

The Treasury borrowed Rs. 10,943.00 Crores during the financial year 2016-17 including rollovers. The borrowing book closed at Rs. 7,692.35 Crores at the end of the Financial Year 2017 against Rs. 5,221.63 Crores at the end of the Financial Year 2016. 58% of the borrowings as on March 2017 were through bank lines and 42% was borrowed through the money/capital markets. The company continued to reduce the cost of funds delivering a cost of 8.72% for the financial year of 2016-17 against 9.42% for the previous year.

**Non-Convertible Debentures**

Secured Non-Convertible Debentures worth Rs. 1,038.00 Crores were issued by the Company during the year under review. Additionally, your Company raised Rs. 100.00 Crores of Tier II Subordinated Debt during the year. The said Non-Convertible Debentures had also been listed on the National Stock Exchange of India Limited.

**O/S BORROWING BOOK AS ON MARCH 31, 2017**



### **Commercial Papers**

Commercial papers worth of Rs. 7,350.00 Crores were issued by the company during the year under review. Total Commercial paper outstanding as on March 31, 2017 was Rs. 1,570.00 Crores as against Rs. 1,525.00 Crores as on March 31, 2016.

### **Bank Lines**

Secured Term Loans of worth Rs. 1,370.00 Crores were borrowed from different banks during the year under review. Additionally, your company enhanced the working capital lines (Secured and Unsecured) from Rs. 1,605.00 Crores to Rs. 2,561.00 Crores during the year under review. The company inducted 4 new banks during the year. The Company also deepened relationships with the existing bankers not just in terms of additional working capital and term loan facilities but also notably deepening the banks' subscription to our Commercial papers and debentures.

During the last quarter of the Financial Year, the Company shifted almost all of its bank loans from the floating rate benchmark of base rate to Marginal Cost of Funds based Lending Rate (MCLR). This helped in lowering the Bank interest cost by almost 100 bps.

### **Asset Liability Management (ALM)**

As a financing company, ensuring ample liquidity is one of the major objective. This is ensured by the Treasury department, which ensures money is always available at the most competitive cost.

It is imperative that cumulatively the amount of assets maturing is more than the liabilities for any given residual tenor buckets. Over last two years, increase in assets have majorly been of tenors greater than 1 year. The Company has, thus, focused on borrowing long term loans and debentures to maintain a positive Asset Liability match. As on 31st March, 2017, all the buckets as defined by the RBI, have a positive match.

### **Capital Adequacy**

Capital Adequacy Ratio (CAR) of 21.29% as on March 31, 2017, which is well above the RBI mandated of 15%. Tier I Capital Adequacy stood at 18.95% and Tier II capital adequacy was 2.34%. The Tier II capital adequacy includes 0.35% of contingent provision on standard assets, as mandated by RBI.

### **Website and Marketing Campaign**

The Company continued to reach out to people through various media channels.

#### **TV and Mobile Ads**

The Company's TV and Mobile campaign was carried around marquee international cricket events including the ICC T20 World Cup, India vs. Sri Lanka T20 Series, Asia Cup T20, and the IPL (on HotStar). The campaign reached approximately 53 million viewers across India

#### **Radio Campaign**

A targeted campaign for two-wheeler customers was launched during Jan-Feb 2017 covering a total of 15 states and 32 cities. Our Radio Jingle was played on the top radio stations of the chosen cities.

#### **Social & Online Campaign**

The company continued to focus on being visible on social media. On LinkedIn, Employer Branding Campaign was launched, reaching 1.7 L users across India, with a click-through-rate (CTR) and engagement rate of over 1% and 1.4% respectively, both of which were more than 3 times the industry average.

Our official website & Google search ads generated close to 16,000 high-quality, filtered leads.

### **Information Technology**

Committed to the vision of being the next generation credit champion, significant advancements were made on the technology front. New operational efficiencies were achieved through key advancements like underwriting automation; web/app based sourcing; bureau automations; and advanced credit assessments that have enabled the company to manage large volume and ensure good credit quality. The Company is committed to keep investing in new technologies that will help us stay ahead of the curve.

## SWOT ANALYSIS

### Strengths

- PAN India Presence
- Scalable business model
- Experienced and stable management team
- Cost of Funds being one of the lowest in the industry
- Strong relationships with public, private as well as foreign banks, institutions and investors
- More than 12 Lakh two wheeler active customer and 4,000 corporate customers
- Technology enabled disbursement process for two wheeler
- Knowledge-driven and relationship-based business model
- Asset light branchless model

### Weaknesses

- Business growth and performance linked with macro-economic cycles
- Monsoons in India can have a bearing on the performance of two-wheeler financing business

### Opportunities

Demonetization and the push for digitization presents -

- Higher accessibility of Rural unbanked market
- SMEs choosing formal channels of financing

### Threats

- Inflation resurfacing and RBI changing its stance from neutral to hawkish
- Lack of private capital investment

## Outlook

The adverse effects of demonetisation turned out to be a milder than what the general consensus was. The outlook for 2017-18 looks positive due to a number of factors.

The following factors are expected to boost our retail financing business in 17-18 –

- The expected increase in discretionary consumer spending post remonitization
- Successful and well dispersed monsoons
- Government boosting spend on the rural economy and affordable housing

For SME, LAP and corporate finance the key triggers to a successful year are expected to be –

- Government spend on infrastructure
- Successful roll-out of the GST
- Pick-up in global demand

Outlook on Cost of Funds and Treasury performance

It seems that the interest rates have likely formed a bottom. There could be inflationary pressures on the economy owing to the roll-out of GST but it is unlikely to occur in the first half of the year. Further, owing to demonetization, liquidity is expected to be comfortable for much of the year which should keep the short term rates and bank MCLR in check.

## Risk Management and Concerns

Effective risk management is essential to success and is an integral part of our culture. As a financing institution our predominant business risks include credit, liquidity and interest rate risks. There are several other risks which could affect each of the functions of the Company. While, we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity, and enables us to be resilient and respond decisively to the changing environment.

The Company has been continuously investing in people, processes and systems to mitigate each of the risks that could affect the functions and the organization as a whole.

As internal controls are considerably watertight, most threats faced by your Company are external and linked to industry performance. A downswing in certain customer industries could lead to slowdown of our financing business within that segment. Also, interest rate and liquidity threats owing to macroeconomic conditions can impact the borrowing pattern of your Company.

### **Internal Control Systems**

Internal Control culture is pervasive in the Company. The Company has a comprehensive internal control system for all the major processes to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources.

The Internal Control system basically covers the area of Accounting Control, Compliance Audit at regular intervals by the Internal Auditor.

The Internal Auditors also assesses opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follow up the implementation of corrective actions and improvements in business processes after review by the Audit Committee.

### **Material development in Human Resources**

Your Company has seen incredible growth in human capital in FY17. The Company had opened the year with 622 on roll employees and has grown to 968 employees. People have been added across grades and several middle to senior managers has been added to strengthen the operating and leadership team. A highly effective rewards and recognition program have also been inculcated. Your Company is compliant across all human resource linked policies as required by the Reserve Bank of India as well as the Government of India and values human capital as its most important resource.

### **Cautionary Statement**

Certain statements in the Management Discussion and Analysis could be forward looking statements within the meaning of applicable law. Actual results may vary significantly from the forward looking statements due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political risks within and outside India, volatility in interest rates, change in Government or regulatory policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

## ANNEXURE-B

### CORPORATE GOVERNANCE REPORT

#### CORPORATE GOVERNANCE REPORT

“Corporate Governance” refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable Companies to attract financial and human capital perform efficiently and thereby maximize long term value for shareholders, while respecting the aspect of multiple stakeholders, including society at large.

Corporate Governance is not a matter of just complying with the check-list, it is integral to the very existence of a Company. It strengthens investors’ trust and ensures long-term partnership that helps in fulfilling a Company’s quest for higher growth and profits. Corporate Governance rests upon the four pillars of transparency, full disclosure, independent monitoring and fairness to all, especially to minority shareholders. A good Corporate Governance policy should also ensure the following:

- A competent Management team is at the helm of affairs;
- The Board of Directors (Board) is strong with an optimum combination of Executive and Non-Executive (including Independent) Directors, who represent the interest of all stakeholders;
- The Board effectively monitors the management’s progress, takes all key Corporate decisions;
- The Board is aware of the concerns of the Company’s shareholders;
- The Management and employees have a stable environment; and

In a nutshell, the essence of Corporate Governance lies in the phrase “Your Company”. It is “Your” Company because it belongs to you, the Shareholders. The Chairman and Directors are “Your” fiduciaries and trustees. Their objective is to take the business forward to maximize “Your” long- term wealth.

Your Company has been promoted by Hero MotoCorp Limited, which is committed to benchmark itself with global standards in all areas including Corporate Governance. Towards this end, your Company also deems it appropriate to incorporate in its Annual Report, disclosures on the Board and financial performance under this head of Corporate Governance. Though, the disclosures under this head are not mandatorily required to be given under any law, but the Company has endeavored to voluntarily provide the disclosures, to the extent possible, in line with SEBI (Listing Obligation and Disclosure Requirement), Regulation, 2015, as applicable to Listed Companies.

#### BOARD OF DIRECTORS

The business of the Company is managed by the Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis.

#### COMPOSITION OF THE BOARD

The Company’s Board comprises of an appropriate combination of Executive and Non-Executive Directors. As on March 31, 2017, the Company’s Board consists of 6 (Six) Directors, which includes 2 (two) Executive Directors, 2 (two) Non-Executive Directors and 2 (two) Non-Executive and Independent Directors.

Details of composition of the Board, number of meetings held and attended by the Directors during the year under review etc. is given herein below.

Name of the Directors	No. of Board Meetings		Whether attended last AGM	No. of other Directorships held (excluding Private Companies, Foreign Companies and Sec. 8 Co’s)
	Held	Attended		
<b>Executive</b>				
Mrs. Renu Munjal	6	5	Yes	1
Mr. Abhimanyu Munjal*	6	6	Yes	1

Name of the Directors	No. of Board Meetings		Whether attended last AGM	No. of other Directorships held (excluding Private Companies, Foreign Companies and Sec. 8 Co's)
	Held	Attended		
<b>Non-Executive</b>				
Mr. Pawan Munjal	6	6	Yes	3
Mr. Sanjay Kukreja***	6	3	No	1
<b>Non-Executive and Independent</b>				
Mr. Dharmendar Nath Davar	6	6	Yes	9
Mr. Pradeep Dinodia**	6	5	Yes	6

\*The Board of Directors appointed Mr. Abhimanyu Munjal as Joint Managing Director and Chief Executive Officer of the Company w.e.f. June 01, 2016.

\*\*The Board of Directors appointed Mr. Pradeep Dinodia as a Director of the Company w.e.f. May 29, 2016

\*\*\*Mr. Sanjay Kukreja was appointed as Director of the Company w.e.f. September 15, 2016

Note: None of the directors holds office as a director, including as alternate director, in more than twenty companies at the same time. None of them has directorships in more than ten public companies. For reckoning the limit of public companies, directorships of private companies that are either holding or subsidiary company of a public company are included.

As per declarations received, none of the directors serves as an independent director in more than seven listed companies. Further, the whole-time directors in the Company do not serve as an independent director in more than three listed companies.

Mrs. Renu Munjal is wife of late Shri Raman Kant Munjal son of Late Shri. Brijmohan Lall Munjal and brother of Shri. Pawan Munjal. Mr. Abhimanyu Munjal is son of Mrs. Renu Munjal.

## PECUNIARY RELATIONSHIP

There is no pecuniary relationship or transaction of the Non-Executive Directors vis-à-vis the Company, apart from the sitting fees received by them for attending the Meetings of the Board and Committee(s) thereof.

## BOARD MEETINGS

During the Financial Year 2016-17, your Board met 6 (Six) times i.e. on May 03, 2016, May 29, 2016, August 16, 2016, September 15, 2016, November 14, 2016 and March 01, 2017. The gap between any two meetings has been less than one hundred and twenty days.

## INFORMATION SUPPLIED TO THE BOARD

Agenda papers along with the necessary documents and information are circulated to the Board and the members of the Board Committee(s) well in advance of each meeting of the Board and Committee(s) thereof. In addition to the general business items, the following items/information is regularly placed before the Board and/or Committees to the extent applicable:

- Annual Budget/Business Plan;
- Strategic business proposal or activities to be undertaken;
- Purchase and disposal of major fixed assets;
- Quarterly, half yearly and annual results of the Company;
- Minutes of the meetings of the Board Committee(s);
- Any material defaults in financial obligations to and by the Company for substantial non payments;
- Sale of material nature of investments and assets, which are not in the normal course of business;
- Reports on Internal Controls Systems and Internal Audit Reviews; and
- Related Party Transactions;

## SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During the reporting financial year, a separate Meeting of the Independent Directors of the Company, was held on March 01, 2017, whereat the following items as enumerated under Schedule IV to the Companies Act, 2013 were discussed:

- Review of performance of Non-Independent Directors and the Board as a whole
- Review of performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors
- Assessment of the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## SUBSIDIARY

During the financial year ended 31st March, 2017, the Company has 1 (one) Subsidiary Company i.e. M/s Hero Housing Finance Limited.

## BOARD LEVEL COMMITTEES

### AUDIT COMMITTEE

Pursuant to the provisions of Section 177 of the Companies Act, 2013, the Company has constituted an Audit Committee, with two-third of the members being Non-Executive and Independent Directors. The "Terms of Reference" of the Audit Committee as approved by Board of Directors includes the following:

- the recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- review and monitor the Auditor's independence and performance, and effectiveness of Audit process;
- examination of the financial statement and the Auditors' report thereon;
- approval or any subsequent modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the Company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- monitoring the end use of funds raised through public offers and related matters; and
- operate the Vigil Mechanism in the Company.

The Chairman of the Committee is Mr. Dharmendar Nath Davar, being the Ex-Chairman of India's renowned financial institution – IFCI Limited, possesses rich and varied experience and knowledge in the field of finance. The other members of the Committee are also experienced and are heading the industrial and service sectors.

## MEETINGS, ATTENDANCE AND COMPOSITION

During the Year under review, the Audit Committee met 6 (Six) times, i.e. on May 03, 2016, May 29, 2016, August 16, 2016, September 15, 2016, November 14, 2016 and March 01, 2017 respectively. The constitution of the Audit Committee and the attendance record of Members in the Committee meetings are as under:

Name of the Directors	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Dharmendar Nath Davar	Chairman	6	6
Mrs. Renu Munjal	Member	6	5
Mr. Pradeep Dinodia	Member	6	5

Mr. Dharmendar Nath Davar, Chairman of Audit Committee was present at the Annual General Meeting of the Company held on September 15, 2016, to answer the shareholders' queries.

The Chief Financial Officer and Joint Managing Director and CEO of the Company and representatives of the Internal Auditors and the Statutory Auditors also attend the Committee meetings upon invitation of the Chairman. The Company Secretary acts as the secretary to the Audit Committee.

## ASSET AND LIABILITY MANAGEMENT COMMITTEE

Pursuant to the Guidelines issued by the Reserve Bank of India (RBI), a Committee was constituted on October 31, 2002 to check the Asset Liability mismatches, interest risk exposure and to help the Company to improve the overall system for effective risk management in various portfolios held by the Company. As per the RBI guidelines, a NBFC whose assets base is greater than Rs. 100 Crores should have an Asset & Liability Management Committee (ALM) to maintain the ALM systems. Mr. Dharmendar Nath Davar, is the Chairman of the Committee and possesses rich and varied experience and knowledge in the finance field. The other members are also experienced in heading the industrial and service sectors.

During the financial year 2016-17, the ALM Committee met 4 (Four) times, i.e. on May 03, 2016, August 16, 2016, November 14, 2016 and March 01, 2017 respectively. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

<b>Name of the Directors</b>	<b>Position Held</b>	<b>No. of Meetings held</b>	<b>No. of Meetings attended</b>
Mr. Dharmendar Nath Davar	Chairman	4	4
Mrs. Renu Munjal	Member	4	3
Mr. Abhimanyu Munjal*	Member	4	4
Mr. Pradeep Dinodia*	Member	4	3
Mr. Sanjay Kukreja**	Member	4	2

\*Mr. Pradeep Dinodia and Mr. Abhimanyu Munjal were appointed as the member(s) of the ALM Committee effective from May 29, 2016 and June 01, 2016 respectively.

\*\*Mr. Sanjay Kukreja was appointed as the member of the ALM Committee effective from September 15, 2016

The Committee reviewed and carried out the necessary spadework for formalizing the Asset and Liability Management Systems in the Company.

The sub-committee of the ALM Committee, consisting of heads of various functions, met regularly during the year to discuss liquidity risk management, management of market risks, funding and capital planning, growth projections, forecasting and preparation of contingency plans. A synopsis of the minutes of the meetings of the sub committee are regularly placed before the ALM Committee for its consideration.

## RISK MANAGEMENT COMMITTEE

According to the Guidelines issued by the RBI, every NBFC whose assets base is greater than Rs. 100 Crores should have a Risk Management Committee to manage the integrated risk of the Company. In view of the same, Risk Management Committee was formed on November 19, 2008 to manage and mitigate the risk of the Company.

The Company has established effective risk assessment and minimization procedures, which are reviewed by the Risk Management Committee periodically. There is a structure in place to identify and mitigate various risks identified by the Company from time to time. At the meeting of the Risk Management Committee, the same is reviewed and new risks are identified and after their assessment, their controls are designed, put in place with specific responsibility of the concerned person for its timely achievement.

During the financial year 2016-17 under review, Risk Management Committee met 4 (Four) times, i.e. on May 03, 2016, August 16, 2016, November 14, 2016 and March 01, 2017 respectively. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

<b>Name of the Directors</b>	<b>Position Held</b>	<b>No. of Meetings held</b>	<b>No. of Meetings attended</b>
Mr. Dharmendar Nath Davar	Chairman	4	4
Mrs. Renu Munjal	Member	4	3
Mr. Abhimanyu Munjal*	Member	4	4
Mr. Pradeep Dinodia*	Member	4	3
Mr. Sanjay Kukreja**	Member	4	2

\*Mr. Pradeep Dinodia and Mr. Abhimanyu Munjal were appointed as the member(s) of the ALM Committee effective from May 29, 2016 and June 01, 2016 respectively.

\*\*Mr. Sanjay Kukreja was appointed as the member of the ALM Committee effective from September 15, 2016

## NOMINATION & REMUNERATION COMMITTEE

In view of the provisions of Section 178 of the Companies Act, 2013 and Rules made there under the Company has constituted Nomination & Remuneration Committee on May 26, 2014, with the below mentioned "Terms of Reference":

- To formulate and recommend to the Board of Directors the Company's policies, relating to the remuneration for the Directors, Key Managerial Personnel and Other Employees, criteria for determining qualifications, positive attributes and independence of a Director;
- To formulate criteria for evaluation of Independent Directors and the Board;
- To identify persons who are qualified to become Directors and who might be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
- To carry out evaluation of every Director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees; and
- To devise a policy on "Board diversity;"

During the Financial Year 2016-17 under review, Nomination and Remuneration Committee met 3 (Three) times i.e. on May 03, 2016, May 29, 2016 and September 15, 2016 respectively. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

Name of the Directors	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Dharmendar Nath Davar	Chairman	3	3
Mr. Pawan Munjal	Member	3	3
Mr. Pradeep Dinodia*	Member	3	2

\*Mr. Pradeep Dinodia was appointed as a member of Nomination and Remuneration Committee effective May 29, 2016.

## REMUNERATION POLICY

The remuneration paid to the Executive Director(s) is approved by the Nomination & Remuneration Committee and endorsed by the Board subject to the approval of the shareholders at the general meeting and such other authorities as may be required from time to time. At the Board Meeting, only the Non-Executive Directors participate in the business pertaining to the approval of the remuneration to be paid to the Executive Director. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the current financial position of the Company. The remuneration structure comprises of basic salary, perquisites and allowances, payment and expenses incurred on perquisites, contribution to provident fund and other funds. Besides that, a commission upto 1 (one) per cent of net profits, computed in accordance with Section 197 of the Companies Act, 2013, is also paid as per the terms of appointment.

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees of Rs. 50,000 for attending each meeting of the Board and Committees of the Board, other than the Committee of Directors.

The details of the remuneration paid / payable to Mrs. Renu Munjal, Managing Director and Mr. Abhimanyu Munjal, Joint Managing Director and Chief Executive Officer for the financial year ended March 31, 2017 are given below:

Particulars	(INR Crores)	
	Mrs. Renu Munjal	Mr. Abhimanyu Munjal
Salary*	4.79	2.99
Contribution		
- Provident Fund	0.67	0.28
- Super Annuation Fund	-	-
Commission**	2.01	2.01
<b>Total</b>	<b>7.47</b>	<b>5.28</b>

\* Salary includes basic salary, perquisites and allowances, payment and expenses incurred on perquisites.

\*\*Commission is calculated @1 (one) percent of the net profit calculated in accordance with Section 197 of the Companies Act, 2013

The details of the remuneration paid to the Non-Executive Directors for the year ended March 31, 2017 are given below:

(INR Crores)

<b>Name of the Directors</b>	<b>Sitting Fees</b>	<b>Commission</b>	<b>Total</b>
Mr. Pawan Munjal	0.05	-	0.05
Mr. Dharmendar Nath Davar	0.13	-	0.13
Mr. Pradeep Dinodia	0.10	-	0.10
Mr. Sanjay Kukreja	Nil	-	Nil

Mr. Sanjay Kukreja vide his letter dated December 16, 2016 had waived his entitlement of Sitting Fees for attending the Meeting of Board and its Committees

### STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to the provisions of the Companies Act, 2013 and rules made thereunder, your Board of Directors had constituted Stakeholders Relationship Committee to specifically look into the shareholders' and investors' complaints on matters relating to transfer/transmission of shares, non-receipt of annual report, non-receipt of dividend, payment of unclaimed dividends, etc. The Terms of Reference of Stakeholders Relationship Committee is as per the following details:

- To consider and resolve the grievances of shareholders, debenture holders and other security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of balance sheet and non- receipt of declared dividends.
- To look into matters that can facilitate better security-holders services and relations.

