

Price Waterhouse Chartered Accountants LLP

TO THE MEMBERS OF EDELWEISS FINVEST PRIVATE LIMITED

Report on the Financial Statements

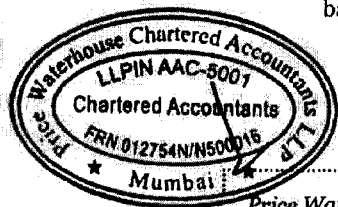
1. We have audited the accompanying financial statements of Edelweiss Finvest Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.,

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



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Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP Identity no: LLPIN AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT
To the Members of Edelweiss Finvest Private Limited
Report on the Financial Statements
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Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit and its cash flows for the year ended on that date.

Other Matter

9. The financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 16, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

10. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. As required by Section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A;



Price Waterhouse Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT
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- g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
- i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its financial statements – Refer Note 2.34;
 - ii. The Company has made provision as at March 31, 2018, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 2.5, 2.9 and 2.70;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018; and
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 01256N/N500016
Chartered Accountants



Russell I Parera
Partner
Membership Number : 42190

Mumbai
May 02, 2018

Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (f) of the Independent Auditors' Report of even date to the members of Edelweiss Finvest Private Limited on the financial statements for the year ended March 31, 2018

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Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

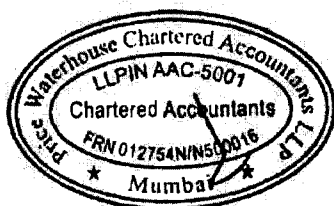
1. We have audited the internal financial controls over financial reporting of Edelweiss Finvest Private Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. 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.
5. 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.



Price Waterhouse Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (f) of the Independent Auditors' Report of even date to the members of Edelweiss Finvest Private Limited on the financial statements for the year ended March 31, 2018

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Meaning of Internal Financial Controls Over Financial Reporting

6. 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.

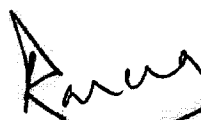
Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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 Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/ N500016
Chartered Accountants



Russell I Parera
Partner
Membership Number : 42190

Mumbai
May 02, 2018

Price Waterhouse Chartered Accountants LLP

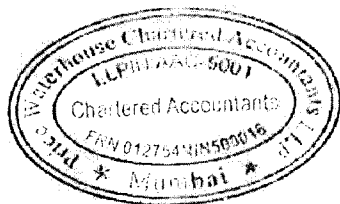
Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Edelweiss Finvest Private Limited on the financial statements as of and for the year ended March 31, 2018

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- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items 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, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
 - (c) The title deeds of immovable properties, as disclosed in Note 2.10 on fixed assets to the financial statements, are held in the name of the Company.
- ii. The verification of securities held as stock in trade have been conducted on the basis of statement of holding received from the Depository Participants and account statement of Mutual Fund at reasonable intervals by the Management during the year.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company being a Non-banking financial Company and therefore, the provisions of Clause 3(iv) of the said Order in respect of Section 185 and 186 (2) is not applicable.

In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 (1) of the Companies Act, 2013 as applicable, in respect of investment made.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including profession tax, provident fund, employees' state insurance, income tax, service tax, goods and service tax with effect from July 1, 2017, value added tax, cess, TDS and other material statutory dues, as applicable, with the appropriate authorities.



Price Waterhouse Chartered Accountants LLP

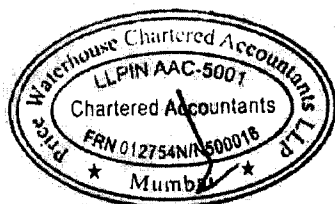
Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Edelweiss Finvest Private Limited on the financial statements for the year ended March 31, 2018
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(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, service-tax, duty of customs, duty of excise, value added tax or goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. In millions)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	47.10	Assessment Year 2014-15	Commissioner of Income Tax (A)

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.



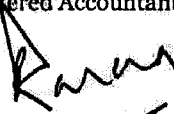
Price Waterhouse Chartered Accountants LLP

Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Edelweiss Finvest Private Limited on the financial statements for the year ended March 31, 2018
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- xv. The Company has not entered into any non -cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to, and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a Non- Banking Financial Institution.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants



Russell I Pareera
Partner
Membership Number : 42190

Mumbai
May 02, 2018

Edelweiss Finvest Private Limited

Balance sheet

(Currency : Indian rupees)

