

# FUTURE CAPITAL HOLDINGS LIMITED

7<sup>th</sup> Annual Report 2011- 12



## BUILT ON STRONG FOUNDATIONS

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## GIVE ME A PLACE TO STAND ON, AND I WILL MOVE THE EARTH.

Archimedes knew the truth a long time ago. A solid foundation and a long and strong lever is enough to move the earth.

Our services and solutions revolve around meeting the various financial needs of individuals and corporates viz. borrowing, protecting, investing and planning. We take great joy in meeting all key needs of our clients through their entire life cycle of financial needs.

But vision statements and business plans alone are not enough. They need solid foundations. We are proud that over the last few years we have built all necessary building blocks - strong systems, quality people, a learning culture, stable structure, laid-down processes, and above all, a passion to excel.

Our businesses including SME Loans, Durable Finance, Two-Wheeler Loans, Gold Loans, and Wealth Management are going good and have made a mark for themselves. Each business has strived in delivering exemplary performances in areas such as service delivery, service quality, revolutionary technology and innovation in the product suite. This has enabled our customers to make us their one-stop shop for accomplishing all their financial goals.

Over the past year, we have increased our retail presence to 197 branches reaching customers across the country through a dedicated team of 1200 employees.

With growth comes responsibility - responsibility of quality, responsibility of dependence and most importantly responsibility of prudence in all our businesses. Our credit delivery platform is contemporary and structured with checks and controls.

A key element in delivering quality services in today's environment is a robust IT platform with the latest technology. During the year, we have migrated to a more contemporary and robust platform that gives us the confidence to grow in the awareness that we are built on strong foundation.

With the strengths we have built over time, we also look forward to accelerated growth backed by our reach, our strong proposition, most importantly, a talented and dedicated team.

Like we learn from Archimedes in the legendary story, we can achieve a lot with a lever and a strong foundation.



## CHAIRMAN'S LETTER

“I am pleased to share with you that Warburg Pincus, an extremely reputed global private equity investor, has agreed to take a majority stake in your Company.”



### **Dear Stakeholders,**

I am pleased to share with you the Annual Report of your Company for the year 2011-12.

The global financial turmoil of the past few years have provided a challenging environment as well as taught important lessons for all stakeholders in the financial sector across the world. During the last financial year, India too has faced some challenges including high inflation rate, increasing interest rates and widening fiscal deficit that has slowed the overall growth of the economy.

Over the last few years, Future Capital has transformed itself into an independent and strong organisation led by a capable and strong leadership team. Your Company has built for itself a strong business model, high standards of corporate governance, transparency, robust processes and controls which can endure over time.

I am pleased to share with you that Warburg Pincus, an extremely reputed global private equity investor, has agreed to take a majority stake in your Company. Future Group has decided to divest its stake in your Company in favour of Warburg Pincus. Warburg Pincus, with over forty years of expertise in investing and partnering in the creation of market leaders across the world, will bring the necessary growth capital for your Company. I am sure your Company will benefit immensely from this association in the years to come.

I take this opportunity to thank you all and solicit your continued support, trust and wishes over the years.

**Kishore Biyani**

## MESSAGE FROM THE VICE CHAIRMAN AND MANAGING DIRECTOR



“Your Company continued its growth journey and significantly improved its performance in terms of business, asset quality as well as profitability.”

### Dear Stakeholders,

I take immense pleasure in presenting the Annual Report of Future Capital Holdings Limited for the year 2011-12. Your Company had an excellent and fulfilling year with a good growth and positive results. In the last financial year, a lot of strategic initiatives were taken which will enable us to excel in the years to come.

Last year, the world economy saw some turbulent times including the financial crisis in the European market and sovereign debt issues. This coupled with some domestic challenges like high fiscal deficit and high inflation pulled the growth slightly down compared to the previous year. The interest rates were high throughout the year although the liquidity improved in the latter part of the year. Even under these circumstances, the performance of your Company remained very robust.

I am delighted to share the significant success and results we have achieved in the last financial year. Your Company continued its growth journey and significantly improved its performance in terms of business, asset quality as well as profitability, details of which are mentioned later in this letter.