During the year under review, the Committee met once on August 16, 2016. The constitution of the Committee and the attendance record of Members in the Committee Meeting are as under:

<b>Name of the Members</b>	<b>Position Held</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mrs. Renu Munjal	Chairperson	1	Nil
Mr. Pradeep Dinodia*	Member	1	1
Mr. Abhimanyu Munjal*	Member	1	1

\*Mr. Pradeep Dinodia and Mr. Abhimanyu Munjal were appointed as the member(s) of the Committee effective May 29, 2016 and June 01, 2016 respectively.

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In pursuance to the provisions of Section 135 the Companies Act, 2013 and Rules made thereunder, the Company has constituted Corporate Social Responsibility Committee with the below mentioned terms of reference:

- Formulation of CSR Policy as specified in Schedule VII of the Act, indicating the activities, projects, timelines and expenditure thereon;
- Recommendation of CSR Policy to the Board;
- Recommendation of expenditure to be incurred on the activities referred in point no. (a) above and
- Monitoring the implementation of the Policy.

During the year under review, the members of the Corporate Social Responsibility Committee met once, i.e. on May 03, 2016. The constitution of the Committee and the attendance record of Members in the Committee Meetings are as under:

<b>Name of the Director</b>	<b>Position Held</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mrs. Renu Munjal	Chairperson	1	1
Mr. Pawan Munjal	Member	1	1
Mr. Dharmendar Nath Davar	Member	1	1
Mr. Pradeep Dinodia*	Member	1	Nil
Mr. Abhimanyu Munjal*	Member	1	Nil

\*Mr. Pradeep Dinodia and Mr. Abhimanyu Munjal were appointed as a member(s) of Corporate Social Responsibility Committee, effective May 29, 2016 and June 01, 2016, respectively

## COMMITTEE OF DIRECTORS

The Committee of Directors deals with the matters relating to allotment, transfer, transmission, transposition, issue of new/duplicate share certificates, matters relating to borrowing investment of surplus funds opening and closure of Bank accounts, allotment of NCDs and all other matters as prescribed and delegated to the Committee by the Board from time to time. The Committee comprises of Mr. Pawan Munjal, Mrs. Renu Munjal and Mr. Abhimanyu Munjal as its members.

This Committee generally meets as and when required. During the year under review, 28 (Twenty Eight) meetings of the Committee were held.

## DISCLOSURES

### RELATED PARTY TRANSACTIONS

Related Parties and Transactions with them as required under Accounting Standard 18 (AS-18) are furnished to and forming part of the Balance Sheet as at March 31, 2017 and Statement of Profit & Loss for the financial year ended March 31, 2017.

The transactions with the Related Parties are on arm's length basis and in the usual course of business of the Company and do not have any potential conflict with the interests of the Company at large.

### GENERAL BODY MEETINGS

Details of location, day, date and time of Annual General Meetings held during the last three years and Resolutions passed there at are given below.

### DETAILS OF GENERAL MEETINGS (AGM/EGM):

Financial Year	Location	Day, Date & Time	Summary of Resolution Passed
<b>Annual General Meeting</b>			
2015-16	Hotel ITC Sheraton, District Centre, Saket, New Delhi-110017	Thursday, September 15, 2016 Time: 10.30 A.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Alteration of Articles of Association to authorise Issuance of Warrants</li> <li>Issue of Equity Shares and Warrants on Preferential Basis through Private Placement</li> <li>Increase in the Limit of Borrowing</li> <li>Issuance of Non-Convertible Debentures on Private Placement basis</li> </ul>
2014-15	Hotel Vasant Continental, Vasant Vihar, New Delhi 110057	Tuesday, September 15, 2015 Time: 05.00 P.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Re-appointment of Mrs. RenuMunjal as Managing Director of the Company</li> <li>Elevation of Mr. Abhimanyu Munjal as Chief Executive Officer (CEO) of the Company</li> </ul>
2013-14	Hotel Vasant Continental, Vasant Vihar, New Delhi 110057	Friday, September 19, 2014 Time: 05.00 P.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Appointment of Mr. Pavninder Singh (DIN 03048302) as an Independent Director;</li> <li>Appointment of Mr. D.N. Davar as Independent Director;</li> <li>Appointment of Mr. Abhimanyu Munjal as Chief Operating Officer (COO);and</li> <li>Keeping of register of members and index of Member at a place other than the Registered office.</li> </ul>

Financial Year	Location	Day, Date & Time	Summary of Resolution Passed
<b>Extra Ordinary General Meeting</b>			
2015-16	Hotel ITC Sheraton, District Centre, Saket, New Delhi-110017	Thursday, September 15, 2016 Time: 02.00 P.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Approval for Adoption of Restated Articles of Association of the Company</li> </ul>
2014-15	34, Community Centre, Basant Lok, Vasant Vihar, New Delhi-110057	Monday , July 06, 2015 Time: 05.00 P.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Adoption New set of Article</li> <li>Increase in authorized Share Capital of the Company</li> <li>Amendment to Memorandum of Association</li> <li>Issuance of Equity Shares on Right Basis</li> <li>Approve Limit of Borrowing</li> <li>Sell, Lease other Dispose of the in connection with the Borrowing of the Company</li> <li>Approval for issue of Non-convertible Debentures on Private Placement basis</li> </ul>
2013-14	34, Community Centre, Basant Lok, Vasant Vihar, New Delhi-110057	Wednesday, October 15, 2014 Time: 05.00 P.M	Special Resolution(s): <ul style="list-style-type: none"> <li>Approve Limit of Borrowing</li> <li>Providing Securities in connection with Borrowing</li> <li>Approval for issue of Non-convertible Debentures on Private Placement basis</li> <li>Increase the Limit to make Loan or Investment</li> </ul>

### Resolution(s) passed last year through postal ballot

During the year, 4 (Four) Resolutions were passed with requisite majority through Postal Ballot procedures, 1 (One) of them was passed on 15th October, 2016 and other 3 (three) were passed on 16th January, 2017.

### MEANS OF COMMUNICATION

#### (a) Results:

The Company publishes limited reviewed un-audited standalone financial results on a half yearly basis. In respect of the last half year, the Company publishes the audited financial results for the complete financial year.

#### (b) Newspapers wherein results normally published:

The half-yearly/ annual financial results were published in Mint in English editions.

#### (c) Website, where displayed:

The financial results and the official news releases are also placed on the Company's website [www.herofincorp.com](http://www.herofincorp.com) in the 'Investors' section.

### GENERAL SHAREHOLDERS' INFORMATION

#### i) Financial Year:

The Financial Year of the Company starts from 1st April of a year and ends on 31st March of the following year.

## ii) Dividend Payment:

The Board has recommended dividend @15% i.e. Rs. 1.50/- per equity share of Rs. 10 each for the financial year 2016-17. This dividend as recommended by the Board, if approved by the shareholders at their 26<sup>th</sup> Annual General Meeting, shall be paid to those members, whose names would appear on the Register of Members of the Company as on Record Date.

## d) Listing on Stock Exchange

The Non Convertible Debentures of the Company are listed on –

National Stock Exchange of India Limited (NSE)  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400 051

The Company has paid Annual Listing Fees for FY 2017-18 within the stipulated time.

## Financial Calendar

For the financial year ended March 31, 2017, the financial results of the Company were announced on:

a)	First quarter ended June 30 , 2016	August 16, 2016
b)	Second quarter ended Sept. 30, 2016	November 14, 2016
c)	Third quarter ended Dec. 31, 2016	March 01, 2017
d)	Fourth quarter ended March 31, 2017	May 08, 2017

For the year ending March 31, 2018, the financial results of the Company are likely to be announced on:

a)	First quarter ending on June 30, 2017	By July/August 2017
b)	Second quarter ending on September 30, 2017	By November 15, 2017
c)	Third quarter ending on December 31, 2017	By February/March 2018
d)	Fourth quarter ending on March 31, 2018	By May 30, 2018

## Tabular Distribution of Dividend payment since 2009-10

Year	Dividend % age	Date of Declaration	Date of Payment	Last Date of claiming Unpaid Dividend
2015-16	10	15/09/2016	16/09/2016	15/10/2023
2014-15	20	15/09/2015	21/09/2015	15/10/2022
2013-14	30	19/09/2014	23/09/2014	19/10/2021
2012-13	30	19/07/2013	23/07/2013	18/08/2020
2011-12	100	18/07/2012	20/07/2012	17/08/2019
2010-11	100	15/07/2011	21/07/2011	14/08/2018
2009-10	100	16/07/2010	20/07/2010	15/08/2017

## Distribution of Shareholding as on March 31, 2017

Categories	No. of shares held	Percentage of Shareholding
1) Promoters' Holding	7,20,52,024	77.74
2) Non- Promoters' Holding	2,06,27,692	22.26
<b>Grand Total</b>	<b>9,26,79,716</b>	<b>100.00</b>

## Share Transfer System

The Share transfer job is being handled by the Registrar and Transfer Agent of the Company i.e. M/s. Beetal Financial & Computer Services Pvt. Ltd. During the year 2016-17, 48,80,843 shares were transferred and the said transfers were effected within the prescribed period. Shares under objection were returned to respective shareholder.

### Company's Registrar Details

Beetal Financial & Computer Services Pvt. Ltd.  
 Beetal House, 3rd Floor, 99, Madangir, Behind LSC,  
 Near Harsukhdas Mandir, New Delhi- 110062  
 Phone No. 011-29961281-283  
 Fax No. 011-29961284

## Transfer / Transmission / Transposition of Shares:

The Securities and Exchange Board of India (SEBI), vide its Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 and Circular No. MRD/DoP/SE/RTA/Cir-03/2010 dated 7th January, 2010 made it mandatory that a copy of the PAN Card is to be furnished to the Company in the following cases:

- registration of physical transfer of shares;
- deletion of name of deceased shareholder(s) where shares are held jointly in the name of two or more shareholders;
- transmission of shares to the legal heirs where shares are held solely in the name of deceased shareholder; and
- transposition of shares where order of names of shareholders are to be changed in the physical shares held jointly by two or more shareholders.

Investors, therefore, are requested to furnish the self attested copy of PAN card, at the time of sending the physical share certificate(s) to the Company, for effecting any of the above stated requests.

Shareholders are also requested to keep record of their specimen signature before lodgment of shares with the Company to avoid probability of signature mismatch at a later date.

## Consolidation of Multiple Folios:

Shareholder(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

## Nomination Facility:

Provision of Section 72 of the Companies Act, 2013 read with rule 19(1) of the rules made thereunder extends nomination facility to individuals holding shares in the physical form. To help the legal heirs/ successors get the shares transmitted in their favour, shareholder(s) are requested to furnish the particulars of their nomination in the prescribed Nomination Form. Shareholder(s) holding shares in Dematerialized form are requested to register their nominations directly with their respective DPs.

## Update your Correspondence Address / Bank Mandate/ Email Id:

To ensure all communications/ monetary benefits received promptly, all shareholders holding shares in physical form are requested to notify to the Company, change in their address / bank details / email Id instantly by written request under the signatures of sole/ first joint holder.

Shareholder(s) holding shares in dematerialized form are requested to notify change in bank details / address / email Id directly with their respective DPs.

### **Quote Folio No. / DP ID No.:**

Shareholders / Beneficial Owners are requested to quote their Folio Nos./DP ID Nos., as the case may be, in all correspondence with the Company.

Shareholders are also requested to quote their Email IDs, Contact / Fax numbers for prompt reply to their correspondence.

### **Registered Office**

34, Community Centre, Basant Lok,

Vasant Vihar, New Delhi - 110 057

**Tel:** 011-4604 4100, 011-4948 7150; **Fax:** 011-2614 3321, 011-4948 7197

**Company Identification No. (CIN):** U74899DL1991PLC046774

**Permanent Account Number (PAN):** AAACH0157J

**Tax Identification Number (TIN):** 07850173974

**GST Number (GSTIN):** 07AAACH0157J1ZS

### **Investor's correspondence may be addressed to:**

Legal & Secretarial Department

E-mail: [investors@herofincorp.com](mailto:investors@herofincorp.com)

Or

### **Any query relating to the financial statements of the Company can be addressed to:**

Mr. Shyam Lal, Chief Financial Officer

E-mail: [shyam.lal@herofincorp.com](mailto:shyam.lal@herofincorp.com)

**ANNEXURE-C**  
**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on 31/03/2017**  
**[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the**  
**Companies (Management and Administration) Rules, 2014**

**I. REGISTRATION AND OTHER DETAILS:**

(i)	CIN	U74899DL1991PLC046774
(ii)	Registration Date	16/12/1991
(iii)	Name of the Company	Hero FinCorp Limited
(iv)	Category/Sub-Category of the Company	Public Company Limited by Shares
(v)	Address of the registered office and contact details	34, Community Centre, Basant Lok, Vasant Vihar, New Delhi 110057 Tel: 011-4604 4100, 011-4948 7150; Fax: 011-2614 3321, 011-4948 7197
(vi)	Whether listed Company	No (Only Non-Convertible Debentures are listed on NSE)
(vii)	Name, Address and Contact details of Registrar and Transfer Agent	<b>For Equity Shares:</b> Beetal Financial & Computers Services Pvt. Ltd. Beetal House, 3rd Floor, 99, Madangir, Behind LSC, New Delhi-110062 Phone No. 011-29961281-83, Fax No. 011-29961284 <b>For Non-Convertible Debentures:</b> Karvy Computershare Pvt. Ltd. Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500032 Phone: 040 -67162222, Fax: 040- 23001153

**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:-

S. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1.	NBFC (Financing Services)	6499	100%

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

S.No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Hero Housing Finance Limited	U65192DL2016PLC301481	Subsidiary	99.99%	2(87)

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

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Physical	Demat	Total	% of Total Shares	Physical	Demat	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	1,34,23,485	0	1,34,23,485	16.95	1,31,44,605	2,78,880	1,34,23,485	14.48	(2.47)
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	5,86,28,539	0	5,86,28,539	74.04	5,86,28,539	0	5,86,28,539	63.26	(10.78)
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1):-</b>	<b>7,20,52,024</b>	<b>0</b>	<b>7,20,52,024</b>	<b>90.99</b>	<b>7,17,73,144</b>	<b>2,78,880</b>	<b>7,20,52,024</b>	<b>77.74</b>	<b>(13.25)</b>
<b>(2) Foreign</b>									
a) NRIs – Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter</b>									
<b>(A) = (A)(1)+(A)(2)</b>	<b>7,20,52,024</b>	<b>0</b>	<b>7,20,52,024</b>	<b>90.99</b>	<b>7,17,73,144</b>	<b>2,78,880</b>	<b>7,20,52,024</b>	<b>77.74</b>	<b>(13.25)</b>
<b>Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Non- Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	81,574	0	81,574	0.10	62,950	44,372	1,07,322	0.12	0.02
ii) Overseas	0	0	0	0	0	1,33,27,888	1,33,27,888	14.38	14.38

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Physical	Demat	Total	% of Total Shares	Physical	Demat	Total	% of Total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	39,41,291	0	39,41,291	4.98	30,27,924	8,72,723	39,00,647	4.21	(0.77)
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	29,87,611	0	29,87,611	3.77	21,28,711	9,62,963	30,91,674	3.34	(0.43)
c) Others-									
- Individual HUF	1,25,000	0	1,25,000	0.16	54,900	83,811	1,38,711	0.15	(0.01)
- NRI	0	0	0	0	0	61,450	61,450	0.07	0.07
<b>Sub-total (B)(2):-</b>	<b>71,35,476</b>	<b>0</b>	<b>71,35,476</b>	<b>9.01</b>	<b>52,74,485</b>	<b>1,53,53,207</b>	<b>2,06,27,692</b>	<b>22.26</b>	<b>13.25</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>71,35,476</b>	<b>0</b>	<b>71,35,476</b>	<b>9.01</b>	<b>52,74,485</b>	<b>1,53,53,207</b>	<b>2,06,27,692</b>	<b>22.26</b>	<b>13.25</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>7,91,87,500</b>	<b>0</b>	<b>7,91,87,500</b>	<b>100</b>	<b>7,70,47,629</b>	<b>1,56,32,087</b>	<b>9,26,79,716</b>	<b>100.00</b>	<b>0</b>

**ii) Shareholding of Promoters**

S.No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Abhimanyu Munjal	2,09,500	0.27	Nil	2,09,500	0.23	Nil	(0.04)
2.	Akshay Munjal	1,49,712	0.19	Nil	1,49,712	0.16	Nil	(0.03)
3.	Aniesha Munjal	78,750	0.10	Nil	78,750	0.08	Nil	(0.02)
4.	Annvrat Munjal	2,94,500	0.37	Nil	2,94,500	0.32	Nil	(0.05)
5.	Geeta Anand	85,500	0.11	Nil	85,500	0.09	Nil	(0.02)
6.	Mukta Munjal	4,500	0.01	Nil	4,500	0.01	Nil	0.00
7.	Pawan Munjal	79,625	0.09	Nil	2,38,091	0.25	Nil	0.16
8.	Radhika Uppal	90,000	0.11	Nil	90,000	0.10	Nil	(0.01)
9.	Rahul Munjal	1,92,500	0.24	Nil	1,92,500	0.21	Nil	(0.03)

S.No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
10.	Renu Munjal	1,94,250	0.22	Nil	3,52,718	0.38	Nil	0.16
11.	Renuka Munjal	99,531	0.13	Nil	99,531	0.10	Nil	(0.03)
12.	Santosh Munjal	3,15,000	0.40	Nil	3,15,000	0.34	Nil	(0.06)
13.	Suman Kant Munjal	0	0	Nil	1,58,466	0.16	Nil	0.16
14.	Shefali Munjal	39,375	0.10	Nil	39,375	0.04	Nil	(0.06)
15.	Sunil Kant Munjal	2,71,124	0.34	Nil	2,71,124	0.29	Nil	(0.05)
16.	Supriya Munjal	1,64,000	0.21	Nil	1,64,000	0.17	Nil	(0.04)
18.	Ujjwal Munjal	1,92,718	0.24	Nil	1,92,718	0.21	Nil	(0.03)
19.	Vasudha Munjal	1,64,000	0.21	Nil	1,64,000	0.17	Nil	(0.04)
20.	Santosh Munjal, Pawan Munal, Renu Munjal, Suman Kant Munjal (on behalf of Brijmohan Lal Om Prakash, Partnership Firm)	1,03,23,500	11.73	Nil	1,03,23,500	11.14	Nil	(0.59)
21.	Hero Motocorp Ltd.	3,83,43,025	48.42	Nil	3,83,43,025	41.37	Nil	(7.05)
22.	Hero Investcorp Ltd.	25,23,600	3.19	Nil	25,23,600	2.72	Nil	(0.47)
23.	Bahadur Chand Investment (P). Ltd.	1,77,61,914	22.43	Nil	1,77,61,914	19.16	Nil	(3.27)

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

S.No.	Shareholders' Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	RENU MUNJAL				
	At the beginning of the year	1,94,250	0.22	1,94,250	0.22
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)				
	Increase in Holding				
	16.12.2016 (Purchase of Shares)	1,46,468	0.15	3,40,718	0.37
	31.12.2016 (Purchase of Shares)	12,000	0.01	3,52,718	0.38
	At the End of the year			3,52,718	0.38

S.No.	Shareholders' Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
2.	PAWAN MUNJAL				
	At the beginning of the year	79,625	0.09	79,625	0.09
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)				
	Increase in Holding				
	16.12.2016 (Purchase of Shares)	1,46,466	0.15	2,26,091	0.24
	31.12.2016 (Purchase of Shares)	12,000	0.01	2,38,091	0.25
	At the End of the year			2,38,091	0.25
3.	SUMAN KANT MUNJAL				
	At the beginning of the year	0	0.00	0	0.00
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)				
	Increase in Holding				
	16.12.2016 (Purchase of Shares)	1,46,466	0.15	1,46,466	0.15
	31.12.2016 (Purchase of Shares)	12,000	0.01	1,58,466	0.16
	At the End of the year			1,58,466	0.16

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

S. No.	Name of the Shareholder	Shareholding at the beginning of the year		Date of Change	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company			No. of shares	% of total shares of the company
1.	OTTER LIMITED						
	Shareholding at beginning of the year	0	0.00	31.03.2016		0	0.00
				16.09.2016	71,11,282	71,11,282	8.08
				07.10.2016	(1,06,669)	70,04,613	7.96
				24.03.2017	37,86,277	1,07,90,890	11.64
	Shareholding at end of the year	1,07,90,890	11.64	31.03.2017		1,07,90,890	11.64

S. No.	Name of the Shareholder	Shareholding at the beginning of the year		Date of Change	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year		
		No. of shares	% of total shares of the Company			No. of shares	% of total shares of the company	
2.	CREDIT SUISSE (SINGAPORE) LIMITED							
		Shareholding at beginning of the year	0	0.00	31.03.2016		0	0.00
					16.09.2016	16,91,332	16,91,332	1.92
					24.03.2017	8,45,666	25,36,998	2.74
	Shareholding at end of the year	25,36,998	2.74	31.03.2017		25,36,998	2.74	
3.	VIKAS SRIVASTAVA							
		Shareholding at beginning of the year	0	0.00	31.03.2016		0	0.00
					07.10.2016	1,06,669	1,06,669	0.12
					24.03.2017	57,659	1,64,328	0.17
	Shareholding at end of the year	1,64,328	0.17	31.03.2017		1,64,328	0.17	
4.	BALA CHHABRA							
		Shareholding at beginning of the year	1,14,000	0.13	31.03.2016		1,14,000	0.13
					-	Nil		
	Shareholding at end of the year	1,14,000	0.12	31.03.2017		1,14,000	0.12	
5.	HEMA AGARWAL							
		Shareholding at beginning of the year	90,000	0.10	31.03.2016		90,000	0.10
					-	Nil		
	Shareholding at end of the year	90,000	0.10	31.03.2017		90,000	0.10	
6.	ASHISH MUNJAL F/NG NEETI							
		Shareholding at beginning of the year	78,750	0.09	31.03.2016		78,750	0.09
					-	Nil		
	Shareholding at end of the year	78,750	0.08	31.03.2017		78,750	0.08	
7.	SANTOSH KUMAR SARAOGI							
		Shareholding at beginning of the year	77,500	0.08	31.03.2016		77,500	0.08
					13.01.2017	(4,000)	73,500	0.08
					03.02.2017	(1,000)	72,500	0.08
					24.02.2017	(2,000)	70,500	0.08
	Shareholding at end of the year	70,500	0.08	31.03.2017		70,500	0.08	