	Note	As at 31 March 2018	As at 31 March 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	333,258,750	255,129,000
Reserves and surplus	2.2	8,051,066,932	5,141,836,803
		<u>8,384,325,682</u>	<u>5,396,965,803</u>
Non-current liabilities			
Long-term borrowings	2.3	9,011,324,185	4,740,997,860
Deferred tax liabilities (net)	2.12	-	3,867,177
Other long-term liabilities	2.4	2,347,724,770	74,830,293
Long-term provisions	2.5	274,334,341	3,168,278
		<u>11,633,383,296</u>	<u>4,822,863,608</u>
Current liabilities			
Short-term borrowings	2.6	7,765,857,481	-
Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises	2.35	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	2.7	345,560,380	53,111,592
Other current liabilities	2.8	7,156,536,293	1,877,488,456
Short-term provisions	2.9	572,107,247	67,368,831
		<u>15,840,061,401</u>	<u>1,997,968,879</u>
Total		<u>35,857,770,379</u>	<u>12,217,798,290</u>
ASSETS			
Non-current assets			
Fixed assets			
Property, Plant and Equipment	2.10	1,133,137	1,103,371
Non-current investments	2.11	4,337,039,072	2,792,423,903
Deferred tax assets (net)	2.12	231,059,465	-
Long-term loans and advances	2.13	5,616,043,761	771,846,301
Other non-current assets	2.14	206,767,206	96,005,916
		<u>10,392,042,641</u>	<u>3,661,379,491</u>
Current assets			
Current Investments	2.15	-	79,000,000
Stock-in-trade	2.16	22,231,435,327	6,582,283,194
Trade receivables	2.17	23,319,046	-
Cash and bank balances	2.18	363,746,087	70,186,351
Short-term loans and advances	2.19	1,388,883,456	1,128,333,748
Other current assets	2.20	1,458,343,822	696,615,506
		<u>25,465,727,738</u>	<u>8,556,418,799</u>
Total		<u>35,857,770,379</u>	<u>12,217,798,290</u>

The accompanying notes are an integral part of the financial statements

1 & 2

This is the Balance Sheet referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP

Chartered Accountants

Firm's Registration No: 012754N / NS00016

Russell I Parera

Partner

Membership No: 42190

Mumbai

2 May 2018

For and on behalf of the Board of Directors

Puja D Souza

Director

DIN : 05136515

Hari Ram Misra

Director

DIN : 07599248

Snehal Gandhi

Chief Financial Officer

Niket Joshi

Company Secretary

Mumbai

2 May 2018

Edelweiss Finvest Private Limited

Statement of profit and loss

(Currency : Indian rupees)

	Note	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from operations			
Fee and commission income	2.21	87,465,526	-
Income from treasury	2.22	51,616,818	(5,952,367)
Interest income	2.23	3,188,276,415	1,105,463,408
Other income	2.24	-	20,225
Total revenue		3,327,358,759	1,099,531,266
Expenses			
Employee benefit expenses	2.25	34,448,525	5,417,908
Finance costs	2.26	563,073,499	363,931,642
Depreciation and amortisation expense	2.10	109,237	61,788
Other expenses	2.27	1,034,883,228	49,814,368
Total expenses		1,632,514,489	419,225,706
Profit before tax		1,694,844,270	680,305,560
Tax expenses:			
Current tax [includes short / (excess) provision for earlier years of ₹ 103,055,681; previous year ₹ 352,722]		477,892,320	207,782,294
Deferred tax (net)		(115,249,256)	9,427,578
Profit after tax		1,332,201,206	463,095,688
Earnings per equity share (₹) (Face value of ₹ 10 each)			
Basic	2.30	118.33	165.04
Diluted		118.33	18.15

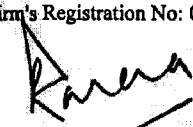
The accompanying notes are an integral part of the financial statements 1 & 2

This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP

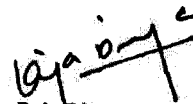
Chartered Accountants

Firm's Registration No: 012754N / N500016



Russell I Parera
Partner
Membership No: 42190

Mumbai
2 May 2018

For and on behalf of the Board of Directors


Puja D'souza
Director
DIN : 05136515


Hari Ram Mishra
Director
DIN : 07599248

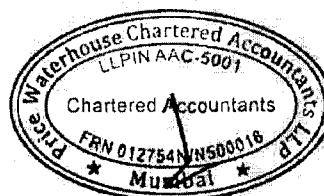

Sheetal Gandhi
Chief Financial Officer
Mumbai
2 May 2018


Niket Joshi
Company Secretary

Edelweiss Finvest Private Limited

Cash Flow Statement (Currency : Indian rupees)