In terms of strategy which I had outlined last year, we have specifically chosen business lines that are secure, provide reasonable margins and can handle economic cycles better. I am happy to confirm that your Company stayed steadfast on this approach and built the businesses on these principles. Based on the above, our key focus throughout the year has been to develop our Loan against Property business. This business was the major growth driver in your Company last year and we continue to be attracted to this space as SME market in India is underserved. This business provides both margins as well as security. Your Company also launched the Gold Loan business towards the end of FY 11 and I am happy to report that this business has grown

**“In the last financial year, our fee income has seen a growth of more than 100% based on these offerings.”**

steadily to reach ₹ 2.34 billion in footings by FY 12. We find the Consumer Durable Financing business an attractive space for us. In this business, ticket size is small, tenors are low, it is very process intensive and difficult to build scale, yet with the help of automated credit-scoring solutions we are able to provide quick solutions and decisions for the customers. For the same reasons, your Company has launched the Two-Wheeler financing business during FY 12 and it is beginning to build scale. The overall loan book for your Company has grown to ₹ 46.70 billion in FY 12, compared to ₹ 28.55 billion in FY 11.

In continuation of the strategy, your Company continues to grow the retail portfolio as a percentage of the overall loan book. We believe that it provides diversification over a large number of customers and as a result, it offers great stability in performance. We are happy to report that the percentage of retail loan book to the overall portfolio has increased from 19% in FY 10, to 29% in FY 11, to 42% in FY 12 and is expected to grow up to 65-70% by the end of current financial year. The wholesale business too continues to be important for your Company and we participate in this segment only through senior and secured credit structures.

In order to offer the customers a complete bouquet of services, your Company also launched Property Broking as a line of business and has now significantly started cross-selling insurance products to its new and existing customers.

Your Company provides a comprehensive suite of services in our Wealth Management business, which includes traditional investments, alternative investment options, protection and financial planning.

In the last financial year, our fee income has seen a growth of more than 100% based on these offerings.

In order to further improve customer services and ensure stronger loan management processes, your Company has selected “FinnOne”, the lending system which is already used by most leading lenders in India and as we write this note, the migration to the new system is complete. This will further enable our systems and processes to be more contemporary and robust than before.

In terms of distribution, your Company has established its business in 40 Tier-I and Tier-II cities across India through an extensive network of 197 branches.

Your Company has continued to build and nurture a strong credit and risk assessment mechanism with proper legal and financial due diligence, cash flow analysis to assure the high level of asset quality. It has checks and balances across the verticals for sales, credit and operations which have helped in maintaining the low NPA level in the last financial year. Our Gross and Net NPA levels have come down significantly from 3.73% and 1.63% in FY 10 to 0.08% and 0.00% in

**“Your Company has maintained a healthy capital adequacy of 18.63% in the last financial year.”**



FY 12 respectively. Your Company is confident of maintaining asset quality above industry standards going forward.

In spite of high interest rates and tight liquidity conditions, your Company has successfully raised funds through Term Loans, Commercial Papers and Sub-debt. Your Company predominantly raises long term debt and matches them with the customer repayments. Your Company has successfully raised ₹ 2,000 million as subordinated debt for the first time during the last financial year. I am happy to inform that the financial markets rewarded your Company with attractive and competitive rates of incremental borrowing based on the excellent performance of your Company.

Your Company has maintained a healthy capital adequacy of 18.63% in the last financial year.

Your Company's PBT grew from ₹ 838 million to ₹ 1,516 million, an increase of 81%. Adjusting for the tax treatment, the Profit After Tax grew from ₹ 491 million to ₹ 1,058 million, an increase of 115%. The Return on Equity of your Company has improved from 6.67% to 13.41% in the last financial year.

The achievement your Company is most proud of is that Warburg Pincus, the global private equity major, agreed to invest ₹ 8,000 million for acquiring a majority stake, inclusive of primary capital of ₹ 1,000 million in your Company, subject to the regulatory approvals. Warburg Pincus has over 40 years

successful investment history and have more than \$ 40 billion in funds under management in over 650 companies across 30 countries, including India. In India, they have successfully nurtured well-known companies like Bharti-Airtel, HDFC, Kotak Mahindra Bank and Max India to name a few. We are confident that Warburg Pincus will provide the necessary capital for growth and also significantly strengthen your Company.

We have a strong senior management team, all of whom carry excellent reputation and vast experience in the financial market. I am happy to inform you that, in turn this team has built a strong middle and lower management team, who are proud to be part of this growth journey. All the achievements mentioned earlier in this note could not have been possible but for this very dedicated team.

Guidance and wisdom from our widely experienced Directors have been invaluable for the success of this journey in the last few years, and no words from me can adequately thank them for their extraordinary contribution.