S. No.	Name of the Shareholder	Shareholding at the beginning of the year		Date of Change	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company			No. of shares	% of total shares of the company
8.	VIVAAN JAJOO U/G BRINDA JAJOO						
	Shareholding at beginning of the year	66,000	0.07	31.03.2016		66,000	0.07
				-	Nil		
	Shareholding at end of the year	66,000	0.07	31.03.2017		66,000	0.07
9.	ASHOK GUPTA						
	Shareholding at beginning of the year	61,000	0.07	31.03.2016		61,000	0.07
				-	Nil		
	Shareholding at end of the year	61,000	0.07	31.03.2017		61,000	0.07
10.	SUSHANT CHHABRA						
	Shareholding at beginning of the year	58,400	0.06	31.03.2016		58,400	0.06
				-	Nil		
	Shareholding at end of the year	58,400	0.06	31.03.2017		58,400	0.06
11.	SANTOSH KUMAR SARAOGI						
	Shareholding at beginning of the year	77,500	0.08	31.03.2016		77,500	0.08
				14.10.2016	(77,500)	0	0.00
	Shareholding at end of the year	0	0.00	31.03.2017		0	0.00
12.	SHREEKANT PHUMBHRA						
	Shareholding at beginning of the year	60,000	0.06	31.03.2016		60,000	0.06
				08.07.2016	(10,000)	50,000	0.06
				19.08.2016	(10,000)	40,000	0.05
				02.09.2016	(25,000)	15,000	0.02
	Shareholding at end of the year	15,000	0.02	31.03.2017		15,000	0.02
13.	B JYOTHIRMAYEE RAJESHWAR						
	Shareholding at beginning of the year	52,500	0.06	31.03.2016		52,500	0.06
				-	Nil		
	Shareholding at end of the year	52,500	0.06	31.03.2017		52,500	0.06

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

S.No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>At the beginning of the year</b>					
1.	*Pawan Munjal	79,625	0.10	2,38,091	0.26
2.	*Renu Munjal	1,94,250	0.25	3,52,718	0.38
3.	Abhimanyu Munjal	2,09,500	0.27	2,09,500	0.23
4.	D.N.Davar	0	0	0	0
5.	Pradeep Dinodia	0	0	0	0
6.	Sanjay Kukreja	0	0	0	0
<b>Shareholding of Key Managerial Personnel</b>					
1.	Shyam Lal	5,200	0.01	5,200	0.01
2.	Amit Jain	Nil	Nil	Nil	Nil
Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):					
*Due to demise of Shri Brijmohan Lal, shares have been transmitted to Mr. Pawan Munjal and Mrs. Renu Munjal					
<b>At the End of the year</b>					
1.	*Pawan Munjal	2,38,091	0.26	2,38,091	0.26
2.	*Renu Munjal	3,52,718	0.38	3,52,718	0.38
3.	Abhimanyu Munjal	2,09,500	0.23	2,09,500	0.23
4.	D.N.Davar	0	0	0	0
5.	Pradeep Dinodia	0	0	0	0
6.	Sanjay Kukreja	0	0	0	0
<b>Shareholding of Key Managerial Personnel</b>					
1.	Shyam Lal	5,200	0.01	5,200	0.01
2.	Amit Jain	Nil	Nil	Nil	Nil

**V. INDEBTEDNESS:**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment**
**(INR Crores)**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	3,451.63	1,770.00	-	5,221.63
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	24.21	5.10	-	29.31
Total (i+ii+iii)	3,475.84	1,775.10	-	5,250.94
<b>Change in Indebtedness during the financial year</b>				
• Addition	3,873.38	7,690.67	-	11,564.05
• Reduction	1,408.33	7,685.00	-	9,093.33
<b>Net Change</b>	<b>2,465.05</b>	<b>5.67</b>	<b>-</b>	<b>2,470.72</b>

(INR Crores)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	5,916.68	1,775.67	-	7,692.35
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	91.91	11.03	-	102.94
Total (i+ii+iii)	<b>6,008.59</b>	<b>1,786.69</b>	-	<b>7,795.29</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

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

(INR Crores)

S.No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Mrs. Renu Munjal	Mr. Abhimanyu Munjal	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	5.96	4.83	10.79
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.46	0.20	0.66
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	2.01	2.01	4.02
	- others, specify...	-	-	-
5.	Others, please specify	-	-	-
	Total (A)	<b>8.43</b>	<b>7.04</b>	<b>15.47</b>
	Ceiling as per the Act			<b>33.54</b>

**B. Remuneration to other Directors:**

(INR Crores)

S.No.	Particulars of Remuneration	Name of Directors	
		Mr. D.N. Davar	Mr. Pradeep Dinodia
1.	Independent Directors		
	• Fee for attending board /committee meetings	0.13	0.10
	• Commission	-	-
	• Others, please specify	-	-
	<b>Total Amount</b>	<b>0.13</b>	<b>0.10</b>
2.	4. Other Non-Executive Directors		
	• Fee for attending board / committee meetings	0.05	-
	• Commission	-	-
	• Others, please specify	-	-
	<b>Total Amount</b>	<b>0.05</b>	-
	Overall ceiling as per the Act	Within the permissible limit as per the Companies Act, 2013	

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:**

(INR Crores)

S.No.	Particulars of Remuneration	KEY MANAGERIAL PERSONNEL			
		CEO	Company Secretary	CFO	Total
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4.83	0.38	0.72	5.93
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.20	0.00	0.00	0.20
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	2.01	-	-	2.01
5.	Others, please specify	-	-	-	-
	<b>Total</b>	<b>7.04</b>	<b>0.38</b>	<b>0.72</b>	<b>8.14</b>

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

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

## ANNEXURE-D

### ANNUAL REPORT ON CSR PURSUANT TO RULE 8 OF COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

- 1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

The Board of Directors (the "Board") of Hero FinCorp Ltd. ("HFCL") has adopted the CSR policy which has following key points:

- A) HFCL's CSR Programme, inter alia, includes achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India and preserving and promoting sports;
- B) To develop the required capability and self-reliance of beneficiaries at the grass roots, in the belief that these are prerequisites for social and economic development;
- C) To carry out CSR Programme in relevant local areas to fulfill commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;

The Policy is available on the website of the Company, namely: [www.herofincorp.com](http://www.herofincorp.com)

- 2. The Composition of the CSR Committee.**

1.	Mrs. Renu Munjal	Chairperson
2.	Mr. Pawan Munjal	Member
3.	Mr. D.N. Davar	Member
4.	Mr. Pradeep Dinodia	Member
5.	Mr. Abhimanyu Munjal	Member

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

Average Profit for the last 3 (three) Financial Years - Rs. 73.33 Crores

- 4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)**

2% of Average - Rs. 1.47 Crores

- 5. Details of CSR spent during the financial year.**

(a) Total amount to be spent for the financial year : Rs. 1.47 Crores

(b) Amount unspent, if any; NIL

(c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR Project or activity identified.	Sector in Which the Project is Covered*	Projects or Programs 1. Local area or Other 2. Specify the State and district where projects or programs was Undertaken	Amount outlay (budget) project or programs wise (INR Crores)	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs. 2. Overheads (INR Crores)	Cumulative Expenditure upto to the Reporting period. (INR Crores)	Amount spent: Direct or through Implementing agency
1	Save the children India	Promoting education, eradicating hunger, poverty and malnutrition.	Local Area:- Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011, India	0.06	0.06	0.06	Through United Way of Mumbai
2	Scholarship for economically backward students	Promoting Education, including special education	Local Area:- Sector -5, Pushp Vihar, New Delhi-17	0.52	0.52	0.52	Through BML Munjal University
3	Primary Education Support	Promoting Education	Local Area:- Erode & Tuticorin in Tamil Nadu State	0.42	0.42	0.42	Through Isha Education
4	Education Support & upliftment of economically weaker sections	Promoting Health Care, Promoting education, eradicating hunger, poverty and malnutrition	Local Area:- Delhi NCR	0.15	0.15	0.15	Through Rotary Southend Charitable Trust-Sparsh
5	Education Support	Promoting Education, including special education	Local Area:- Sidhrawali, Gurgaon – Haryana State	0.32	0.32	0.32	Through Raman Kant Munjal Foundation
<b>TOTAL</b>				<b>1.47</b>	<b>1.47</b>	<b>1.47</b>	

\* Sector refers to the Entries specified in Schedule VII to the Companies Act, 2013.

**6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.**

Not Applicable

**7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in Compliance with CSR objectives and Policy of the Company.**

It was confirmed that the implementation and monitoring of CSR Policy, was in compliance with CSR objectives and Policy of the Company.

**Renu Munjal**  
**Chairperson – CSR Committee**  
**& Managing Director**

## **ANNEXURE-E**

**Form No. MR-3**

### **SECRETARIAL AUDIT REPORT**

For The Financial Year Ended 31.03.2017

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

**To,  
The Members,  
Hero Fincorp Limited  
34, Community Centre,  
Basant Lok Vasant Vihar  
New Delhi - 110057**

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

Based on our verification of the Company's **Hero Fincorp Limited** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31/03/2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Hero Fincorp Limited** for the financial year ended on 31/03/2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) read with its rules, notifications and circulars made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (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; (The company is Non-Deposit Accepting-Systematically important NBFC (NBFC-ND-S), and has complied with applicable rules and regulations under FEMA and circular of RBI, issued periodically);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not Applicable to the company during the Audit period)
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; (Not Applicable to the company during the Audit period)
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not Applicable to the company during the Audit period)
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (During the Audit period, only ESOP Policy has been drafted and approved by the Company. However, no issues has been done till time.)

- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (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; and (Not Applicable to the company during the Audit period)
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not Applicable to the company during the Audit period)
- (vi) The Reserve Bank of India Act, 1934 and other applicable rules, regulation, circulars, notifications and other communications issued from time to time.

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

- A. Secretarial Standard-1 and Secretarial Standard-2 issued by The Institute of Company Secretaries of India.
- B. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- C. Shareholder Agreement & other Licenses.

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

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

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

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

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

**We further report that** during the audit period, the company has not taken any actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Signature:

Name: Malavika Bansal  
 Practicing Company secretary  
 FCS No. 8231  
 C P No.: 9159

**Place:** New Delhi

**Date:** May 02, 2017

**Notes:**

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

**'ANNEXURE A'**

**To,  
The Members,  
Hero Fincorp Limited  
34, Community Centre,  
Basant Lok Vasant Vihar  
New Delhi - 110057**

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

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

**Signature:**

Name: Malavika Bansal  
Practicing Company secretary  
FCS No. 8231  
C P No.: 9159

**Place:** New Delhi  
**Date:** May 02, 2017

## ANNEXURE-F

### NOMINATION AND REMUNERATION POLICY

#### I. PREAMBLE

Pursuant to Section 178 of the Companies Act, 2013 (the Act), the Board of Directors is required to constitute the Nomination and Remuneration Committee. The Company has already constituted Nomination & Remuneration Committee.

The Nomination & Remuneration Committee determines and recommends to the Board the compensation payable to Directors. Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long term vision, medium term goals and annual business plans.

The company had set-up a Remuneration Committee on April 18, 2005 to review and recommend the quantum and payment of annual salary and commission and finalize service agreements and other employment conditions of the Executive Directors. The Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages. As per the guidelines of Companies Act, 2013, the committee has been renamed as the Nomination and Remuneration Committee ("NR Committee").

Section 178 of the Act provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees, further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.

This Committee and the Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

#### II. OBJECTIVE

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.
- c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

#### III. DEFINITIONS

- Board of Directors" or "Board", in relation to a company, means the collective body of the Directors of the company;
- The expression "senior management" means personnel of the company who are members of its core management team other than the Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.
- "Company" means "Hero FinCorp Limited."
- "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.
- "Key Managerial Personnel" (KMP) means
  - (i) Chief Executive Officer or the Managing Director or the Manager,
  - (ii) Company Secretary,
  - (iii) Whole-time Director,
  - (iv) Chief Financial Officer and
  - (v) Such other officer as may be prescribed.

Hero FinCorp Ltd. has the following individuals assuming key positions in the company:

- "Nomination and Remuneration Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

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

#### IV. INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, as amended from time to time.

#### V. GUIDING PRINCIPLES

The Policy ensures that

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
- Minimize complexity and ensure transparency;
- Link to long term strategy as well as annual business performance of the company;
- Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- Reflective of line expertise, market competitiveness so as to attract the best talent

#### VI. ROLE OF THE COMMITTEE

The role of the Committee inter alia will be the following:

1. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
2. To carry out evaluation of every director’s performance.
3. To formulate the criteria for determining qualifications, positive attributes and independence of a director, and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
4. To formulate the criteria for evaluation of Independent Directors and the Board.
5. To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.
6. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
7. To perform such other functions as may be necessary or appropriate for the performance of its duties.

#### VII. MEMBERSHIP

- a) The Committee shall comprise at least three (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and applicable statutory requirement.
- 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.

## VIII. CHAIRMAN

- a) Committee shall be chaired by an Independent Director.
- b) Chairman of the Company, if any, may be appointed as a member of the Committee but shall not Chair the Committee.
- c) Members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

## IX. FREQUENCY OF MEETINGS

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

## X. 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.

## XI. 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.

## XII. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

- **Appointment criteria and qualifications:**
  1. 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.
  2. 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 are sufficient / satisfactory for the concerned position.
  3. The Company shall appoint/ re-appoint as Managing Director/Whole-time Director/Manager in compliance with the provisions of the Companies Act, 2013, Guidelines issued by Reserve Bank of India, Listing Obligations and Disclosure Requirement issued by Securities & Exchange Board of India and other Regulatory Authorities from time to time. 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.
- **Term / Tenure:**
  1. Managing Director/Whole-time Director/Manager (Managerial Person)
    - The Company shall appoint or re-appoint any person as its Managerial Person 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.
  2. 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 reappointment 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.

- **Evaluation:** The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular interval (yearly).
- **Removal:** Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.
- **Retirement:** The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **XIII Remuneration paid to Executive Directors**

- The remuneration paid to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.
- At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the company. The elements of the remuneration and limits are pursuant to the clause 178, 197 and Section V of the Companies Act 2013.

#### **1. Remuneration Policy Structure**

The remuneration structure for the Executive Directors would include the following components:

##### **(i) Basic Salary**

- Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
- Are normally set in the home currency of the Executive Director and reviewed annually.
- Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.

##### **(ii) Commission**

- Executive Directors will be allowed remuneration, by way of commission which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.
- Subject to the condition that the amount of commission shall not exceed 1% of net profit of the company in a particular financial year in the manner referred in Section 197 & 198 of Companies Act 2013.
- The amount of commission shall be paid subject to recommendation of the Nomination and Remuneration committee and approval of the Board of Directors.

##### **(iii) Perquisites and Allowances**

A basket of Perquisites and Allowances would also form a part of the remuneration structure.

##### **(iv) Contribution to Provident and Other funds**

In addition to the above, the remuneration would also include:

- Contribution to Provident and Superannuation Funds
- Gratuity

##### **(v) Minimum Remuneration**

If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be entitled to, by way of Basic Salary, Perquisites, allowances, not exceeding the ceiling limit of Rs. 2,00,000 per month, and in addition hereto, they shall also be eligible for perquisites not exceeding the limits specified under Part IV of Schedule V of the Companies Act, 2013 Remuneration payable to Non-Executive & Independent Directors or other such limits as prescribes by the Government from time to time as Minimum Remuneration, whichever is higher.

## XIV Remuneration payable to Non-Executive & Independent Directors

The Non-Executive Directors of the company would be paid sitting fees of Rs. 50,000 for each meeting of the Committees and Board.

## XV Remuneration payable to Non-Executive Directors

The Remuneration to the Non Executive Directors would be as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors. It would be pursuant to the provisions of sections 197,198 of the Companies Act 2013.

## XVI Remuneration Philosophy for Key Managerial Personnel, Senior Management & Staff

The compensation for the Key Managerial Personnel, Senior Management and Staff at Hero FinCorp would be guided by the external competitiveness and internal parity through annual benchmarking surveys.

Internally, performance ratings of all **Hero FinCorp** Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage must be made.

Compensation can also be determined based on identified skill sets critical to success of Hero FinCorp. It is determined as per management's review of market demand and supply.

### 1 Grade Structure (Leadership Pyramid)

Since HFCL is an evolving organization in the Financial Services Space and aspire to be one of the leading financial service organization in the field of the Two Wheeler and Corporate Finance. The Grade Structure of HFCL has been aligned as per the work value of jobs and degree of responsibility and accountability involved. The Classification of each grade is based on the level of the work undertaken, and encompasses the elements of decision making, communication, knowledge and proficiency.

The Grade Structure will help an employee to understand about their current level and career progression path in the organization.

<b>Employee Group</b>	<b>Parameters to Focus (Compensation Mix)</b>
Top Management (Impact Level 1)	High weightage to company performance & Emphasis on Long term incentives and Benefits
Middle management (Impact Level 2)	High weightage on individual performance & lesser variable component.
Junior Management	No Variable, Fixed Income & some social Security
Individual Contributor	No Variable, Fixed Income. Better than industry pay. Focus on providing necessary and statutory benefits

### 2 Performance Framework

In HFCL Meritocracy is the backbone of the performance and potential recognition framework, driven on principles of the Balanced Score Card approach. The Performance Management Policy revolves around the three 'P' approach:

- People
- Performance
- Potential

HFCL recognizes its People as an Asset and believes in recognizing and supporting employee's duties done in the best interest of the organization and compensate appropriately. The PMS policy also clearly distinguishes between the Performance & Potential by:

- Pay to Performance
- Promote to the potential

Performance planning is the process of setting goals and objectives at the start of the year. The process of "GOAL SETTING" needs to be conducted in the month of May / June every year. Goal Setting should include a discussion between the

Appraise & Appraiser and should be mutually decided. Targets set during the process should be SMART.

(S-Specific, M-Measurable, A-Attainable, R-Realistic and T-Time bound).

### **3 Mid Year Review**

HFCL encourages constant review culture. However, midyear review is the process of taking stock of the performance after 6 months of goal setting. This would be conducted in the month of October every year.

This discussion would summarize accomplishments to date, identify what goals have been added, eliminated or changed, review priorities and clarify performance expectations going forward with a condition that no changes in salary and grade will take place. It is strictly a review of performance.

## **XVII. MINUTES OF COMMITTEE MEETING**

Proceedings of all Meetings must be recorded in the Minutes book and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

## **XVIII. DEVIATIONS FROM THIS POLICY**

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERO FINCORP LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **HERO FINCORP LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, 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 Section 143 (3) of the Act, based on our audit we report to the extent applicable that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
    - iv. The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016- Refer note 37 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

GURUGRAM, May 8, 2017

## ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

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

We have audited the internal financial controls over financial reporting of **HERO FINCORP LIMITED** (“the Company”) as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management’s Responsibility for Internal Financial Controls

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

### Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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

## **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm Registration No. 015125N)

Jaideep Bhargava

Partner

(Membership No. 090295)

**GURUGRAM, May 8, 2017**

## ANNEXURE “B” TO THE AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Legal and Regulatory Requirements’ section of our report of even date)

- (i) In respect of its fixed assets:
- The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - The Company has a programme of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us no discrepancies were noticed on such verification.
  - With respect to immovable property of building that is freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the conveyance deed provided to us, we report that, the title deeds of such immovable property are held in the name of the Company as at the balance sheet date.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has granted loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013, in respect of which:
- The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Company’s interest.
  - The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.
  - There is no amount overdue for more than 90 days at the balance sheet date.
- (iv) Pursuant to Section 185(1)(b) and Section 186 (1)(a) of the Companies Act, 2013 read with Rule 11 (2) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non- Banking Finance Company (NBFC) registered with Reserve Bank of India is exempt from the applicability of provisions of section 185 and 186 of the Act. Hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has neither accepted any deposit during the year nor has any unclaimed deposits within the meaning of Section 73 to 76 or any other relevant provisions of the Act and hence reporting under clause (v) of the Order is not applicable.
- (vi) Having regard to the nature of the Company’s business / activities, reporting under clause (vi) of the Order is not applicable.
- (vii) According to the information and explanations given to us in respect of statutory dues:
- The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed that the provisions of Employees’ State Insurance are not applicable to the Company and the operations of the Company during the year did not give rise to any liability for provisions of Customs Duty and Excise Duty.
  - There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.
  - There are no disputed dues of Sales Tax and Service Taxes on 31 March, 2017. The following are the particulars of Income Tax and Value Added Tax dues not deposited/deposited under protest by the Company on account of disputes:

Name of the statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved* (INR Crores)	Amount Unpaid (INR Crores)
Income tax Act, 1961	Income tax	Commissioner (Appeals)	2012-13, 2013-14	4.76	1.08
Delhi Value Added tax Act	Value added tax	Objection hearing authority (Trade & Tax department)	2013-14	0.09	0.09
Delhi Value Added tax Act	Value added tax	Appellate VAT Tribunal, Trade and Taxes Delhi	2012-13	0.38	0.06

The following matters have been decided in favour of the Company but the department has preferred appeals at higher levels:

Name of the statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved* (INR Crores)	Amount Unpaid (INR Crores)
Income tax Act, 1961	Income tax	High Court	2006-07, 2009-10	0.33	0.33
		Income Tax Appellate Tribunal	2011-12	0.17	0.17

\* Amount as per demand orders including interest and penalty wherever indicated in the order.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and dues to debenture holders. The Company has not taken any loans or borrowings from financial institutions (other than scheduled banks) and government.