	For the year ended 31 March 2018	For the year ended 31 March 2017
A Cash flow from operating activities		
Profit before taxation	1,694,844,270	680,305,560
<i>Adjustments for</i>		
Depreciation	109,237	61,788
Provision for compensated absences	124,423	(115,000)
Provision for non performing asset	483,550,000	-
Provision for standard asset	67,837,979	12,092,839
Loss on sale of fixed assets	3,393	-
Diminution in value of non-current investments	57,829,765	-
Dividend on current investments	(762,148,735)	(71,148,000)
Profit on sale of current investment	(2,922,266)	12,313,436
Profit on sale of non-current investment	(513,275,158)	-
Interest accrued on fixed deposits	(4,054,434)	(4,135,009)
Bad- debts and advances written off	290,800,000	-
Operating cash flow before working capital changes	1,312,698,474	629,375,614
<i>Add / (Less): Adjustments for working capital changes</i>		
(Increase) /decrease in receivables from financing business (net) (refer note 1)	(5,304,917,555)	1,513,805,876
Increase in stock in trade	(15,649,152,133)	(4,932,283,194)
Increase in loans and advances and other current assets	(941,611,540)	(606,406,761)
Increase in liabilities and provisions	3,460,036,272	15,315,177
Cash used in operations	(17,122,946,482)	(3,380,193,288)
Income taxes paid	(308,280,301)	(187,426,383)
A Net cash used in operating activities	(17,431,226,783)	(3,567,619,671)
B Cash flow from investing activities		
Purchase of fixed assets	(142,161)	-
Sale of non current investments	1,140,493,057	-
Purchase of non current investments	(2,229,662,832)	(2,792,423,903)
Purchase of current investments	-	(875,010,000)
Sale of current investment	81,922,266	853,696,571
Dividend on investments	762,148,735	71,148,000
Interest income received on fixed deposit	4,054,434	4,136,426
B Net cash used in investing activities	(241,186,501)	(2,738,452,906)
C Cash flow from financing activities		
Proceeds from long term borrowings	15,860,400,000	6,307,997,860
Repayment of long term borrowings	(7,200,413,247)	-
Increase / (decrease) in short term borrowing	7,765,857,481	(14,545,965)
Adjustment on account of demerger (Refer note 2.56)	1,540,128,787	-
C Net cash generated from financing activities	17,965,973,021	6,293,451,895



Edelweiss Finvest Private Limited

Cash Flow Statement
(Currency : Indian rupees)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Net increase / (decrease) in cash and cash equivalents (A+B+C)	<u>293,559,736</u>	<u>(12,620,682)</u>
Cash and cash equivalent as at the beginning of the year	20,186,351	32,807,033
Cash and cash equivalent as at the end of the year (Refer note 2.18)	313,746,087	20,186,351

Notes:

- 1 Net figures have been reported on account of volume of transactions.
- 2 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 "Cash Flow Statements" specified under Section 133 of the Companies Act, 2013 read with paragraph 7 of the Companies (Accounts) Rules, 2014.

The accompanying notes are an integral part of these financial statements

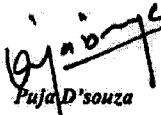
This is the Cash Flow Statement referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Chartered Accountants
Firm's Registration No: 012754N / N500016


Russell I Parera
Partner
Membership No: 42190

Mumbai
2 May 2018

For and on behalf of the Board of Directors


Pujal D'souza
Director
DIN 305136515


Hari Ram Misra
Director
DIN : 07599248


Shweta Gandhi
Chief Financial Officer


Niket Joshi
Company Secretary

Mumbai
2 May 2018

Edelweiss Finvest Private Limited

Notes to the financial statements

1. Significant accounting policies

1.1 Background

Edelweiss Finvest Private Limited ('the Company') is registered with the Reserve Bank of India ('RBI') as a Systemically Important Non Deposit Accepting Non Banking Financial Company. The Company was incorporated on 23 August 2006, and is a subsidiary of Ecap Equities Limited which is a 100% subsidiary of Edelweiss Financial Services Limited (the ultimate holding company).

The Company is primarily engaged in the business of corporate credit and retail credit. Under the corporate credit vertical it offers structured collateralised credit to corporates and Real Estate Finance to developers and under the retail credit vertical it offers loan against securities.

1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the accrual basis of accounting, unless otherwise stated, and comply with the accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified), the Companies Act, 1956 (to the extent applicable) and the Schedule III to the Act and circulars and guidelines issued by the Reserve Bank of India ('RBI'). The financial statements are presented in Indian rupees.

The Company being a Non Banking Financial Company ('NBFC') registered with RBI follows the guidelines issued by the RBI, in respect of income recognition, provisioning for non-performing assets and valuation of investments.

1.3 Use of estimates

The preparation of the financial statements in conformity with the GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.4 Current/non-current classification

All assets and liabilities are classified into current and non-current.