(ix) In our opinion and according to the information and explanations given to us, the term loans and debt instruments have been applied by the Company for the purposes for which they were obtained. The Company has not raised any money by way of initial public offer or further public offer.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us, the Company has made preferential allotment of shares during the year under review.

In respect of the above issue, we further report that:

- the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
- the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised.

Further, the Company has not issued fully or partly convertible debentures during the year.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

GURUGRAM, May 8, 2017

### BALANCE SHEET AS AT MARCH 31, 2017

Particulars	Note No.	As At March 31, 2017 Amount (INR Crores)	As At March 31, 2016 Amount (INR Crores)
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	3	92.68	79.19
(b) Reserves and surplus	4	1,756.22	951.03
(c) Money received against share warrants	5	102.60	-
		<b>1,951.50</b>	<b>1,030.22</b>
<b>2 Non - current liabilities</b>			
(a) Long - term borrowings	6	4,376.08	2,549.73
(b) Other long - term liabilities	7	11.89	5.75
(c) Long - term provisions	8	39.62	21.46
		<b>4,427.59</b>	<b>2,576.94</b>
<b>3 Current liabilities</b>			
(a) Short - term borrowings	9	2,734.61	2,378.56
(b) Trade payables	10		
Total outstanding dues of			
- Micro enterprises and small enterprises		0.05	0.05
- Creditors other than micro enterprises and small enterprises		65.63	35.19
(c) Other current liabilities	11	889.46	486.41
(d) Short - term provisions	12	18.53	14.52
		<b>3,708.28</b>	<b>2,914.73</b>
<b>TOTAL</b>		<b>10,087.37</b>	<b>6,521.89</b>
<b>B ASSETS</b>			
<b>1 Non - current assets</b>			
(a) Fixed assets			
(i) Tangible assets	13	97.66	84.78
(ii) Intangible assets		7.44	6.73
		105.10	91.51
(b) Non - current investments	14	56.99	6.99
(c) Deferred tax assets (net)	15	45.25	15.09
(d) Long - term loans and advances	16	13.59	13.26
(e) Long term receivable under financing activities	17	5,032.20	3,224.43
		<b>5,253.13</b>	<b>3,351.28</b>
<b>2 Current assets</b>			
(a) Cash and cash equivalents	18	3.19	1.05
(b) Short - term loans and advances	19	31.48	28.39
(c) Receivable under financing activities	20	4,713.01	3,090.12
(d) Other current assets	21	86.56	51.05
		<b>4,834.24</b>	<b>3,170.61</b>
<b>TOTAL</b>		<b>10,087.37</b>	<b>6,521.89</b>
<b>See accompanying notes forming part of the financial statements</b>	1-40		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of Board of Directors

**Jaideep Bhargava**  
Partner

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

Place: Gurugram  
Date: May 8, 2017

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017**

Particulars	Note No.	For the year ended March 31, 2017 Amount (INR Crores)	For the year ended March 31, 2016 Amount (INR Crores)
<b>1 Revenue from operations</b>	22	1,331.49	770.32
<b>2 Other income</b>	23	1.20	1.06
<b>3 Total revenue (1+2)</b>		<b>1,332.69</b>	<b>771.38</b>
<b>4 Expenses</b>			
(a) Employee benefits expense	24	104.44	66.07
(b) Finance costs	25	535.23	293.35
(c) Contingent provision against standard assets	8	15.50	11.45
(d) Depreciation and amortization expense	13	20.89	17.80
(e) Other expenses	26	456.01	257.95
<b>Total Expenses</b>		<b>1,132.07</b>	<b>646.62</b>
<b>5 Profit / (loss) for the year before tax</b>		<b>200.62</b>	<b>124.76</b>
<b>6 Tax expense</b>			
(a) Current tax expense		100.22	56.83
(b) Deferred tax charge/(credit)		(30.16)	(13.57)
(c) Current tax relating to prior years		0.15	-
<b>Total tax expense</b>		<b>70.21</b>	<b>43.26</b>
<b>7 Profit / (Loss) for the year (5-6)</b>		<b>130.41</b>	<b>81.50</b>
Basic earning per share (Rs.)		15.38	12.11
Diluted earning per share (Rs.)		15.22	12.11
(Face value per share Rs. 10)			
<b>See accompanying notes forming part of the financial statements</b>	1-40		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of Board of Directors

**Jaideep Bhargava**  
Partner

**Pawan Munjal**  
Chairman  
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Managing Director  
(DIN: 00012870)

Place: Gurugram  
Date: May 8, 2017

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

### CASH FLOW STATEMENT FOR THE YEAR ENDED March 31, 2017

Particulars	For the year ended March 31, 2017 Amount (INR Crores)	For the year ended March 31, 2016 Amount (INR Crores)
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before Income tax</b>	200.62	124.76
<i>Adjustment for:</i>		
Finance cost	535.23	293.34
Contingent provision against standard assets	15.50	11.45
Depreciation and amortization expenses	20.89	17.80
Provision for non performing assets	72.88	24.05
Dividend income	(0.01)	(0.01)
(Profit)/loss on sale of fixed assets	2.91	0.36
(Profit)/loss on sale of investments(net)	(0.65)	(0.59)
<b>Operating profit before working capital changes</b>	<b>847.37</b>	<b>471.16</b>
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Long term loans and advances	(3.77)	(6.98)
Other non-current assets	(1,805.65)	(1,863.32)
Trade receivables	(1,697.89)	(1,462.10)
Short term loans and advances	1.94	(5.40)
Other current assets	(35.51)	(34.06)
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Other long term liabilities	6.14	5.10
Long term provisions	2.66	1.14
Trade payables	30.44	(20.79)
Other current liabilities	41.35	17.44
Short term provisions	(0.92)	3.69
<b>Cash generated from operations</b>	<b>(2,613.84)</b>	<b>(2,894.12)</b>
Net income tax paid	(85.91)	(52.90)
<b>Net cash flow used in operating activities (A)</b>	<b>(2,699.75)</b>	<b>(2,947.02)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(42.92)	(34.77)
Proceeds from sale of fixed assets	8.82	1.79
Profit / (Loss) on sale of investments (Net)	0.65	0.59
Dividend income	0.01	0.01
Purchase of investment	(50.00)	(2.22)
<b>Net cash flow used in investing activities (B)</b>	<b>(83.44)</b>	<b>(34.60)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Share issue and share warrants	790.87	406.78
Proceeds from long term borrowings (net)	2,114.68	1,654.74
Proceeds from short term borrowings (net)	351.02	1,191.67
Finance cost	(461.60)	(270.87)
Dividend paid	(8.03)	(9.03)
Tax on dividend	(1.61)	(1.84)
<b>Net cash flow from financing activities (C)</b>	<b>2,785.33</b>	<b>2,971.45</b>

Particulars	For the year ended	For the year ended
	March 31, 2017	March 31, 2016
	Amount	Amount
	(INR Crores)	(INR Crores)
<b>D. Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	2.14	(10.17)
Cash and cash equivalents at the beginning of the year	1.05	11.22
<b>Cash and cash equivalents at the end of the year</b>	<b>3.19</b>	<b>1.05</b>
<b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>		
Cash and cash equivalents (Refer Note 17)	3.19	1.05
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements:		
(i) In earmarked accounts		
- Unpaid dividend accounts	0.55	0.66
<b>Net Cash and Cash Equivalent at the end of the year</b>	<b>2.64</b>	<b>0.39</b>

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

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

**Jaideep Bhargava**  
Partner

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

Place: Gurugram  
Date: May 8, 2017

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: CORPORATE INFORMATION

Hero FinCorp Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on December 16, 1991. The name of the Company has been changed from Hero Honda Finlease Limited to Hero FinCorp Limited on July 29, 2011. The Company is registered as Non-Banking financial (Non deposit accepting) Company and is engaged in the business of financing, leasing, bill discounting and other financial services with the Reserve Bank of India (Registration No. 14.00266) with effect from September 1, 2011.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### 1) Accounting convention

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with the other relevant provisions of the Companies Act, 2013 ("the 2013 Act"). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### 2) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### 3) Operating cycle

The Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The Company is engaged in financing business and amount which is recoverable after one year as per terms of financing/leasing arrangement has been classified as non-current assets.

#### 4) Income

- a) Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- b) Income from bill discounting is recognised as revenue on accrual basis over the period of acceptance.
- c) Lease income from operating leases is recognised in the statement of profit and loss on a systematic basis.
- d) Front end fees on processing of loans are recognised upfront as income.
- e) Dividend income is accounted for on accrual basis when a right to receive payment is established.
- f) Late payment charges and cheque bouncing charges are accounted for on receipt basis on account of uncertainty of ultimate collection.

#### 5) Cash and cash equivalents

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

#### 6) Cash flow statement

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

**7) Fixed assets (Tangible/Intangible)**

Fixed assets are carried at cost less accumulated depreciation/amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

**8) Depreciation and amortisation**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Computer software 6 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

**9) Foreign exchange transactions**

Exchange differences are dealt with as follows:-

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. All loss or gain on translation is charged to revenue in the period in which it is incurred.

Monetary assets and liabilities denominated in foreign currency are restated at the rate prevailing at the period end and resultant gain or loss is recognized in the statement of profit and loss.

In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the Statement of Profit and Loss and the exchange difference between the exchange rate prevailing at the year end and the date of the inception of the forward exchange contract is recognised as income or expense in the Statement of Profit and Loss.

**10) Investments**

Current investments are stated at lower of cost and fair value computed category wise. Long term investments are stated at cost. Provision for permanent diminution is made to recognise a decline, other than temporary.

**11) Leases**

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

**12) Share issue expenses**

Share issue expenses are adjusted against the Securities premium account as permissible under section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities premium account. Share issue expenses in excess of the balance in the Securities premium account are expensed in the Statement of Profit and Loss.

**13) Employees benefits**

a) Defined contribution plan

Provident fund and Superannuation fund are the defined contribution schemes offered by the Company. The contributions to these schemes are charged to Statement of Profit and Loss in the year in which contribution to such schemes becomes due.

b) Defined benefit plan and long term employee benefits

Gratuity liability and long term employee benefits are provided on the basis of an actuarial valuation made at the end of each financial year as per projected unit credit method. Actuarial gains or loss arising from such valuation are charged to Statement of Profit and loss in the year in which they arise.

c) Compensated absence

Provision is made for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment. The cost of such compensated absences is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

#### 14) Earnings per share

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

#### 15) Taxation

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

#### 16) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the notes.

#### 17) Provisions/contingencies and reserves

- a) The policy of provisioning against non-performing loans and advances has been decided by the management considering norms prescribed by the RBI under Systematically Important Non Deposit taking Company and Deposit taking company (Reserve Bank) Directions, 2016. As per the policy adopted by Company, the provision against non-performing loans and advances are created on a conservative basis, taking into account management's perception of the higher risk associated with the business.
- b) For standard assets -a provision at 0.35% of total standard assets is created, as per RBI directions.
- c) Statutory reserves of 20% on profit after tax is appropriated in accordance with Section- 45-IC of the Reserve Bank of India Act, 1934.

**NOTE 3 SHARE CAPITAL**

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Amount (INR Crores)	Number of Shares	Amount (INR Crores)
<b>(a) Authorised</b>				
Equity shares of Rs.10 each with voting rights	15,00,00,000	150.00	10,00,00,000	100.00
	<b>15,00,00,000</b>	<b>150.00</b>	<b>10,00,00,000</b>	<b>100.00</b>
<b>(b) Issued*</b>				
Equity shares of Rs.10 each with voting rights	9,26,79,716	92.68	7,91,87,500	79.19
	<b>9,26,79,716</b>	<b>92.68</b>	<b>7,91,87,500</b>	<b>79.19</b>
<b>(c) Subscribed and fully paid up *</b>				
Equity shares of Rs.10 each with voting rights	9,26,79,716	92.68	7,91,87,500	79.19
<b>Total</b>	<b>9,26,79,716</b>	<b>92.68</b>	<b>7,91,87,500</b>	<b>79.19</b>

\*Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Amount (INR Crores)	Number of Shares	Amount (INR Crores)
<b>Equity shares of Rs.10 each with voting rights</b>				
Opening balance	7,91,87,500	79.19	4,52,50,000	45.25
Fresh issue during the year	1,34,92,216	13.49	3,39,37,500	33.94
<b>Outstanding at the end of the year</b>	<b>9,26,79,716</b>	<b>92.68</b>	<b>7,91,87,500</b>	<b>79.19</b>

(i) During the year, the Company has issued 1,34,92,216 equity shares @ Rs. 520.30 each on preferential allotment (previous year 3,39,37,500 equity shares @ 120 each on right issue) including premium of Rs. 510.30 per share (previous year Rs. 110 per share). Purpose of the issue was to expand the financing portfolio. Funds received through the issue of Rs 702.00 Crores (previous year Rs 407.25 Crores) have been fully utilised during the period.

(ii) Rights, preference and restriction attached to equity shares of Rs. 10 each:

- In respect of equity shares, voting rights shall be in same proportion as the capital paid upon such equity share.
- The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.
- In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to capital paid upon such equity share.

(iii) Detail of shares held by each shareholder holding more than 5% shares:

Name of Shareholder	As at March 31, 2017		As at March 31, 2016	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
<b>Equity shares with voting rights</b>				
Hero MotoCorp Ltd.	3,83,43,025	41.37	3,83,43,025	48.42
Bahadur Chand Investment Pvt. Ltd.	1,77,61,914	19.16	1,77,61,914	22.43
Otter Limited	1,07,90,890	11.64	-	-
Hero InvestCorp Ltd.	-	-	25,23,600	3.19

Name of Shareholder	As at March 31, 2017		As at March 31, 2016	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Pawan Munjal *	30,09,350	3.25	16,75,950	2.12
Brijmohan Lall Munjal *	-	-	18,38,325	2.32
Renu Munjal *	34,95,275	3.77	21,61,875	2.73
Santosh Munjal *	3,23,600	0.35	3,23,600	0.41
Suman Kant Munjal *	34,95,275	3.77	21,61,875	2.73
Sunil Kant Munjal *	-	-	21,61,875	2.73
<b>Total Brijmohan Lall Om Parkash</b>	<b>1,03,23,500</b>	<b>11.14</b>	<b>1,03,23,500</b>	<b>13.04</b>

\* Hold shares on behalf of Brijmohan Lall Om Parkash (partnership firm)

#### NOTE 4 RESERVES AND SURPLUS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
<b>(a) Securities premium account</b>		
Opening balance	754.65	381.77
Add: Additions during the year	688.51	373.31
Less : Writing off shares issue expenses	13.73	0.43
Closing balance	<b>1,429.43</b>	<b>754.65</b>
<b>(b) Statutory Reserve u/s 45-1C of RBI Act 1934</b>		
Opening balance	76.94	60.64
Add: Additions during the year	26.08	16.30
Closing balance	<b>103.02</b>	<b>76.94</b>
<b>(c) Reserve for bad debts</b>		
Opening balance	-	3.48
Less: Transferred to surplus in statement of profit and loss	-	3.48
	-	-
<b>(d) General reserve</b>		
Opening balance	36.81	28.66
Add: Transferred from surplus in statement of profit and loss	13.04	8.15
Closing balance	<b>49.85</b>	<b>36.81</b>
<b>(e) Surplus in statement of profit and loss</b>		
Opening balance	82.63	31.63
Add: Profit / (Loss) for the year	130.41	81.50
Add: Transferred from reserve for bad debts	-	3.48
Less: Proposed dividend	-	7.92
Corporate dividend Tax	-	1.61
Transferred to:		
-Statutory reserve	26.08	16.30
-General reserve	13.04	8.15
Closing balance	<b>173.92</b>	<b>82.63</b>
<b>Total</b>	<b>1,756.22</b>	<b>951.03</b>

## NOTE 5 MONEY RECEIVED AGAINST SHARE WARRANTS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
57,65,905 Share warrants (previous year: Nil) paid up amount of Rs 177.94 per warrant (Refer note below)	102.60	-
<b>Total</b>	<b>102.60</b>	<b>-</b>

### Note:

Pursuant to the provisions of the Companies Act, 2013 and the Shareholder's approval in their meeting held on September 15, 2016, the Company has allotted to its promoters 57,65,905 share warrants of Rs 10 each at a premium of Rs 510.30 to be converted into 57,65,905 equity shares of Rs 10 each at any time on or before March 14, 2018 failing which the Company is eligible to forfeit the amount received towards the share warrants. As per the terms of issue, the Company has received Rs 177.94 (including Rs 174.52 premium) per share warrant towards allotment and first call on 57,65,905 share warrants so issued.

## NOTE 6 LONG-TERM BORROWINGS

Particulars	Non-current		Current	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)		Amount (INR Crores)	
<b>Secured</b>				
Redeemable non-convertible debentures (refer note (a) below)	1,274.40	416.40	180.00	100.00
Term Loans (refer note (b) below)				
-From banks	2,901.68	2,033.33	401.66	193.33
-From others	-	-	-	-
<b>Unsecured</b>				
Redeemable non-convertible debentures- Tier II (refer note (c) below)	200.00	100.00	-	-
Less: Amount transferred to other current liabilities	-	-	581.66	293.33
<b>Total</b>	<b>4,376.08</b>	<b>2,549.73</b>	<b>-</b>	<b>-</b>

(a) 14,544 (previous year: 5,164) privately placed secured redeemable non-convertible debentures of Rs. 10 Lacs each aggregating Rs. 1,454.40 Crores (previous year Rs 516.40 Crores) carries interest ranging from 7.73% p.a. to 8.98% p.a. (previous year 8.65% to 10.35%). The debentures have bullet repayment with varied maturities upto 5.5 years from the date of issuance and are secured by first pari-passu charge of security trustee by way of hypothecation of book debts and receivables.

Terms of privately placed secured redeemable non convertible debentures	Term of repayment	(INR Crores)	
		As at March 31	
Tenor from the date of balance sheet		2017	2016
>60 months	Bullet	-	12.00
>48 <= 60 months	Bullet	12.00	46.00
>36 <= 48 months	Bullet	50.00	-
>24 <= 36 months	Bullet	434.00	328.40
>12 <= 24 months	Bullet	778.40	30.00
<b>Non-Current Portion of non convertible debentures</b>		<b>1,274.40</b>	<b>416.40</b>
Up to 12 months	Bullet	180.00	100.00
<b>Current Portion of non convertible debentures</b>		<b>180.00</b>	<b>100.00</b>

- (b) Secured term loans from banks aggregating Rs 3,303.34 Crores (previous year: Rs 2,226.66 Crores) carries interest ranging from 7.85% p.a. to 9.65% p.a (previous year 9.40% p.a. to 10.30% p.a.) are secured by a first pari-passu charge in favour of the security trustee by way of hypothecation of book debts and receivables.

Terms of long term Bank loans		(INR Crores)	
		As at March 31	
Tenor from the date of balance sheet	Term of repayment	2017	2016
>48 < = 60 months	Annual	-	50.00
>48 < = 60 months	Semi-Annual	450.00	475.00
>36 < = 48 months	Annual	50.00	50.00
>36 < = 48 months	Semi-Annual	970.00	650.00
>24 < = 36 months	Annual	50.00	-
>24 < = 36 months	Semi-Annual	795.00	266.67
>24 < = 36 months	Quarterly	-	50.00
>24 < = 36 months	Bullet	150.00	100.00
>12 < = 24 months	Semi-Annual	286.68	91.66
>12 < = 24 months	Quarterly	50.00	100.00
>12 < = 24 months	Bullet	100.00	200.00
<b>Non-Current Portion of Long term Bank Loans</b>		<b>2,901.68</b>	<b>2,033.33</b>
Up to 12 months	Semi-Annual	101.66	66.66
Up to 12 months	Quarterly	100.00	126.67
Up to 12 months	Bullet	200.00	-
<b>Current maturities of Long term Bank Loans</b>		<b>401.66</b>	<b>193.33</b>

- (c) 2,000 (previous year: 1,000) privately placed unsecured redeemable non-convertible debentures of Tier II Rs. 10 Lacs each aggregating Rs. 200 Crores (previous year Rs 100 Crores) carries interest ranging from 8.98% p.a. to 9.35% p.a. (previous year: 9.35%) and are subordinated in nature of claim.

Terms of privately placed unsecured Tier II Subordinated Debentures		(INR Crores)	
		As at March 31	
Tenor from the date of balance sheet	Term of repayment	2017	2016
>60 months	Bullet	200.00	100.00
<b>Non-Current Portion of non convertible debentures</b>		<b>200.00</b>	<b>100.00</b>

## NOTE 7 OTHER LONG - TERM LIABILITIES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Security deposits received	0.57	0.37
(b) Lease equalisation reserve	0.91	0.77
(c) Margin money from customer	10.41	4.61
<b>Total</b>	<b>11.89</b>	<b>5.75</b>

## NOTE 8 LONG - TERM PROVISIONS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
<b>Provision for employee benefits</b>		
(i) Provision for gratuity	2.12	0.99
(ii) Provision for compensated absences	2.85	1.32
Contingent provision against standard assets (refer note below)	34.65	19.15
<b>Total</b>	<b>39.62</b>	<b>21.46</b>

Note: Movement in contingent provision against standard assets during the year is as under:-

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Opening balance	19.15	7.70
Addition during the year	15.50	11.45
<b>Closing balance</b>	<b>34.65</b>	<b>19.15</b>

## NOTE 9 SHORT - TERM BORROWINGS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
<b>Secured</b>		
Loan from banks*		
- Cash Credit	1,158.94	543.56
- Working Capital Loans	-	165.00
<b>Total (a)</b>	<b>1,158.94</b>	<b>708.56</b>
<b>Unsecured</b>		
- Cash Credit	5.67	145.00
- Commercial papers	1,570.00	1,525.00
<b>Total (b)</b>	<b>1,575.67</b>	<b>1,670.00</b>
<b>Total (a) + (b)</b>	<b>2,734.61</b>	<b>2,378.56</b>

\* The cash credit facilities are repayable on demand and carry interest rates ranging from 7.70% p.a. to 9.25% p.a (previous year 9.20% p.a. to 10.25% p.a). Working capital demand loan are repayable on demand and carry nil interest rate (previous year ranging from 8.90% p.a. to 9.30% p.a). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. These facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

## Note 10 Trade payables

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Total outstanding dues of		
- Micro enterprises and small enterprises *	0.05	0.05
- Creditors other than micro enterprises and small enterprises	65.63	35.19
<b>Total</b>	<b>65.68</b>	<b>35.24</b>

\* Disclosure under section 22 of Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.05	0.05
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day "	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
<b>Total</b>	<b>0.05</b>	<b>0.05</b>

\* Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

## NOTE 11 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Current maturities of long-term borrowings (Refer Note 6)	581.66	293.33
(b) Interest accrued but not due on borrowings	102.94	29.31
(c) Unclaimed dividend *	0.55	0.66
(d) Book overdrafts	158.03	133.51
(e) Other payables		
(i) Withholding and other taxes payable	7.33	3.52
(ii) Payable on purchase of fixed assets	0.09	0.24
(iii) Security deposits received	0.02	0.03
(iv) Advances from customers	0.03	3.71
(v) Pending loan disbursement	38.38	21.13
(vi) Others	0.43	0.97
<b>Total</b>	<b>889.46</b>	<b>486.41</b>

\* Unclaimed dividend does not include any amount outstanding as on March 31, 2017 which are required to be credited to the Investor Education and Protection Fund.

## NOTE 12 SHORT - TERM PROVISIONS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Provision for employee benefits		
(i) Provision for gratuity	3.17	2.71
(ii) Provision for compensated absences	0.87	2.25
(b) Provision for income tax (net of advance payment of tax)	14.49	0.03
(c) Others provisions:		
(i) Provision for proposed equity dividend	-	7.92
(ii) Provision for tax on proposed equity dividend	-	1.61
<b>Total</b>	<b>18.53</b>	<b>14.52</b>

**NOTE 13 FIXED ASSETS**

106

Particulars	Gross Block				Accumulated Depreciation			Net block	
	Balance as at March 31, 2016	Additions / Adjustment	Disposals / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2016	Depreciation expense for the year	Eliminated on disposal of assets / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2017
<b>I Tangible Assets</b>									
<b>(a) Own Use :</b>									
(i) Building (Previous year)	-	3.64	-	3.64	-	0.06	-	0.06	3.58
(ii) Plant and Equipments (Previous year)	1.20	-	-	1.20	0.15	0.08	-	0.23	0.97
(iii) Furniture and fixtures (Previous year)	0.38	0.17	-	0.55	0.09	0.05	-	0.14	0.41
(iv) Vehicles (Previous year)	11.40	7.56	0.74	18.22	3.23	1.49	0.18	4.54	13.68
(v) Data processing equipment (Previous year)	(8.56)	(2.84)	-	(11.40)	(1.98)	(1.25)	-	(3.23)	(8.17)
(vi) Office equipments (Previous year)	11.92	6.06	0.07	17.91	5.07	4.05	0.04	9.08	8.83
<b>Total (Previous year)</b>	<b>25.56</b>	<b>17.98</b>	<b>0.81</b>	<b>42.73</b>	<b>8.71</b>	<b>5.93</b>	<b>0.22</b>	<b>14.42</b>	<b>28.31</b>
	(17.73)	(8.22)	(0.39)	(25.56)	(4.22)	(4.72)	(0.23)	(8.71)	(16.85)
<b>Leased Assets:</b>									
<b>(b) Given on Operating lease</b>									
(i) Plant and Equipment (Previous year)	27.68	-	-	27.68	16.27	3.06	-	19.33	8.35
(ii) Computers (Previous year)	(28.69)	-	(1.01)	(27.68)	(14.07)	(3.19)	(0.99)	(16.27)	(11.41)
	1.04	-	0.06	0.98	0.80	0.15	0.06	0.89	0.09
	(2.28)	-	(1.24)	(1.04)	(1.70)	(0.32)	(1.22)	(0.80)	(0.24)

Particulars	Gross Block				Accumulated Depreciation				Net block
	Balance as at March 31, 2016	Additions / Adjustment	Disposals / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2016	Depreciation expense for the year	Eliminated on disposal of assets / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2017
(iii) Vehicles	74.46	25.69	19.92	80.23	18.18	9.92	8.78	19.32	60.91
(Previous year)	(54.96)	(22.48)	(2.98)	(74.46)	(11.25)	(7.97)	(1.04)	(18.18)	(56.28)
<b>Total</b>	<b>103.18</b>	<b>25.69</b>	<b>19.98</b>	<b>108.89</b>	<b>35.25</b>	<b>13.13</b>	<b>8.84</b>	<b>39.54</b>	<b>69.35</b>
(Previous year)	(85.93)	(22.48)	(5.23)	(103.18)	(27.02)	(11.48)	(3.25)	(35.25)	(67.93)
<b>Grand Total (A)</b>	<b>128.74</b>	<b>43.67</b>	<b>20.79</b>	<b>151.62</b>	<b>43.96</b>	<b>19.06</b>	<b>9.06</b>	<b>53.96</b>	<b>97.66</b>
(Previous year)	(103.66)	(30.70)	(5.62)	(128.74)	(31.24)	(16.20)	(3.48)	(43.96)	(84.78)
<b>II Intangible Assets</b>									
Computer software	9.89	2.54	-	12.43	3.16	1.83	-	4.99	7.44
(Previous year)	(8.10)	(1.79)	-	(9.89)	(1.56)	(1.60)	-	(3.16)	(6.73)
<b>Total (B)</b>	<b>9.89</b>	<b>2.54</b>	<b>-</b>	<b>12.43</b>	<b>3.16</b>	<b>1.83</b>	<b>-</b>	<b>4.99</b>	<b>7.44</b>
(Previous year)	(8.10)	(1.79)	-	(9.89)	(1.56)	(1.60)	-	(3.16)	(6.73)
<b>Grand Total (A+B)</b>	<b>138.63</b>	<b>46.21</b>	<b>20.79</b>	<b>164.05</b>	<b>47.12</b>	<b>20.89</b>	<b>9.06</b>	<b>58.95</b>	<b>105.10</b>
Grand Total (previous year)	(111.76)	(32.49)	(5.62)	(138.63)	(32.80)	(17.80)	(3.48)	(47.12)	(91.51)

Figures in bracket represents previous year numbers

## NOTE 14 NON - CURRENT INVESTMENTS

Particulars	As at March 31, 2017			As at March 31, 2016		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	Amount (INR Crores)			Amount (INR Crores)		
<b>Investments (at cost)</b>						
<b>A. Trade</b>						
Investment in equity instruments						
74,82,251 (previous year: 74,82,251) shares of Rs. 10 each fully paid up in Forum I Aviation Ltd.	-	6.98	6.98	-	6.98	6.98
<b>B. Other investments</b>						
1,370 (previous year: 1,370) shares of Rs. 2 each fully paid up in Hero MotoCorp Ltd.	0.01	-	0.01	0.01	-	0.01
4,99,99,940 (previous year: Nil) shares of Rs. 10 each fully paid up in Hero Housing Finance Ltd.		50.00	50.00	-	-	-
<b>Total</b>	<b>0.01</b>	<b>56.98</b>	<b>56.99</b>	<b>0.01</b>	<b>6.98</b>	<b>6.99</b>

Particulars	As at March 31, 2017		As at March 31, 2016	
	At Cost		At Cost	
	Amount (INR Crores)		Amount (INR Crores)	
Aggregate amount of :				
Quoted Investments			0.01	0.01
Unquoted Investments			56.98	6.98
<b>Aggregate market value of listed and quoted investments</b>			<b>0.44</b>	<b>0.40</b>

## NOTE 15 DEFERRED TAX ASSETS/ (LIABILITIES)

Particulars	As at March 31, 2017	Charge/ (Credit) during the year	As at March 31, 2016	Charge/ (Credit) during the year	As at March 31, 2015
	Amount (INR Crores)	Amount (INR Crores)	Amount (INR Crores)	Amount (INR Crores)	Amount (INR Crores)
	Provision for leave encashment and gratuity	3.27	0.76	2.51	1.66
Lease equalisation reserve	0.31	0.05	0.26	0.10	0.16
Provision for doubtful trade receivables	31.80	23.38	8.42	8.25	0.17
Contingent provision against standard assets	11.99	5.24	6.75	4.09	2.66
<b>Total deferred tax assets</b>	<b>47.37</b>	<b>29.43</b>	<b>17.94</b>	<b>14.10</b>	<b>3.84</b>
Tax effect of items constituting deferred tax liabilities					
"Difference between depreciation as per books of accounts and as per Income Tax Act"	2.12	(0.73)	2.85	0.53	2.32
<b>Total deferred tax liabilities</b>	<b>2.12</b>	<b>(0.73)</b>	<b>2.85</b>	<b>0.53</b>	<b>2.32</b>
<b>Deferred tax assets/ (liabilities)</b>	<b>45.25</b>	<b>30.16</b>	<b>15.09</b>	<b>13.57</b>	<b>1.52</b>

## NOTE 16 LONG - TERM LOANS AND ADVANCES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Unsecured, considered good		
(a) Capital advances	0.33	3.77
(b) Security deposits	0.93	0.72
(c) Loans and advances to employees	10.76	6.98
(d) Balances with government authorities	1.57	1.79
<b>Total</b>	<b>13.59</b>	<b>13.26</b>

## NOTE 17 LONG TERM RECEIVABLES UNDER FINANCING ACTIVITIES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Receivables under financing activities- Non Current		
Secured, considered good *	4,907.67	3,163.34
Unsecured, considered good**	124.53	61.09
Doubtful	18.57	20.69
	5,050.77	3,245.12
<b>Less: Provision for non performing assets</b>	<b>18.57</b>	<b>20.69</b>
<b>Total</b>	<b>5,032.20</b>	<b>3,224.43</b>

### Note:

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Secured corporate loan	4,004.59	2,585.22
Secured retail loan	903.08	578.12
	4,907.67	3,163.34
Unsecured corporate loan	101.50	61.09
Unsecured Retail loan	23.03	-
	124.53	61.09
<b>Total</b>	<b>5,032.20</b>	<b>3,224.43</b>

\* Includes Rs. 0.05 Crores (previous year: Rs. 0.50 Crores) receivables from private companies in which director is a director or a member

\*\* Includes Rs. 9.20 Crores (previous year: Nil) receivables from private companies in which director is a director or a member

## NOTE 18 CASH AND CASH EQUIVALENTS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Balances with banks :		
(i) in current accounts	2.64	0.39
(ii) in dividend current accounts (Earmarked accounts)	0.55	0.66
<b>Total</b>	<b>3.19</b>	<b>1.05</b>

## NOTE 19 SHORT - TERM LOANS AND ADVANCES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Unsecured, considered good		
(a) Security deposits	0.87	0.53
(b) Balances with government authorities	0.74	0.75
(c) Loan and advances to employees	1.11	1.15
(d) Prepaid expense **	25.42	23.96
(e) Others	3.34	2.00
<b>Total</b>	<b>31.48</b>	<b>28.39</b>

\*\* Includes unexpired discount of Rs.21.57 Crores (previous year Rs. 16.54 Crores) on commercial paper.

## NOTE 20 RECEIVABLES UNDER FINANCING ACTIVITIES

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Receivables under financing activities- Current		
Secured, considered good *	3,411.30	1,956.85
Unsecured, considered good **	1,301.71	1,133.27
Doubtful	78.86	3.86
	4,791.87	3,093.98
Less: Provision for non performing assets	78.86	3.86
<b>Total</b>	<b>4,713.01</b>	<b>3,090.12</b>

### Note:

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Secured corporate loan	1,277.65	714.82
Secured retail loan	2,133.65	1,242.03
	3,411.30	1,956.85
Unsecured corporate loan	74.29	151.01
Unsecured retail loan	12.82	-
Unsecured bill discounting	332.75	858.05
Unsecured Inventory funding	871.38	120.69
Unsecured others	10.47	3.52
	1,301.71	1,133.27
<b>Total</b>	<b>4,713.01</b>	<b>3,090.12</b>

\* Includes Rs. 10.53 Crores (previous year: Rs. 0.26 Crores) receivables from private companies in which director is a director or a member.

\*\* Includes Rs. 61.22 Crores (previous year: Rs. 70.00 Crores) receivables from private companies in which director is a director or a member.

## NOTE 21 OTHER CURRENT ASSETS

Particulars	As at March 31, 2017	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Interest accrued but not due	86.56	51.05
<b>Total</b>	<b>86.56</b>	<b>51.05</b>

## NOTE 22 REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Interest income		
(i) Corporate finance	549.20	294.79
(ii) Retail financing	459.29	251.47
(iii) Inventory funding	35.68	4.35
(b) Other financial services		
(i) Lease rentals -operating lease	22.33	21.45
(ii) Income on bills discounting	51.81	57.78
(c) Processing fees	168.84	116.64
(d) Commission income	3.18	3.63
(e) Arrangement Fees	0.82	0.83
(f) Fleet management income	0.30	0.32
(g) Subvention income	6.47	5.84
(h) Penal charges income	29.60	11.54
(i) Others	3.97	1.68
<b>Total</b>	<b>1,331.49</b>	<b>770.32</b>

## NOTE 23 OTHER INCOME

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Interest-Income tax refund	0.54	-
(b) Dividend income		
(i) from long term investments-equity shares	0.01	0.01
(c) Profit on sale of:		
Current investment	0.65	0.59
(d) Liabilities no longer required written back	-	0.46
<b>Total</b>	<b>1.20</b>	<b>1.06</b>

## NOTE 24 EMPLOYEE BENEFITS EXPENSE

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Salaries and wages	94.50	58.90
Contribution to provident and other funds	4.94	3.05
Gratuity expense	1.59	2.21
Staff welfare expenses	3.41	1.91
<b>Total</b>	<b>104.44</b>	<b>66.07</b>

## NOTE 25 FINANCE COSTS

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
(a) Interest expense on		
(i) Term loan	217.78	129.23
(ii) Working capital/inter corporate deposit and others	51.06	53.91
(iii) Non-convertible debentures	112.97	38.37
(iv) Commercial paper discounting charges	148.28	66.97
(v) Late payment of statutory dues	0.03	0.03
(b) Other borrowing costs	5.11	4.84
<b>Total</b>	<b>535.23</b>	<b>293.35</b>

## NOTE 26 OTHER EXPENSES

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Rent including lease rentals	6.85	4.64
Repairs and maintenance		
- Building	1.59	0.69
- Vehicle	1.10	0.82
Recruitment and training expenses	2.47	1.66
Learning & development charges	4.96	4.68
Insurance	2.79	1.48
Rates and taxes	21.80	12.15
Legal and professional	3.89	2.00
Auditor's remuneration (refer note 35)	0.41	0.36
Travelling and conveyance	18.85	12.52
Contractual staff	56.63	36.87
Loan Verification charges	22.33	17.97
Loan Collection charges	103.83	45.59
Bank Charges	12.62	7.62
Customer Care Charges	9.46	5.50
Provision for non performing assets	72.88	24.05
Loss on sale of loan assets	9.67	3.32
Advertisement and marketing expenses	17.31	13.89
Loss on sale of fixed assets (net)	2.91	0.36
Data processing charges	12.68	6.60
Expenditure on corporate social responsibility (refer note 36)	1.50	0.50
Communication	7.17	4.24
Printing and stationery	4.95	4.63
Commission to dealer and direct selling agents	48.03	40.18
Donation	0.09	0.08
Miscellaneous expenses	9.24	5.55
<b>Total</b>	<b>456.01</b>	<b>257.95</b>

## NOTE 27 Capital Commitments (to the extent not provided for)

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid amounting to Rs.0.33 Crores (previous year Rs.3.77 Crores))	0.84	1.42
Other commitments (Refer note below)	-	-
<b>Total</b>	<b>0.84</b>	<b>1.42</b>

The Company does not have any long term commitments or material non-cancellable contractual commitments/ contracts, which have a material impact on the financial statements.

## NOTE 28

As the Company's business activity falls within a single primary business segment viz. "Financial services" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", notified in the Companies (Accounting Standards) Rules, 2006 are not applicable.

## NOTE 29

The Company has entered into operating lease agreement for leased premises and are cancellable in nature. The aggregate lease rentals amounting to Rs. 6.85 Crores (previous year - Rs. 4.64 Crores) have been charged to statement of profit and loss.

## NOTE 30

Disclosure in accordance with the Accounting Standard 15 (revised 2005)-

### a) Defined contribution and other plan

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
Employer's contribution to provident fund	4.37	2.67
Employer's contribution to superannuation fund	0.42	0.28
Employer's contribution to national pension scheme	0.16	0.10

### b) Defined benefit plan (Gratuity)

S.No.	Particulars	Amount (INR Crores)	
		Gratuity (Unfunded) as at March 31, 2017	Gratuity (Unfunded) as at March 31, 2016
I	<b>Reconciliation of opening and closing balance of the present value of defined benefit obligations (PVO):-</b>		
a.	PVO at the beginning of the period	3.70	1.49
b.	Current service cost	1.06	0.64
c.	Interest cost	0.29	0.11
d.	Actuarial (gain)/ loss	0.24	1.46
e.	Benefits paid	-	-
	Past service cost	-	-
f.	PVO at the end of the period	<b>5.29</b>	<b>3.70</b>

S.No.	Particulars	Gratuity (Unfunded) as at March 31, 2017	Gratuity (Unfunded) as at March 31, 2016
<b>II</b>	<b>Amount recognized in the Statement of Profit and Loss :-</b>		
a.	Current service cost	1.06	0.64
b.	Interest cost	0.29	0.11
c.	Actuarial (gain) / losses	0.24	1.46
d.	Past service cost	-	-
	<b>Net cost</b>	<b>1.59</b>	<b>2.21</b>
<b>III</b>	<b>Amount recognized in the Balance Sheet:-</b>		
a.	PVO at the end of the period	5.29	3.70
b.	Funded status	-	-
c.	Net liability recognized in the Balance Sheet	<b>5.29</b>	<b>3.70</b>
	Non- current portion	2.12	0.99
	Current portion	3.17	2.71

**Assumptions used in accounting for the benefit plan -**

S.No.	Particulars	Gratuity (Unfunded) as at March 31, 2017	Gratuity (Unfunded) as at March 31, 2016	Compensated absences (Unfunded) as at March 31, 2017	Compensated absences (Unfunded) as at March 31, 2016
a.	Discount rate (%)	7.54%	8.00%	7.54%	8.00%
b.	Salary escalation rate (%)	5.50%	5.50%	5.50%	5.50%
c.	Expected average remaining working life of employees (period in years)	23.37	23.31	23.37	23.31

1. The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market.
2. Since the liability is not funded, therefore information with regard to the plan assets has not been furnished.

The table below shows a summary of the key results including past results as applicable.

**A) Assets/Liabilities**

As on	31/03/2013	31/03/2014	31/03/2015	31/03/2016	31/03/2017
PBO	0.66	0.83	1.49	3.70	5.29
Plan assets	-	-	-	-	-
Net assets/ (liability)	(0.66)	(0.83)	(1.49)	(3.70)	(5.29)

**B) Experience on actuarial gain/ (loss) for PBO and plan assets**

As on	31/03/2013	31/03/2014	31/03/2015	31/03/2016	31/03/2017
On plan PBO	(0.02)	0.01	(0.27)	(1.46)	(0.12)
On plan assets	-	-	-	-	-

## NOTE 31 RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD 18

### (a) Subsidiary of the Company

Hero Housing Finance Limited

### (b) Parties in respect of which the Company is an associate

Hero MotoCorp Limited

Bahadur Chand Investments Private Limited (up to September 15, 2016)

### (c) Key management personnel and their relatives

Renu Munjal - Managing Director

Abhimanyu Munjal - Joint Managing director and CEO

Rahul Munjal - relative of Renu Munjal

### (d) Enterprises over which key management personnel and their relatives are able to exercise significant influence:-

Hero Future Energies Limited

Hero Investcorp Private Limited

Hero Wind Energy Private Limited

Hero Solar Energy Private Limited

BrijMohan Lall Om Parkash (Partnership Firm)

Munjal Acme Packaging Systems Private Limited

## Transactions with related parties during the year

### (a) Transactions with the subsidiary

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
<b>Hero Housing Finance Limited</b>		
Investment in equity shares	50.00	-
Reimbursement of expenses (received)	1.18	-

### (b) Parties in respect of which the Company is an associate

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
<b>Hero MotoCorp Limited</b>		
Dividend received	0.01	0.01
Lease rental received	22.09	21.15
Dividend paid	3.83	4.38
Proceeds from right issue (incl. security premium)	-	197.19
Proceeds against share warrants	36.40	-
Rent paid	0.05	0.06
Subvention income	6.47	5.43
Reimbursement of cost sharing under insurance scheme	3.62	10.12
Sale of fixed assets	8.37	1.75
Amount receivable as at the year end	1.21	0.56
<b>Bahadur Chand Investments Private Limited</b>		
Proceeds from rights issue(including security premium)	-	182.86

**(c) Key management personnel and their relatives**

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
<b>Renu Munjal*</b>		
Remuneration	7.47	4.76
Loan given	-	6.20
Loan repayment	-	6.20
Interest received/accrued	-	0.03
Proceeds from rights issue (incl. security premium)	-	1.23
Payable (including commission)	2.01	1.25
<b>Abhimanyu Munjal</b>		
Remuneration	5.28	3.75
Proceeds from rights issue (incl. security premium)	-	1.42
Payable (including commission)	2.01	1.92
<b>Rahul Munjal</b>		
Proceeds from rights issue (incl. security premium)	-	1.22

\* Does not include provisions for incremental gratuity and leave encashment liabilities, since the provisions are based on actuarial valuations for the Company as a whole.