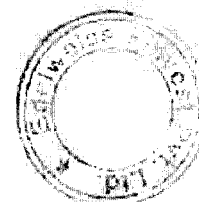
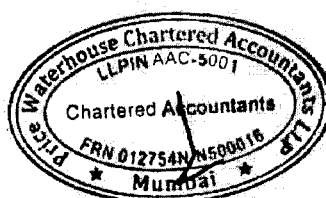
Assets

An Asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is expected to be realized within 12 months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.



Edelweiss Finvest Private Limited

Notes to the financial statements (Continued)

1. Significant accounting policies (Continued)

1.4 Current/non-current classification (Continued)

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

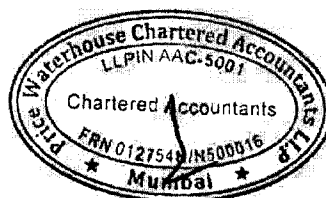
- a. It is expected to be settled in the company's normal operating cycle.
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within 12 months after the reporting date; or
- d. The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current

1.5 Revenue recognition

- a. Interest income is recognised on accrual basis. Interest income in case of lending business is recognised on accrual basis except in case of non-performing assets, which is accounted on realisation, as per RBI guidelines.
- b. Portion of maturity premium on loans that is agreed with the borrower and receivable on maturity, is accounted upon its agreement at maturity.
- c. Dividend income is recognised when the right to receive payment is established.
- d. Profit/loss on sale of investments is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- e. Realised profit/loss on closed positions of derivative instrument is recognised on final settlement on squaring of the contracts.
- f. Processing and other fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- g. Income from treasury operations comprises of profit/loss on sale of securities and profit/loss on equity, currency interest rate derivative instruments.
 - i) Profit/loss on sale of investments / securities is determined based on the weighted average cost of the investments / securities sold and recognised on trade date.
 - ii) Realised profit/ loss on closed positions of derivative instruments is recognised on final settlement on squaring-up of the contracts. Outstanding derivative contracts in the nature of forwards / futures / options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, a valuation technique is used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.



Edelweiss Finvest Private Limited

Notes to the financial statements (Continued)

1. Significant accounting policies (Continued)

1.6 Cost of Benchmark linked debentures

The Company issues certain non-convertible debentures, the return of which is linked to performance of specified indices over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at a reporting date. The resultant 'net unrealised loss or gain' on the fair valuation of these embedded derivatives is recognised in the statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

1.7 Borrowing Cost

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan.

1.8 Provisioning on receivables from financing business

Provision for non performing assets is made based on management's assessment of the degree of impairment subject to minimum provisioning levels prescribed in the prudential norms for asset classification and provisioning guidelines issued by the RBI for NBFCs.

Provisions against standard assets are made in accordance with the prudential norms laid down by RBI.

1.9 Fixed asset and depreciation/ amortisation

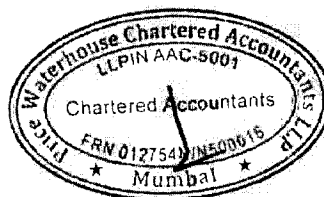
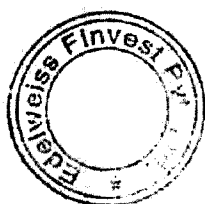
Property, Plant and Equipments

Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided on written down value basis from the date the asset is put to use or ready for its intended use whichever is earlier. In respect of asset sold, depreciation is provided upto the date of disposal.

As per the requirement of Schedule II of the Companies Act, 2013, the Company has evaluated the estimated useful lives of the respective fixed assets which are as per the provisions of Part C of the Schedule for calculating the depreciation. The estimated useful lives of the fixed assets are as follows:

Class of asset	Estimated useful life
Building (Flat)	60 Years
Office Equipments	5 Years
Computers - End user devices, such as desktops, laptops, etc.	3 Years



Edelweiss Finvest Private Limited

Notes to the financial statements (Continued)

1. Significant accounting policies (Continued)

1.10 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of cash generating unit which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

1.11 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment. In case of investments in mutual funds, the net asset value of units declared by the mutual fund is considered as the fair value.

1.12 Stock-in-trade

- a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b) The securities held as stock-in-trade are valued at lower of weighted average cost and market value. In case of units of mutual funds held as stock-in-trade, net asset value is considered as fair value.
- c) Debt instruments are valued at lower of cost and fair value. In case of debt instruments for which direct quotes are not available, fair value is the lowest of the quotes as on the valuation date as provided by market intermediaries.

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks and other fixed deposits with bank with original maturities of three months or less.