**(d) Enterprises over which key management personnel and their relatives are able to exercise significant influence**

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
<b>Hero Wind Energy Private Limited</b>		
Loan given	-	9.00
Loan repayment	-	79.00
Interest received/accrued	-	6.21
Processing fees received	-	0.03
<b>Hero Future Energies Private Limited</b>		
Loan given	100.00	70.00
Loan repayment	120.00	-
Interest received/accrued	7.61	2.78
Processing fees received	0.50	0.11
Loan outstanding at the year end (receivable)	50.00	70.00
<b>Hero Solar Energy Private Limited</b>		
Loan given	50.00	16.00
Loan repayment	50.00	16.00
Interest received/ accrued	3.94	0.15
Processing fees received	0.13	0.07
<b>BrijMohan Lall Om Parkash</b>		
Loan given	150.00	-
Processing fees income	0.02	-
Interest income	1.24	-
Loan repayment	150.00	-
Proceeds against share warrants	32.00	-
<b>Munjal Acme Packaging Systems Private Limited</b>		
Proceeds against share warrants	34.20	-

**NOTE 32**

Information pursuant to clause 3 (vii) (c) of the Companies (Auditors Report) Order, 2017 in respect of disputed dues, not deposited as at 31 March, 2017, pending with various authorities.

Name of the statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (INR Crores)	Amount unpaid (INR Crores)
Income tax Act, 1961	Income tax	Commissioner (Appeals)	2012-13, 2013-14	4.76	1.08
Delhi Value Added tax Act	Value added tax	Objection hearing authority (Trade & Tax department)	2013-14	0.09	0.09
Delhi Value Added tax Act	Value added tax	Appellate VAT Tribunal, Trade and Taxes Delhi	2012-13	0.38	0.06

The following matters have been decided in favour of the Company but the department has preferred appeals at higher levels:

Name of the statute	Nature of the dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (INR Crores)	Amount unpaid (INR Crores)
Income-tax Act, 1961	Income-Tax	High Court	2006-07, 2009-10	0.33	0.33
		Income Tax Appellate Tribunal	2011-12	0.17	0.17

**NOTE 33 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)**

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
Travel and other accounts	1.20	0.54
<b>Total</b>	<b>1.20</b>	<b>0.54</b>

**NOTE 34 EARNINGS PER SHARE**

Particulars	2016-17	2015-16
<b>Basic</b>		
Profit/ (Loss) for the year (INR Crores)	130.41	81.50
Weighted average number of equity shares (Nos.)	8,47,91,892	6,73,18,648
Nominal value per equity share (INR per share)	10	10
Basic and diluted earnings per share (INR)	15.38	12.11
<b>Diluted</b>		
Profit/ (Loss) for the year (INR Crores)	130.41	81.50
Add: Effect of Warrants which are dilutive	-	-
Profit / (loss) attributable to equity shareholders (on dilution)	130.41	81.50
Weighted average number of equity shares (Nos.)	8,57,07,549	6,73,18,648
Nominal value per equity share (INR per share)	10	10
Basic and diluted earnings per share (INR)	15.22	12.11

### NOTE 35 PROVISION AND/OR PAYMENT IN RESPECT OF AUDITORS' REMUNERATION

Particulars	Amount (INR Crores)	
	2016-17	2015-16
Audit fee	0.25	0.22
Limited review	0.09	-
Tax audit fee	0.03	0.03
Certification fees	0.03	0.02
Others	-	0.08
Out of pocket expenses	0.01	0.01
<b>Total</b>	<b>0.41</b>	<b>0.36</b>

### NOTE 36 CORPORATE SOCIAL RESPONSIBILITY

Particulars	Amount (INR Crores)	
	2016-17	2015-16
(a) Gross amount required to be spent	1.47	0.45
(b) Amount spent for the purpose other than construction/ acquisition of assets in the company	1.50	0.50
(c) Detail of contribution to the related party*	-	-
- BrijMohan Lall Munjal University	0.52	-
- Raman Munjal Vidya Mandir	0.32	-

\* Related party pursuant to the key management personnel of the company having significant influence.

### NOTE 37

The Company has not held and transacted with any specified bank notes during the period November 08, 2016 to December 30, 2016.

### NOTE 38

The Board of Directors has recommended a dividend of Rs. 1.5 per equity share of Rs 10 each, aggregating to Rs 16.73 Crores (including dividend distribution tax).

### NOTE 39

Following information is disclosed in terms of the Master Direction-Non Banking Financial Company-Systematically important, Non deposit taking and deposit taking company (Reserve Bank) Directions' 2016 dated September 1, 2016

#### Capital to risk assets ratio (CRAR)

Particulars	As at March 31, 2017	As at March 31, 2016
(i) CRAR %	21.29	17.37
(ii) CRAR – Tier I capital (%)	18.95	15.53
(iii) CRAR – Tier II capital (%)	2.34	1.84
(iv) Amount of subordinated debts raised as Tier-II instruments (INR Crores)	200.00	100.00
(v) Amount raised by issue of perpetual instruments	-	-

**INVESTMENTS**

Particulars	Amount (INR Crores)	
	As at March 31, 2017	As at March 31, 2016
(1) Value of investments		
(i) Gross value of investments		
(a) In India	56.99	6.99
(b) Outside India,	-	-
(ii) Provisions for depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net value of investments		
(a) In India	56.99	6.99
(b) Outside India,	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

**Disclosure on Un-hedged Foreign Currency Exposure**

Particulars	(Amount INR Crores)	
	March 31, 2017	March 31, 2016
1 Foreign Currency Exposure (FCE)	Nil	Nil
2 FCE having maturity or having cash flows over the period of next five years (Out of 1 above)	Nil	Nil
3 Amount covered by Financial Hedge (Out of 2 above)	Nil	Nil
4 Amount covered by Natural Hedge (Out of 2 above)	Nil	Nil
5 Un-hedged Foreign Currency Exposure (2-3-4)	Nil	Nil
6 Annual Earnings Before Interest Depreciation (EBID)	686.53	392.65
7 Total credit exposure from Banking System*	4,467.95	3,080.22

\* Excluding book overdrafts.

**Disclosure on Derivatives (Forward Rate Agreement / Interest Rate Swap/Exchange Traded Interest Rate (IR) Derivatives)**

Particulars	(Amount INR Crores)	
	March 31, 2017	March 31, 2016
1 The notional principal amount of agreement / derivative	Nil	Nil
2 Losses (if counterparties failed to fulfil their obligations)	Nil	Nil
3 Collateral required upon entering into agreement	Nil	Nil
4 Concentration of credit risk arising from the agreement	Nil	Nil
5 The fair value	Nil	Nil

**Securitisation**

There is no securitisation/assignment transaction entered by the Company during the year.



S.No.	Type of Restructuring Asset Classification Details	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
5	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Amount restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Amount restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2	-	-	2	-	
	Amount restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Restructured Accounts as on March 31 of the FY (closing figures*)	-	-	-	-	-	-	-	-	-	-	34.52	-	-	34.52	-	
	Amount restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

\* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

There are no non-performing financial assets purchased/sold during the year.

**Asset Liability Management Maturity pattern of certain items of assets and liabilities**

(Amount INR Crores)

	Upto 30/31 days 1 Month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowing from banks*	-	12.50	16.67	62.50	1,474.60	1,431.68	1,470.00	-	4,467.95
Market borrowings	500.00	325.00	250.00	475.00	200.00	1,212.40	62.00	200.00	3,224.40
<b>Assets</b>									
Advances**	555.94	913.76	624.60	1,136.83	1,424.00	2,600.48	1,009.22	1,480.38	9,745.21
Investment	-	-	-	-	-	-	-	56.99	56.99

**Previous year**

(Amount INR Crores)

	Upto 30/31 days 1 Month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowing from banks*	130.00	67.50	146.67	67.50	635.22	808.33	1,225.00	-	3,080.22
Market borrowings	350.00	895.00	150.00	130.00	100.00	358.40	46.00	112.00	2,141.40
<b>Assets</b>									
Advances**	458.54	784.23	374.16	534.13	918.37	1,689.16	686.63	869.33	6,314.55
Investment	-	-	-	-	-	-	-	6.99	6.99

\*Excluding book overdrafts.

\*\* It includes receivable under financing activities as per note 17 and 20.

**Exposures: Exposures to real estate sector**

(Amount INR Crores)

Direct Exposure	As at	As at
	March 31, 2017	March 31, 2016
(i) <b>Residential Mortgages</b>	<b>701.67</b>	<b>340.15</b>
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	701.67	340.15
(ii) <b>Commercial Real Estate -</b>	<b>530.69</b>	<b>404.46</b>
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family, Residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	530.69	404.46
(iii) <b>Investments in Mortgage Backed Securities (MBS) and other securitized exposures -</b>	-	-
(a) Residential	-	-
(b) Commercial Real Estate	-	-
<b>Total Exposure to Real Estate Sector</b>	<b>1,232.36</b>	<b>744.61</b>

**Exposure to capital market****(Amount INR Crores)**

Particulars	March	March
	31, 2017	31, 2016
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	56.99	6.99
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>	<b>56.99</b>	<b>6.99</b>

- Since there is no parent, hence reporting on financing of parent company products is not applicable.
- No Registration has been obtained from other financial regulators during the year.
- No penalties have been imposed by RBI and other regulators during the year.

**Ratings assigned by credit rating agencies and migration of ratings during the year**

Sr. No.	Instrument/ Agency	CRISIL		ICRA	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
1	Secured NCDs	CRISIL AA+/Stable	CRISIL AA+/Stable	ICRA AA+/Stable	ICRA AA+/Stable
2	Unsecured Sub-ordinated Tier-II NCDs	CRISIL AA+/Stable	CRISIL AA+/Stable	ICRA AA+/Stable	ICRA AA+/Stable
3	Long Term Bank facilities	CRISIL AA+/Stable	CRISIL AA+/Stable	ICRA AA+/Stable	ICRA AA+/Stable
4	Short Term Bank facilities	CRISIL A1+	CRISIL A1+	ICRA A1+	ICRA A1+
5	Commercial Papers	CRISIL A1+	CRISIL A1+	ICRA A1+	ICRA A1+

**Provisions and Contingencies**

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss	March 31, 2017	March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)
Provisions for depreciation on investment	-	-
Provision towards NPA	72.88	24.05
Provision made towards Income tax (including deferred tax)	70.10	43.26
Provision for leave encashment	0.59	2.70
Provision for gratuity	1.59	2.21
Other Provision and Contingencies (with details)	-	-
Provision for standard assets	15.50	11.45

- The company has not drawn any reserves during the year.

**Concentration of advances**

Particulars	As at March 31, 2017	As at March 31, 2016
Total advances to twenty largest borrowers Amount (INR Crores)	1,376.58	1,155.12
Percentage of advances to twenty largest borrowers/ customers to total advances of the NBFC on borrowers/ customers	14.00%	18.29%

**Concentration of exposure**

Particulars	As at March 31, 2017	As at March 31, 2016
Total exposure to twenty largest borrowers/ customer Amount (INR Crores)	1,376.58	1,155.12
Percentage of exposure to twenty largest borrowers/ customers to total exposure of the NBFC on borrowers/ customers	14.00%	18.29%

**Concentration of NPAs**

Particulars	Amount (INR Crores)	
	As at March 31, 2017	As at March 31, 2016
Total exposure to top four NPA accounts*	83.27	30.94

\* Includes restructured account of Rs 24.51 Crores ( previous year: Nil)

**Sector-wise NPAs**

S. No.	Sector	Percentage of NPAs to total advances in that sector	
		As at March 31, 2017	As at March 31, 2016
1	Agriculture & allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	2.69%	0.75%
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans	2.70%	1.37%
7	Other personal loans	-	-

**Movement of NPAs**

Particulars	2016-17	2015-16
	Amount (INR Crores)	Amount (INR Crores)
(i) Net NPAs to net advances (%)	1.72	0.55
<b>(ii) Movement of NPAs (Gross)</b>		
(a) Opening balance	59.01	4.91
(b) Additions during the year	242.82	55.27
(c) Reductions during the year	36.60	1.17
(d) Closing balance	265.23	59.01
<b>(iii) Movement of Net NPAs</b>		
(a) Opening balance	34.46	4.41
(b) Additions during the year	162.98	31.10
(c) Reductions during the year	29.64	1.05
(d) Closing balance	167.80	34.46
<b>(iv) Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
(a) Opening balance	24.55	0.50
(b) Provisions made during the year	79.84	24.17
(c) Write-off / write-back of excess provisions	6.96	0.12
(d) Closing balance	97.43	24.55

**Customer complaints**

Particulars	2016-17	2015-16
(a) No. of complaints pending at the beginning of the year	6	4
(b) No. of complaints received during the year	876	219
(c) No. of complaints redressed during the year	852	217
(d) No. of complaints pending at the end of the year (resolved subsequent to the year end)	30	6

Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of Annex 1 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016)

S. No.	Particulars	As at March 31, 2017	
		Amount Outstanding	Amount Overdue
<b>Liabilities side:</b>			
1	(a) Debentures :		
	Secured	1,454.40	-
	Unsecured	200.00	-
	(other than falling within the meaning of public deposits)		
	(b) Deferred credits	-	-
	(c) Term loans	3,303.34	-
	(d) Inter-corporate loans and borrowing	-	-
	(e) Commercial Paper	1,570.00	-
	(f) Public Deposits	-	-
	(g) Others :		
	Secured and Cash Credit from bank*	1,158.94	-
	Other loan from banks		
	Secured- working capital demand loan	-	-
	Unsecured – short term loan from banks	5.67	-

\*Excluding book overdrafts.

**Assets side:**

2	<b>Break-up of loans and advances including bills receivables [other than those included in (4) below]</b>	<b>As at March 31, 2017 (Amount INR Crores)</b>
	(a) Secured	8,318.97
	(b) Unsecured	1,426.24
3	<b>Break up of leased assets and stock on hire and hypothecation loans counting towards Asset Finance Company (AFC) activities</b>	<b>As at March 31, 2017 (Amount INR Crores)</b>
	(i) Lease assets including lease rentals under sundry debtors :	
	(a) Financial lease	-
	(b) Operating lease	-
	(ii) Stock on hire including hire charges under sundry debtors:	
	(a) Assets on hire	-
	(b) Repossessed Assets	-
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	-
	(b) Loans other than (a) above	-
4	<b>Break-up of Investments :</b>	<b>As at March 31, 2017 (Amount INR Crores)</b>
	<b>Current Investments :</b>	
	1. Quoted :	
	(i) Shares :	
	(a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	2. Unquoted :	-
	(i) Shares :	
	(a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	<b>Long Term investments :</b>	
	1. Quoted :	-
	(i) Shares :	
	(a) Equity	0.01
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of mutual funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	2. Unquoted :	-
	(i) Shares :	
	(a) Equity	56.98
	(b) Preference	-

(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

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

Category	As at March 31, 2017		
	Amount INR Crores (net of provisions)		
	Secured	Unsecured	Total
1. Related Parties	-	-	-
(a) Subsidiaries	-	-	-
(b) Companies in the same group	77.06	1.71	78.77
(c) Other related parties	-	-	-
2. Other than related parties	8,241.91	1,424.53	9,666.44
<b>Total</b>	<b>8,318.97</b>	<b>1,426.24</b>	<b>9,745.21</b>

6 **Investor group-wise classification of all investments (current and long term) in shares and securities both (quoted and unquoted):**

Category	As at March 31, 2017	
	Amount INR Crores (net of provisions)	
	Market value / break up or fair value or NAV	Book value (net of provisions)
1. Related Parties		
(a) Subsidiaries	50.00	50.00
(b) Companies in the same Group	0.44	0.01
(c) Other related parties	-	-
2. Other than related parties	6.98	6.98
<b>Total</b>	<b>57.42</b>	<b>56.99</b>

7 **Other Information Particulars**

	As at March 31, 2017
	Amount INR Crores
(i) Gross non-performing assets	
(a) Related parties	-
(b) Other than related parties	265.23
(ii) Net non-performing assets	
(a) Related parties	-
(b) Other than related parties	167.80
(iii) Assets acquired in satisfaction of debt	-

**NOTE 40**

Previous year's figures have been recast /regrouped wherever necessary.

For and on behalf of Board of Directors

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF HERO FINCORP LIMITED**

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **HERO FINCORP LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of report of the other auditor on separate financial statements of the subsidiary referred to in the Other Matters paragraph below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

#### **Other Matters**

We did not audit the financial statements of a subsidiary viz Hero Housing Finance Limited, whose financial statement reflect total assets of Rs. 48.91 Crores as at March 31, 2017, total revenue of Rs. 0.59 Crores and net cash inflows amounting to Rs. 0.12 Crores for the year ended on that date, as considered in the consolidated financial statements. The financial statement has

been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditor.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the report of the other auditor.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the report of the statutory auditor of its subsidiary company incorporated in India, none of the directors of the Group companies is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and subsidiary company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India.
  - iv. The Holding Company has provided requisite disclosures in the consolidated financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the relevant books of accounts maintained by those entities for the purpose of preparation of the consolidated financial statements and as produced to us by the Management of the respective Group entities.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

**GURUGRAM, May 8, 2017**

## **“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of **HERO FINCORP LIMITED** (hereinafter referred to as “the Holding Company”) and its subsidiary company which is a company incorporated in India, as of that date.

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

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor of the subsidiary company, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

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

## Opinion

In our opinion to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary company which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, is based on the corresponding report of the auditor of such company incorporated in India.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

**GURUGRAM, May 8, 2017**

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017**

Particulars	Note No.	As At March 31, 2017 Amount (INR Crores)
<b>A EQUITY AND LIABILITIES</b>		
<b>1 Shareholders' funds</b>		
(a) Share capital	3	92.68
(b) Reserves and surplus	4	1,755.00
(c) Money Received Against Share Warrants	5	102.60
<b>2 Minority Interest**(includes Rs 600)</b>		<b>**</b>
		<b>1,950.28</b>
<b>3 Non - current liabilities</b>		
(a) Long - term borrowings	6	4,376.08
(b) Other long - term liabilities	7	11.89
(c) Long - term provisions	8	39.62
		<b>4,427.59</b>
<b>4 Current liabilities</b>		
(a) Short - term borrowings	9	2,734.61
(b) Trade payables	10	
Total outstanding dues of		
- Micro enterprises and small enterprises		0.05
- Creditors other than micro enterprises and small enterprises		65.74
(c) Other current liabilities	11	889.48
(d) Short - term provisions	12	18.53
		<b>3,708.41</b>
<b>TOTAL</b>		<b>10,086.28</b>
<b>B ASSETS</b>		
<b>1 Non - current assets</b>		
(a) Fixed assets	13	
(i) Tangible assets		97.66
(ii) Intangible assets		7.44
		105.10
(b) Non - current investments	14A	6.99
(c) Deferred tax assets (net)	15	45.51
(d) Long - term loans and advances	16	13.59
(e) Long term receivable under financing activities	17	5,032.20
		<b>5,203.39</b>
<b>2 Current assets</b>		
(a) Current investments	14B	48.50
(b) Cash and cash equivalents	18	3.31
(c) Short - term loans and advances	19	31.51
(d) Receivable under financing activities	20	4,713.01
(e) Other current assets	21	86.56
		<b>4,882.89</b>
<b>TOTAL</b>		<b>10,086.28</b>
<b>See accompanying notes forming part of the financial statements</b>	1-38	

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

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

**Jaideep Bhargava**  
Partner

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

Place: Gurugram  
Date: May 8, 2017

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED MARCH 31, 2017**

Particulars	Note No.	For the year ended March 31, 2017 Amount (INR Crores)
<b>1 Revenue from operations</b>	22	1,331.49
<b>2 Other income</b>	23	1.21
<b>3 Total revenue (1+2)</b>		<b>1,332.70</b>
<b>4 Expenses</b>		
(a) Employee benefits expense	24	104.44
(b) Finance costs	25	535.23
(c) Contingent provision against standard assets	8	15.50
(d) Depreciation and amortization expense	13	20.89
(e) Other expenses	26	457.50
<b>Total Expenses</b>		<b>1,133.56</b>
<b>5 Profit / (loss) for the year before tax (3 - 4)</b>		199.14
<b>6 Tax expense</b>		
(a) Current tax expense		100.22
(b) Deferred tax charge/(credit)		(30.42)
(c) Current tax relating to prior years		0.15
Total tax expense		69.95
<b>7 Profit / (Loss) for the year before share of profit of minority interest (5-6)</b>		<b>129.19</b>
<b>8 Less: Minority Interest</b>		-
<b>9 Profit / (Loss) for the year (7-8)</b>		<b>129.19</b>
<b>Earnings per share (Rs.)</b>	34	
- Basic (Rs.)		15.24
- Diluted (Rs.)		15.07
(Face value per share Rs. 10)		
<b>See accompanying notes forming part of the financial statements</b>	1-38	

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of Board of Directors

**Jaideep Bhargava**  
Partner

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

Place: Gurugram  
Date: May 8, 2017

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017**

Particulars	For the year ended March 31, 2017 Amount (INR Crores)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net profit before Income tax	199.14
Adjustment for:	
Finance cost	535.23
Contingent provision against standard assets	15.50
Depreciation and amortization expenses	20.89
Provision for non performing assets	72.88
Dividend income	(0.01)
(Profit)/loss on sale of fixed assets	2.91
(Profit)/loss on sale of investments(net)	(0.65)
<b>Operating profit before working capital changes</b>	<b>845.89</b>
<i>Adjustments for (increase) / decrease in operating assets:</i>	
Long term loans and advances	(3.77)
Other non-current assets	(1,805.65)
Trade receivables	(1,697.89)
Short term loans and advances	1.91
Other current assets	(35.51)
<i>Adjustments for increase / (decrease) in operating liabilities:</i>	
Other long term liabilities	6.14
Long term provisions	2.66
Trade payables	30.56
Other current liabilities	41.36
Short term provisions	(0.92)
<b>Cash generated from operations</b>	<b>(2,615.22)</b>
Net income tax paid	(85.91)
<b>Net cash flow used in operating activities (A)</b>	<b>(2,701.13)</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(42.92)
Proceeds from sale of fixed assets	8.82
Profit / (Loss) on sale of investments (Net)	0.65
Dividend income	0.01

Sale of investment	1.50
Purchase of investment	(50.00)
<b>Net cash flow used in investing activities (B)</b>	<b>(81.94)</b>

**C CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from Share issue and share warrants	790.87
Proceeds from long term borrowings (net)	2,114.68
Proceeds from short term borrowings (net)	351.02
Finance cost	(461.60)
Dividend paid	(8.03)
Tax on dividend	(1.61)

<b>Net cash flow from financing activities (C)</b>	<b>2,785.33</b>
--	-----------------

<b>D</b> Net increase / (decrease) in cash and cash equivalents (A+B+C)	2.26
Cash and cash equivalents at the beginning of the year	1.05
<b>Cash and cash equivalents at the end of the year</b>	<b>3.31</b>

**Reconciliation of Cash and cash equivalents with the Balance Sheet:**

Cash and cash equivalents (Refer Note 18)	3.31
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements:	
In earmarked accounts - Unpaid dividend accounts	0.55
<b>Net Cash and Cash Equivalent at the end of the year</b>	<b>2.76</b>

In terms of our report attached  
 For **Deloitte Haskins & Sells**  
 Chartered Accountants

For and on behalf of Board of Directors

**Jaideep Bhargava**  
 Partner

**Pawan Munjal**  
 Chairman  
 (DIN: 00004223)

**Abhimanyu Munjal**  
 Jt. Managing Director & CEO  
 (DIN: 02822641)

**D. N. Davar**  
 Director  
 (DIN: 00002008)

**Renu Munjal**  
 Managing Director  
 (DIN: 00012870)

Place: Gurugram  
 Date: May 8, 2017

Place: New Delhi  
 Date: May 8, 2017

**Shyam Lal**  
 Chief Financial Officer  
 (PAN No. AAAPL0120C)

**Amit Jain**  
 Company Secretary  
 (Membership No. F3923)

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: CORPORATE INFORMATION

Hero FinCorp Limited ("the Company") and its subsidiary (collectively called as "Group") are engaged in financing, leasing, bill discounting and other financial services.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### 1) Accounting convention

The financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the accounting standards specified under Section 133 of the Companies Act, 2013, and other relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention.

#### 2) Principles of Consolidation

The consolidated financial statements relate to Hero FinCorp Limited (the 'Company'), and its subsidiary. The consolidated financial statements have been prepared on following basis.

- a) The financial statements of the subsidiary company used in the consolidation are drawn upto the same reporting date as that of the Company i.e., March 31, 2017, and have been consolidated in the group's financial statements.
- b) The financial statements of the Company and its subsidiary company have been combined on a line by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intragroup transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- c) Minority Interest in the net assets of the consolidated subsidiary consist of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary companies were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiary attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to shareholders of the Company.
- d) Following subsidiary company has been considered in the preparation of the consolidated financial statements:

Name of entity	Relationship	Country of incorporation	Ownership held by	% of shareholding and voting power directly or indirectly through subsidiary as at March 31, 2017
Hero Housing Finance Limited	Subsidiary	India	Company	100%

- e) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, for all significant matters in the same manner as the Company's separate financial statements.

#### 3) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### 4) Operating cycle

The Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The Group is engaged in financing business and amount which is recoverable after one year as per terms of financing / leasing arrangement has been classified as non-current assets.

#### 5) Income

- a) Interest is accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- b) Income from bill discounting is recognised as revenue on accrual basis over the period of acceptance.
- c) Lease income from operating leases is recognised in the statement of profit and loss on a systematic basis.
- d) Front end fees on processing of loans are recognised upfront as income.
- e) Dividend income is accounted for on accrual basis when a right to receive payment is established.
- f) Late payment charges and cheque bouncing charges are accounted for on receipt basis on account of uncertainty of ultimate collection.

#### 6) Cash and cash equivalents

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

#### 7) Cash flow statement

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

#### 8) Fixed assets (Tangible/Intangible)

Fixed assets are carried at cost less accumulated depreciation/amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

#### 9) Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Computer software 6 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

#### **10) Foreign exchange transactions**

Exchange differences are dealt with as follows:-

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. All loss or gain on translation is charged to revenue in the period in which it is incurred.

Monetary assets and liabilities denominated in foreign currency are restated at the rate prevailing at the period end and resultant gain or loss is recognized in the statement of profit and loss.

In respect of forward contracts, the forward premium or discount is recognised as income or expense over the life of contract in the Statement of Profit and Loss and the exchange difference between the exchange rate prevailing at the year end and the date of the inception of the forward exchange contract is recognised as income or expense in the Statement of Profit and Loss.

#### **11) Investments**

Current investments are stated at lower of cost and fair value computed category wise. Long term investments are stated at cost, provision for permanent diminution is made to recognise a decline, other than temporary.

#### **12) Leases**

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

#### **13) Share issue expenses**

Share issue expenses are adjusted against the Securities premium account as permissible under section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities premium account. Share issue expenses in excess of the balance in the Securities premium account are expensed in the Statement of Profit and Loss.

#### **14) Employees benefits**

##### **a) Defined contribution plan**

Provident fund and Superannuation fund are the defined contribution schemes offered by the Company. The contributions to these schemes are charged to Statement of Profit and Loss in the year in which contribution to such schemes becomes due.

##### **b) Defined benefit plan and long term employee benefits**

Gratuity liability and long term employee benefits are provided on the basis of an actuarial valuation made at the end of each financial year as per projected unit credit method. Actuarial gains or loss arising from such valuation are charged to Statement of Profit and loss in the year in which they arise.

##### **c) Compensated absence**

Provision is made for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment. The cost of such compensated absences is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

**15) Earnings per share**

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**16) Taxation**

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

**17) Provisions and contingent liabilities**

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the notes.

**18) Provisions/contingencies and reserves**

- a) The policy of provisioning against non-performing loans and advances has been decided by the management considering norms prescribed by the RBI under Systematically Important Non Deposit taking Company and Deposit taking company (Reserve Bank) Directions, 2016. As per the policy adopted by Company, the provision against non-performing loans and advances are created on a conservative basis, taking into account management's perception of the higher risk associated with the business.
- b) For standard assets -a provision at 0.35% of total standard assets is created, as per RBI directions.
- d) Statutory reserves of 20% on profit after tax is appropriated in accordance with Section- 45-IC of the Reserve Bank of India Act, 1934.

**NOTE 3 SHARE CAPITAL**

Particulars	As at March 31, 2017	
	Number of Shares	Amount (INR Crores)
<b>(a) Authorised</b>		
Equity shares of Rs.10 each with voting rights	15,00,00,000	150.00
	<b>15,00,00,000</b>	<b>150.00</b>
<b>(b) Issued</b>		
Equity shares of Rs.10 each with voting rights	9,26,79,716	92.68
	<b>9,26,79,716</b>	<b>92.68</b>
<b>(c) Subscribed and Fully Paid up*</b>		
Equity shares of Rs.10 each with voting rights	9,26,79,716	92.68
<b>Total</b>	<b>9,26,79,716</b>	<b>92.68</b>

\*Reconciliation of number of shares issued, subscribed and paid up outstanding at the beginning and at the end of reporting period

Particulars	As at March 31, 2017	
	Number of Shares held	Amount (INR Crores)
<b>Equity shares of Rs.10 each with voting rights</b>		
Opening balance	7,91,87,500	79.19
Fresh issue during the year	1,34,92,216	13.49
<b>Outstanding at the end of the year</b>	<b>9,26,79,716</b>	<b>92.68</b>

- (i) During the year, the Company has issued 1,34,92,216 equity shares @ Rs. 520.30 each on preferential allotment including premium of Rs. 510.30 per share . Purpose of the issue was to expand the financing portfolio. Funds received through the issue of Rs 702.00 Crores have been fully utilised during the period.
- (ii) Rights, Preference and restriction attached to equity shares of Rs. 10 each :
- In respect of equity shares, voting rights shall be in same proportion as the capital paid upon such equity share.
  - The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.
  - In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to capital paid upon such equity share.
- (iii) Detail of shares held by each shareholder holding more than 5% shares:

Name of Shareholder	As at March 31, 2017	
	Number of Shares held	% of Holding
<b>Equity shares with voting rights</b>		
Hero MotoCorp Ltd.	3,83,43,025	41.37
Bahadur Chand Investment Pvt. Ltd.	1,77,61,914	19.16
Otter Limited	1,07,90,890	11.64
Pawan Munjal *	30,09,350	3.25
Renu Munjal *	34,95,275	3.77
Santosh Munjal *	3,23,600	0.35
Suman Kant Munjal *	34,95,275	3.77
<b>Total Brijmohan Lall Om Parkash</b>	<b>1,03,23,500</b>	<b>11.14</b>

\* Hold shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

## NOTE 4 RESERVES AND SURPLUS

Particulars	As at March 31, 2017
	Amount (INR Crores)
<b>(a) Securities premium account</b>	
Opening balance	754.65
Add: Additions during the year	688.51
Less : Share issue expenses written off	13.73
Closing balance	<b>1,429.43</b>
<b>(b) Statutory reserve u/s 45-IC of RBI Act,1934</b>	
Opening balance	76.94
Add: Additions during the year	26.08
Closing balance	<b>103.02</b>
<b>(c) General reserve</b>	
Opening balance	36.81
Add: Transferred from surplus in statement of profit and loss	13.04
Closing balance	<b>49.85</b>
<b>(d) Surplus in statement of profit and loss</b>	
Opening balance	82.63
Add: Profit / (Loss) for the year	129.19
Less: Transferred to:	
-Statutory reserve	26.08
-General reserve	13.04
Closing balance	<b>172.70</b>
<b>Total</b>	<b>1,755.00</b>

## Note 5 Money Received Against Share Warrants

Particulars	As at March 31, 2017
	Amount (INR Crores)
57,65,905 Share warrants paid up amount of Rs 177.94 per warrant (Refer note below)	102.60
<b>Total</b>	<b>102.60</b>

### Note:

Pursuant to the provisions of the Companies Act, 2013 and the Shareholder's approval in their meeting held on September 15, 2016, the Company has allotted to its promoters 57,65,905 share warrants of Rs 10 each at a premium of Rs 510.30 per share to be converted into 57,65,905 equity shares of Rs 10 each at any time on or before March 14, 2018 failing which the Company is eligible to forfeit the amount received towards the share warrants. As per the terms of issue, the Company has received Rs 177.94 (including Rs 174.52 premium) per share warrant towards allotment and first call on 57,65,905 share warrants so issued.

**NOTE 6 LONG-TERM BORROWINGS**

Particulars	Non-current	Current
	Amount (INR Crores)	Amount (INR Crores)
<b>As at March 31, 2017</b>		
<b>Secured</b>		
Redeemable non-convertible debentures (refer note (a) below)	1,274.40	180.00
Term Loans (refer note (b) below)		
- From banks	2,901.68	401.66
<b>Unsecured</b>		
Redeemable non-convertible debentures- Tier II (refer note (c) below)	200.00	-
Less: Amount transferred to other current liabilities	-	581.66
<b>Total</b>	<b>4,376.08</b>	<b>-</b>

- (a) 14,544 privately placed secured redeemable non-convertible debentures of Rs. 10 Lacs each aggregating Rs. 1,454.40 Crores carries interest ranging from 7.73% p.a. to 8.98% p.a. The debentures have bullet repayment with varied maturities upto 5.5 years from the date of issuance and are secured by first pari-passu charge of security trustee by way of hypothecation of book debts and receivables.

Terms of privately placed secured redeemable non convertible debentures		(INR Crores)
Tenor from the date of balance sheet	Term of repayment	As at March 31, 2017
>48 <= 60 months	Bullet	12.00
>36 <= 48 months	Bullet	50.00
>24 <= 36 months	Bullet	434.00
>12 <= 24 months	Bullet	778.40
<b>Non-Current Portion of non convertible debentures</b>		<b>1,274.40</b>
Up to 12 months	Bullet	180.00
<b>Current Portion of non convertible debentures</b>		<b>180.00</b>

- (b) Secured term loans from banks aggregating Rs 3,705.00 Crores carries interest ranging from 7.85% p.a. to 9.65% p.a are secured by a first pari-passu charge in favour of the security trustee by way of hypothecation of book debts and receivables.

Terms of long term Bank loans		(INR Crores)
Tenor from the date of balance sheet	Term of repayment	As at March 31, 2017
>48 <= 60 months	Semi-Annual	450.00
>36 <= 48 months	Annual	50.00
>36 <= 48 months	Semi-Annual	970.00
>24 <= 36 months	Annual	50.00
>24 <= 36 months	Semi-Annual	795.00
>24 <= 36 months	Bullet	150.00

<b>Terms of long term Bank loans</b>		<b>(INR Crores)</b>
<b>Tenor from the date of balance sheet</b>	<b>Term of repayment</b>	<b>As at March 31, 2017</b>
>12 <= 24 months	Semi-Annual	286.68
>12 <= 24 months	Quarterly	50.00
>12 <= 24 months	Bullet	100.00
<b>Non-Current Portion of Long term Bank Loans</b>		<b>2,901.68</b>
Up to 12 months	Semi-Annual	101.66
Up to 12 months	Quarterly	100.00
Up to 12 months	Bullet	200.00
<b>Current maturities of Long term Bank Loans</b>		<b>401.66</b>

- (c) 2,000 privately placed unsecured redeemable non-convertible debentures of Tier II of Rs. 10 Lacs each aggregating Rs. 200 Crores carries interest ranging from 8.98% p.a. to 9.35% p.a. and are subordinated in nature of claim.

<b>Terms of privately placed unsecured Tier II Subordinated Debentures</b>		<b>(INR Crores)</b>
<b>Tenor from the date of balance sheet</b>	<b>Term of repayment</b>	<b>As at March 31, 2017</b>
>60 months	Bullet	200.00
<b>Non-Current Portion of non convertible debentures</b>		<b>200.00</b>

## NOTE 7 OTHER LONG - TERM LIABILITIES

<b>Particulars</b>	<b>As at March 31, 2017</b>	
	<b>Amount (INR Crores)</b>	
(a) Security deposits received	0.57	
(b) Lease equalisation reserve	0.91	
(c) Margin money from customer	10.41	
<b>Total</b>	<b>11.89</b>	

## NOTE 8 LONG - TERM PROVISIONS

<b>Particulars</b>	<b>As at March 31, 2017</b>	
	<b>Amount (INR Crores)</b>	
<b>Provision for employee benefits</b>		
(i) Provision for gratuity	2.12	
(ii) Provision for compensated absences	2.85	
Contingent provision against standard assets (refer note below)	34.65	
<b>Total</b>	<b>39.62</b>	

Note: Movement in contingent provision against standard assets during the year is as under:-

Particulars	As at March 31, 2017
	Amount (INR Crores)
Opening balance	19.15
Addition during the year	15.50
<b>Closing balance</b>	<b>34.65</b>

## NOTE 9 SHORT - TERM BORROWINGS

Particulars	As at March 31, 2017
	Amount (INR Crores)
<b>Secured</b>	
Loan from banks*	
- Cash Credit	1,158.94
<b>Total (a)</b>	<b>1,158.94</b>
<b>Unsecured</b>	
Cash Credit	5.67
Commercial papers	1,570.00
<b>Total (b)</b>	<b>1,575.67</b>
<b>Total (a) + (b)</b>	<b>2,734.61</b>

\* The cash credit facilities are repayable on demand and carry interest rates ranging from 7.70% p.a. to 9.25% p.a. As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. These facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

## NOTE 10 TRADE PAYABLES

Particulars	As at March 31, 2017
	Amount (INR Crores)
Total outstanding dues of	
- Micro enterprises and small enterprises *	0.05
- Creditors other than micro enterprises and small enterprises	65.74
<b>Total</b>	<b>65.79</b>

\* Disclosure under section 22 of Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at March 31, 2017
	Amount (INR Crores)
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.05
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-

Particulars	As at March 31, 2017	
	Amount (INR Crores)	
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day		
(iv) The amount of interest due and payable for the year		-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year		-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid		
<b>Total</b>		<b>0.05</b>

\* Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

## NOTE 11 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2017	
	Amount (INR Crores)	
(a) Current maturities of long-term borrowings (Refer Note 6)		581.66
(b) Interest accrued but not due on borrowings		102.94
(c) Unclaimed dividend *		0.55
(d) Book overdrafts		158.03
(e) Other payables		
(i) Withholding and other taxes payable		7.35
(ii) Payable on purchase of fixed assets		0.09
(iii) Security deposits received		0.02
(iv) Advances from customers		0.03
(v) Pending loan disbursement		38.38
(vi) Others		0.43
<b>Total</b>		<b>889.48</b>

\* Unclaimed dividend does not include any amount outstanding as on March 31, 2017 which are required to be credited to the Investor Education and Protection Fund.

## NOTE 12 SHORT - TERM PROVISIONS

Particulars	As at March 31, 2017	
	Amount (INR Crores)	
(a) Provision for employee benefits		
(i) Provision for gratuity		3.17
(ii) Provision for compensated absences		0.87
(b) Provision for income tax (net off advance payment of tax)		14.49
<b>Total</b>		<b>18.53</b>

**NOTE 13 FIXED ASSETS**

Amount (INR Crores)

Particulars	Gross block			Accumulated depreciation			Net block		
	Balance as at March 31, 2016	Additions / Adjustment	Disposals / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2016	Depreciation expense for the year	Eliminated on disposal of assets / Adjustment	Balance as at March 31, 2017	Balance as at March 31, 2017
<b>I Tangible Assets</b>									
<b>(a) Own Use :</b>									
(i) Building	-	3.64	-	3.64	-	0.06	-	0.06	3.58
(ii) Plant and Equipments	1.20	-	-	1.20	0.15	0.08	-	0.23	0.97
(iii) Furniture and fixtures	0.38	0.17	-	0.55	0.09	0.05	-	0.14	0.41
(iv) Vehicles	11.40	7.56	0.74	18.22	3.23	1.49	0.18	4.54	13.68
(v) Data processing equipment	11.92	6.06	0.07	17.91	5.07	4.05	0.04	9.08	8.83
(vi) Office equipments	0.66	0.55	-	1.21	0.17	0.20	-	0.37	0.84
<b>Total</b>	<b>25.56</b>	<b>17.98</b>	<b>0.81</b>	<b>42.73</b>	<b>8.71</b>	<b>5.93</b>	<b>0.22</b>	<b>14.42</b>	<b>28.31</b>
<b>Leased Assets:</b>									
<b>(b) Given on Operating lease</b>									
(i) Plant and Equipment	27.68	-	-	27.68	16.27	3.06	-	19.33	8.35
(ii) Computers	1.04	-	0.06	0.98	0.80	0.15	0.06	0.89	0.09
(iii) Vehicles	74.46	25.69	19.92	80.23	18.18	9.92	8.78	19.32	60.91
<b>Total</b>	<b>103.18</b>	<b>25.69</b>	<b>19.98</b>	<b>108.89</b>	<b>35.25</b>	<b>13.13</b>	<b>8.84</b>	<b>39.54</b>	<b>69.35</b>
<b>Grand Total (A)</b>	<b>128.74</b>	<b>43.67</b>	<b>20.79</b>	<b>151.62</b>	<b>43.96</b>	<b>19.06</b>	<b>9.06</b>	<b>53.96</b>	<b>97.66</b>
<b>II Intangible Assets</b>									
Computer software	9.89	2.54	-	12.43	3.16	1.83	-	4.99	7.44
<b>Total (B)</b>	<b>9.89</b>	<b>2.54</b>	<b>-</b>	<b>12.43</b>	<b>3.16</b>	<b>1.83</b>	<b>-</b>	<b>4.99</b>	<b>7.44</b>
<b>Grand Total (A+B)</b>	<b>138.63</b>	<b>46.21</b>	<b>20.79</b>	<b>164.05</b>	<b>47.12</b>	<b>20.89</b>	<b>9.06</b>	<b>58.95</b>	<b>105.10</b>

Figures in bracket represents previous year numbers

## NOTE 14 A NON - CURRENT INVESTMENTS

Particulars	As at March 31, 2017		
	Quoted	Unquoted	Total
	Amount (INR Crores)	Amount (INR Crores)	Amount (INR Crores)
<b>Investments (at cost)</b>			
<b>A. Trade</b>			
Investment in equity instruments			
74,82,251 shares of Rs. 10 each fully paid up in Forum I Aviation Ltd.	-	6.98	6.98
<b>B. Other investments</b>			
1,370 shares of Rs. 2 each fully paid up in Hero MotoCorp Ltd.	0.01	-	0.01
<b>Total</b>	<b>0.01</b>	<b>6.98</b>	<b>6.99</b>

Particulars	As at March 31, 2017	
	At Cost	
	Amount (INR Crores)	
Aggregate amount of :		
Quoted Investments		0.01
Unquoted Investments		6.98
<b>Aggregate market value of listed and quoted investments</b>		<b>0.44</b>

## NOTE 14 B CURRENT INVESTMENTS

Particulars	As at March 31, 2017	
	Units	Amount (INR Crores)
<b>Birla Sunlife Floating Rate Fund</b>		
Long Term - Growth Direct Plan	24,51,431	48.50
<b>Total</b>	<b>24,51,431</b>	<b>48.50</b>
<b>Aggregate market value of listed and quoted investments</b>	<b>24,51,431</b>	<b>49.19</b>

## NOTE 15 DEFERRED TAX ASSETS/ (LIABILITIES)

Particulars	As at March 31, 2017	Charge/(Credit) during the year	As at March 31, 2016
	Amount (INR Crores)	Amount (INR Crores)	Amount (INR Crores)
Provision for leave encashment and gratuity	3.27	0.76	2.51
Lease equalisation reserve	0.31	0.05	0.26
Provision for doubtful trade receivables	31.80	23.38	8.42
Contingent provision against standard assets	11.99	5.24	6.75
Timing difference - Section 35D of Income Tax Act	0.26	0.26	-
<b>Total deferred tax assets</b>	<b>47.63</b>	<b>29.69</b>	<b>17.94</b>
<b>Tax effect of items constituting deferred tax liabilities</b>			
Difference between depreciation as per books of accounts and as per Income Tax Act	2.12	(0.73)	2.85
<b>Total deferred tax liabilities</b>	<b>2.12</b>	<b>(0.73)</b>	<b>2.85</b>
<b>Deferred tax assets/ (liabilities)</b>	<b>45.51</b>	<b>30.42</b>	<b>15.09</b>

## NOTE 16 LONG - TERM LOANS AND ADVANCES

Particulars	As at March 31, 2017
	Amount (INR Crores)
Unsecured, considered good	
(a) Capital advances	0.33
(b) Security deposits	0.93
(c) Loans and advances to employees	10.76
(d) Balances with government authorities	1.57
<b>Total</b>	<b>13.59</b>

## NOTE 17 LONG TERM RECEIVABLES UNDER FINANCING ACTIVITIES

Particulars	As at March 31, 2017
	Amount (INR Crores)
Receivables under financing activities- Non Current	
Secured, considered good *	4,907.67
Unsecured, considered good **	124.53
Doubtful	18.57
	5,050.77
Less: Provision for non performing assets	18.57
<b>Total</b>	<b>5,032.20</b>

**Note:**

Particulars	As at March 31, 2017
	Amount (INR Crores)
Secured corporate loan	4,004.59
Secured retail loan	903.08
	<b>4,907.67</b>
Unsecured corporate loan	101.50
Unsecured Retail loan	23.03
	<b>124.53</b>
<b>Total</b>	<b>5,032.20</b>

\* Includes Rs. 0.05 Crores receivables from private companies in which director is a director or a member.

\*\* Includes Rs. 9.20 Crores receivables from private companies in which director is a director or a member.

**NOTE 18 CASH AND CASH EQUIVALENTS**

Particulars	As at March 31, 2017
	Amount (INR Crores)
Balances with banks :	
(i) in current accounts	2.76
(ii) in dividend current accounts (Earmarked accounts)	0.55
<b>Total</b>	<b>3.31</b>

**NOTE 19 SHORT - TERM LOANS AND ADVANCES**

Particulars	As at March 31, 2017
	Amount (INR Crores)
Unsecured, considered good	
(a) Security deposits	0.87
(b) Balances with government authorities	0.77
(c) Loan and advances to employees	1.11
(d) Prepaid expense ^	25.42
(e) Others	3.34
<b>Total</b>	<b>31.51</b>

^ Includes unexpired discount of Rs.21.57 Crores on commercial paper

**NOTE 20 RECEIVABLES UNDER FINANCING ACTIVITIES**

Particulars	As at March 31, 2017
	Amount (INR Crores)
Receivables under financing activities- Current	
Secured, considered good *	3,411.30
Unsecured, considered good **	1,301.71
Doubtful	78.86
	<b>4,791.87</b>
Less: Provision for non performing assets	78.86
<b>Total</b>	<b>4,713.01</b>

Particulars	As at March 31, 2017	
	Amount (INR Crores)	
Secured corporate loan		1,277.65
Secured retail loan		2,133.65
		<b>3,411.30</b>
Unsecured corporate loan		74.29
Unsecured retail loan		12.82
Unsecured bill discounting		332.75
Unsecured Inventory funding		871.38
Unsecured others		10.47
		<b>1,301.71</b>
<b>Total</b>		<b>4,713.01</b>

\* Includes Rs. 10.53 Crores receivables from private companies in which director is a director or a member.

\*\* Includes Rs. 61.22 Crores receivables from private companies in which director is a director or a member.

## NOTE 21 OTHER CURRENT ASSETS

Particulars	As at March 31, 2017	
	Amount (INR Crores)	
Interest accrued but not due		86.56
<b>Total</b>		<b>86.56</b>

## NOTE 22 REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2017	
	Amount (INR Crores)	
(a) Interest income		
(i) Corporate finance		549.20
(ii) Retail financing		459.29
(iii) Inventory funding		35.68
(b) Other financial services		
(i) Lease rentals -operating lease		22.33
(ii) Income on bills discounting		51.81
(c) Processing fees		168.84
(d) Commission income		3.18
(e) Arrangement Fees		0.82
(f) Fleet management income		0.30
(g) Subvention income		6.47
(h) Penal charges income		29.60
(i) Others		3.97
<b>Total</b>		<b>1,331.49</b>

## NOTE 23 OTHER INCOME

Particulars	For the year ended March 31, 2017
	Amount (INR Crores)
(a) Interest-Income tax refund	0.54
(b) Dividend income	
from long term investments-equity shares	0.01
(c) Profit on sale of:	
current investment	0.66
<b>Total</b>	<b>1.21</b>

## NOTE 24 EMPLOYEE BENEFITS EXPENSE

Particulars	For the year ended March 31, 2017
	Amount (INR Crores)
Salaries and wages	94.50
Contribution to provident and other funds	4.94
Gratuity expense	1.59
Staff welfare expenses	3.41
<b>Total</b>	<b>104.44</b>

## NOTE 25 FINANCE COSTS

Particulars	For the year ended March 31, 2017
	Amount (INR Crores)
(a) Interest expense on	
(i) Term loan	217.78
(ii) Working capital/inter corporate deposit and others	51.06
(iii) Non-convertible debentures	112.97
(iv) Commercial paper discounting charges	148.28
(v) Late payment of statutory dues	0.03
(b) Other borrowing costs	5.11
<b>Total</b>	<b>535.23</b>

## NOTE 26 OTHER EXPENSES

Particulars	For the year ended
	March 31, 2017
	Amount (INR Crores)
Rent including lease rentals	6.85
Repairs and maintenance	
- Building	1.59
- Vehicle	1.10
Recruitment and training expenses	2.64
Learning & development charges	4.96
Insurance	2.79
Rates and taxes	22.77
Legal and professional	3.95
Auditor's remuneration (refer note 35)	0.47
Travelling and conveyance	19.05
Contractual staff	56.63
Loan Verification charges	22.33
Loan Collection charges	103.83
Bank Charges	12.62
Customer Care Charges	9.46
Provision for non performing assets	72.88
Loss on sale of loan assets	9.67
Advertisement and marketing expenses	17.31
Loss on sale of fixed assets (net)	2.91
Data processing charges	12.68
Expenditure on corporate social responsibility	1.50
Communication	7.17
Printing and stationery	4.95
Commission to dealer and direct selling agents	48.03
Donation	0.09
Miscellaneous expenses	9.27
<b>Total</b>	<b>457.50</b>

## Note 27 Capital commitments (to the extent not provided for)

Particulars	2016-17
	Amount (INR Crores)
Capital commitment	
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid amounting to Rs.0.33 Crores)	0.84
Other commitments (Refer note below)	-
<b>Total</b>	<b>0.84</b>

The Group does not have any long term commitments or material non-cancellable contractual commitments/ contracts, which have a material impact on the financial statements.

## Note 28

As the Group's business activity falls within a single primary business segment viz. "Financial services" and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" are not applicable.

## Note 29

The Group has entered into operating lease agreement for leased premises and are cancellable in nature. The aggregate lease rentals amounting to Rs 6.85 Crores have been charged to statement of profit and loss.

## Note 30

Disclosure in accordance with the Accounting Standard 15 (revised 2005)-

### a) Defined contribution and other plan

Particulars	2016-17
	Amount (INR Crores)
Employer's contribution to provident fund	4.37
Employer's contribution to superannuation fund	0.42
Employer's contribution to national pension scheme	0.16

### b) Defined benefit plan (Gratuity)

(Amount INR Crores)

S. No.	Particulars	Gratuity (Unfunded) as at March 31, 2017
I	<b>Reconciliation of opening and closing balance of the present value of defined benefit obligations (PVO):-</b>	
a.	PVO at the beginning of the period	3.70
b.	Current service cost	1.06
c.	Interest cost	0.29
d.	Actuarial (gain)/ loss	0.24
e.	Benefits paid	-
f.	<b>PVO at the end of the period</b>	<b>5.29</b>

S. No.	Particulars	Gratuity (Unfunded) as at March 31, 2017
<b>II</b>	<b>Amount recognized in the Statement of Profit and Loss :-</b>	
a.	Current service cost	1.06
b.	Interest cost	0.29
c.	Actuarial (gain) / losses	0.24
	<b>Net cost</b>	<b>1.59</b>
<b>III</b>	<b>Amount recognized in the Balance Sheet:-</b>	
a.	PVO at the end of the period	5.29
b.	Funded status	-
c.	Net liability recognized in the Balance Sheet	<b>5.29</b>
	Non- current portion	2.12
	Current portion	3.17

S. No.	Particulars	Gratuity (Unfunded) as at March 31, 2017	Compensated absences (Unfunded) as at March 31, 2017
a.	Discount rate (%)	7.54%	7.54%
b.	Salary escalation rate (%)	5.50%	5.50%
c.	Expected average remaining working life of employees (period in years)	23.37	23.37

1. The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market.
2. Since the liability is not funded, therefore information with regard to the plan assets has not been furnished.

The table below shows a summary of the key results as applicable.

<b>A) Assets/Liabilities</b>		<b>(Amount INR Crores)</b>	
<b>As on</b>		<b>March 31, 2017</b>	
	PBO		5.29
	Plan assets		-
	Net assets/ (liability)		<b>(5.29)</b>
<b>B) Experience on actuarial gain/ (loss) for PBO and plan assets</b>		<b>(Amount INR Crores)</b>	
<b>As on</b>		<b>March 31, 2017</b>	
	On plan PBO		(0.12)
	On plan assets		-

### Note 31 Related Party disclosure under Accounting Standard 18

**(a) Parties in respect of which the Company is an associate**

Hero MotoCorp Limited  
Bahadur Chand Investments Private Limited (upto September 15, 2016)

**(b) Key management personnel and their relatives**

Renu Munjal - Managing Director  
Abhimanyu Munjal-Joint Managing director and CEO  
Rahul Munjal - relative of Renu Munjal

**(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:-**

Hero Future Energies Limited  
 Hero Investcorp Private Limited  
 Hero Wind Energy Private Limited  
 Hero Solar Energy Private Limited  
 BrijMohan Lall Om Parkash (Partnership Firm)  
 Munjal Acme Packaging Systems Private Limited

**Transactions with related parties during the year****(a) Parties in respect of which the Group companies are associate**

<b>Particulars</b>	<b>2016-17</b>
	<b>(Amount INR Crores)</b>
<b>Hero MotoCorp Limited</b>	
Dividend received	0.01
Lease rental received	22.09
Dividend paid	3.83
Proceeds against share warrants	36.40
Rent paid	0.05
Subvention income	6.47
Reimbursement of cost sharing under insurance scheme	3.62
Sale of fixed assets	8.37
Amount receivable as at the year end	1.21

**(b) Key management personnel and their relatives**

<b>Particulars</b>	<b>2016-17</b>
	<b>(Amount INR Crores)</b>
<b>Renu Munjal*</b>	
Remuneration	7.47
Payable (including commission)	2.01
<b>Abhimanyu Munjal*</b>	
Remuneration	5.28
Payable (including commission)	2.01

\* Does not include provisions for incremental gratuity and leave encashment liabilities, since the provisions are based on actuarial valuations for the Group as a whole.

**(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence**

<b>Particulars</b>	<b>2016-17</b>
	<b>(Amount INR Crores)</b>
<b>Hero Future Energies Private Limited</b>	
Loan given	100.00
Loan repayment	120.00
Interest received/accrued	7.61
Processing fees received	0.50
Loan outstanding at the year end (receivable)	50.00

<b>Particular</b>	<b>(Amount INR Crores)</b>
<b>Hero Solar Energy Private Limited</b>	
Loan given	50.00
Loan repayment	50.00
Interest received/ accrued	3.94
Processing fees received	0.13
<b>Brij Mohan Lall Om Parkash</b>	
Loan given	150.00
Processing Fees Income	0.02
Interest income	1.24
Loan repayment	150.00
Proceeds against share warrants	32.00
<b>Munjil Acme Packaging Systems Private Limited</b>	
Proceeds against share warrants	34.20

### Note 32

Information in respect of disputed dues, not deposited as at March 31, 2017, pending with various authorities.

<b>Name of the statute</b>	<b>Nature of the dues</b>	<b>Forum where dispute is pending</b>	<b>Period to which the amount relates</b>	<b>Amount involved (INR Crores)</b>	<b>Amount unpaid (INR Crores)</b>
Income tax Act, 1961	Income tax	Commissioner (Appeals)	2012-13, 2013-14	4.76	1.08
Delhi Value Added tax Act	Value added tax	Objection hearing authority (Trade & Tax department)	2013-14	0.09	0.09
Delhi Value Added tax Act	Value added tax	Appellate VAT Tribunal, Trade and Taxes Delhi	2012-13	0.38	0.06

The following matters have been decided in favour of the Group but the department has preferred appeals at higher levels:

<b>Name of the statute</b>	<b>Nature of the dues</b>	<b>Forum where dispute is pending</b>	<b>Period to which the amount relates</b>	<b>Amount involved (INR Crores)</b>	<b>Amount unpaid (INR Crores)</b>
Income-tax Act, 1961	Income-Tax	High Court	2006-07, 2009-10	0.33	0.33
		Income Tax Appellate Tribunal	2011-12	0.17	0.17

### Note 33

The Board of Directors has recommended a dividend of Rs. 1.5 per equity share of Rs. 10 each, aggregating to Rs. 16.73 Crores (including dividend distribution tax). The recommendation is subject to the approval of shareholders at the ensuing Annual General Meeting.

**Note 34****Earnings per share**

Particulars	2016-17
<b>Basic</b>	
Profit/ (Loss) for the year (INR Crores)	129.19
Weighted average number of equity shares (Nos.)	8,47,91,892
Nominal value per equity share (INR per share)	10
Basic and diluted earnings per share (INR)	15.24
<b>Diluted</b>	
Profit/ (Loss) for the year (INR Crores)	129.19
Add: Effect of Warrants which are dilutive	-
Profit / (loss) attributable to equity shareholders (on dilution)	129.19
Weighted average number of equity shares (Nos.)	8,57,07,549
Nominal value per equity share (INR per share)	10
Basic and diluted earnings per share (INR)	15.07

**Note 35****Provision and/or payment in respect of auditors' remuneration****(Amount INR Crores)**

Particulars	2016-17
Audit fee	0.30
Limited Review	0.09
Tax audit fee	0.03
Certification fees	0.04
Out of pocket expenses	0.01
<b>Total</b>	<b>0.47</b>

**Note 36****Details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016**

Particulars	Specified Bank Notes (Amount in Rs.)	Other Denomination Notes (Amount in Rs.)	Total (Amount in Rs.)
Closing cash in hand as on 08.11.2016	-	600	600
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	-	-	-
Closing cash in hand as on 30.12.2016	-	600	600

### Note 37

Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act 2013:

	Name of the Entity	Net Assets i.e. total asset less total liabilities		Share of Profit/ (Loss)	
		As % of Consolidated Net Assets	Amount (INR Crores)	As % of Consolidated Profit or (Loss)	Amount (INR Crores)
Parent	Hero FinCorp Limited	100.06%	1,951.50	100.74%	200.62
Indian Subsidiary	Hero Housing Finance Limited	2.50%	48.78	(0.74%)	(1.48)
	Total		2,000.28		199.14
	Add (Less): Consolidation Adjustments	(2.56%)	(50.00)	-	-
	Total after Consolidation Adjustments	100%	1,950.28	100%	199.14

### Note 38

The Consolidated Financial Statements are being prepared for the first time, therefore previous year figures are not given.

For and on behalf of Board of Directors

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

### Form AOC -1

Salient features of Financial Statements of Subsidiaries / Joint Ventures pursuant section 129 (3)  
read with Rule 5 of companies (Accounts) Rules, 2014

#### Part "A" : Subsidiaries

(Amount INR Crores)

SL No.	Particulars	2016-17
1	Name of Subsidiary Company	HERO HOUSING FINANCE LIMITED
2	Reporting period for the subsidiary concerned, if different from holding company's reporting period	31-03-2017
3	Reporting Currency and Exchange rate as on last date of financial year in case of foreign subsidiaries	-
4	Share Capital	50.00
5	Reserves & Surplus	(1.21)
6	Total Assets	48.91
7	Total Liabilities	48.91
8	Investment other than Subsidiaries	-
9	Turnover	0.01
10	Profit before Taxation	(1.47)
11	Provision for Taxation	(0.26)
12	Profit after Taxation	(1.21)
13	Proposed Dividend	-
14	% of Shareholding	99.99%

**Part "B" : Associates**

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Joint Ventures**

1	Name of Associate	N.A.
2	Latest audited Balance Sheet Date	N.A.
3	Shares of Associates held by the company on the year end Amount of Investment in Associate Extend of Holding %	N.A.
4	Description of how there is significant influence	N.A.
5	Reason why the associate/joint venture is not consolidated	N.A.
6	Net worth attributable to shareholding as per latest audited Balance Sheet	N.A.
	Profit / Loss for the year	
7	i. Considered in Consolidation ii. Not Considered in Consolidation	N.A.

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

**Pawan Munjal**  
Chairman  
(DIN: 00004223)

**Abhimanyu Munjal**  
Jt. Managing Director & CEO  
(DIN: 02822641)

**D. N. Davar**  
Director  
(DIN: 00002008)

**Renu Munjal**  
Managing Director  
(DIN: 00012870)

Place: New Delhi  
Date: May 8, 2017

**Shyam Lal**  
Chief Financial Officer  
(PAN No. AAAPL0120C)

**Amit Jain**  
Company Secretary  
(Membership No. F3923)

JB/2017/79

## **Auditors' Additional Report As required by "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016"**

To

The Board of Directors,  
Hero FinCorp Limited,  
34, Community Centre,  
BasantLok, Vasant Vihar,  
New Delhi-110057

1. We have audited the Balance Sheet of Hero FinCorp Limited ("the Company") as at March 31, 2017 and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and issued our report dated May 8, 2017 thereon.

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

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
3. The Management of the Company is also responsible for adherence to the provisions of the RBI Act and guidelines issued there under.

### **Auditors' Responsibility**

4. Pursuant to the requirements of Master Direction DNBS. PPD.03/66.15.001/2016-17 - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 (the "Directions") dated September 29, 2016, it is our responsibility to examine the books of account and other records of the Company and report on the matters specified in the Directions to the extent applicable to the Company.
5. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India.

### **Conclusion**

6. Based on our examination of the books of account and other records of the Company as produced for our examination and the information and explanations given to us, we report that:
  - 6.1 The Company is engaged in the business of Non-Banking Financial Institutions as defined in clause (a) of Section 45 I of the Reserve Bank of India Act, 1934 ("RBI Act"), and obtained a Certificate of Registration (CoR) bearing no.14.00266 dated March 4, 1998 which was revised on September 1, 2011 by the Reserve Bank of India ("the RBI") in terms of section 45 IA of the RBI Act, 1934.
  - 6.2 The Company is entitled to continue to hold the CoR granted by the RBI to carry on the business of Non-Banking Financial Institution based on its asset/ income pattern as on March 31, 2017, which have been computed in the manner laid down in the Master Direction DNBS. PPD. 02/ 66/.15.001/ 2016-17 dated September 29, 2016 - Non-Banking Company Returns (Reserve Bank) Directions, 2016, for which we have issued a separate certificate dated June 6, 2017 as required in terms of DNBR. PD. 008/03.10.119/2016-17 Chapter - XIV of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 ("RBI Guidelines").
  - 6.3 The Company as on March 31, 2017 holds the required Net owned fund as per the requirement laid down in "RBI Guidelines".
  - 6.4 The Board of Directors of the Company has passed a resolution in its meeting held on March 1, 2017 for non-acceptance of public deposits.

- 6.5 The Company has not accepted any public deposits during the year ended March 31, 2017.
- 6.6 The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of "RBI Guidelines".
- 6.7 The annual statement of capital funds, risk assets / exposures and risk asset ratio (NBS – 7) has been furnished by the Company to the RBI provisional submission on April 7, 2017 within the stipulated period.
- 6.8 The Company had correctly arrived at and disclosed the capital adequacy ratio (CRAR), based on the return submitted to the RBI in Form NBS – 7 for which we have issued a separate certificate dated June 6, 2017 and such ratio is in compliance with the minimum CRAR prescribed by the RBI.

### **Restriction on Use**

7. This report is issued pursuant to our obligations under Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 dated September 29, 2016 and should not be used by any other person or for any other purpose.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 015125N)

Jaideep Bhargava  
Partner  
(Membership No. 090295)

**GURUGRAM, June 6, 2017**



*Ibadat Ki Thi Sapno Ki,  
Dua Me Khwab Maange The,  
Kyun Poore Ho Nahi Sakte,  
Aasmanon Se...  
Jawab Maange The...*

*Na Ginkar Maange The,  
Behisaab Maange The,  
Badi Shiddat Se Maine,  
Kuch Sapne Khaas Maange The,  
Keh Do... Aasmanon Ko... Deewane Aaye Hain  
Mohabbat Bepanah Karne... Diwane Aaye Hain*

*Khwabon Se Hai Ishq Ishq,  
Humein Khwabo Se Hai Ishq...*



## **Hero FinCorp Limited**

**CIN:** U74899DL1991PLC046774

**Registered Office:**

34, Community Centre, Basant Lok,  
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