I sincerely thank you all for your continuous encouragement, support and trust.

**V. Vaidyanathan**

Our central focus is to emerge as a one-stop shop catering to financial needs of customers including borrowing, protecting, investing, and planning. This 360° approach powers our expansion drive in each of the segments we are present in. But while serving these needs, we are careful in choosing the precise segments that match our capabilities and resources.

**Fulfilling the borrowing needs with the supply of loan products**

Future Capital Holdings Limited (FCH) provides an array of loan products to fulfil the borrowing needs of different segments of customers



has grown 64% from ₹ 28.54 billion in FY 11 to ₹ 46.70 billion in FY 12. The share of retail business in the overall loan book increased to 42% in FY 12 from 19% in FY 10.

We are building a formidable and sustainable business with our focus on offering secured loans to customers. Within the retail business, our focus remained on Loans to SMEs against mortgage of property which contributed up to 80% to our overall retail loan portfolio. This is a business with great scope of expansion as financial needs for SMEs are largely underserved in India. We also developed



including loans to SMEs against mortgage of property, Home Loans, Gold Loans, Consumer Durable Loans, Two-Wheeler Loans as well as Loans to Corporate Customers. During this financial year, FCH achieved steady and sustainable growth that was led by the retail business, with support from the wholesale business. Overall, your Company's loan book



and increased our portfolio for Gold Loans, Consumer Durable Loans. We capitalised on the opportunity provided by the underserved Two-Wheeler financing market and launched our business in this space. Our well formulated appraisal system validates the borrower's ability to service loans and this has helped us to consistently maintain our NPA at low levels.



In the wholesale business, we focused on lending in a senior take-out structure with adequate security. During the year, we also started loan syndication as a fee-based product for our corporate customers.

### **Growing the pie with service-based offerings**

Catering to the planning, investing and protection needs of the customers, FCH provides a range of service based offering like wealth management services, broking services, property services and distribution of financial products like insurance which complete our offering suite for all the customer needs.

An increasingly affluent middle class demands sophisticated, knowledge-based wealth management solutions to protect and grow their capital. To cater to this demand side financial requirement, we have expanded our footprint in the Wealth Management business wherein we provide consumers access to financial products and solutions like mutual funds, insurance, structured products, property services, private equity funds, etc. Additionally, we follow a unique advisory-led approach, backed by incisive research to deliver holistic wealth management solutions to HNIs. We currently operate out of 10 full service branches across India and are staffed with a team of 70 private wealth managers and we advise over 2000 HNI clients.



FCH provides a range of service-based offering like wealth management services, broking services, property services and distribution of financial products.





We have also launched Property Services that provides end-to-end property solutions to customers thus empowering them to unlock the opportunities available in the Indian realty sector.

Consumer demand for broking to assist their trading requirements is an important aspect of our basket of offerings. Our broking business also helps us increase our total fee-based income. During the year, Future Capital Securities Limited (FCSL) and its subsidiary Future Capital Commodities Limited (FCCL) acquired memberships of various exchanges, and entered into the business of currency derivatives, commodity derivatives and spot commodities business to complete the proposition and to derive maximum return on investments. FCSL and FCCL operate out of 19 full service branches across India and have more than 125 Business Associates across India to cater to the needs of retail clients for their investments in Securities, Commodities, Futures & Options, etc.

We have also launched Property Services that provides end-to-end property solutions to customers thus empowering them to unlock the opportunities available in the Indian realty sector. Our fully integrated service offering for

any buyer or investor in this space is indeed helping us grow our service-based portfolio further.

### **Future prospects**

Increasing demand for consumption and the ambition of SMEs to grow, are among the key drivers for our country's economic expansion. FCH is fully geared up to capitalise on the opportunities created by both of these drivers - in terms of its infrastructure, products and offerings and its systems capabilities. FCH has become a holistic provider of finance products as well as services with which we want to strengthen our value proposition and positioning by reaching the customers through our expanding branch network. We welcome Warburg Pincus as significant and reputed financial investor and new promoter of your Company subject to the regulatory approvals. Warburg Pincus, a world renowned PE fund, has a strong brand, sterling track record in growing companies across the world including India. This association is going to help us grow our operations effectively with enhanced vigour.



# FINANCIAL HIGHLIGHTS



## CORPORATE INFORMATION

### Board of Directors

Mr. Kishore Biyani

*Chairman*

Mr. V. Vaidyanathan

*Vice Chairman & Managing Director*

Mr. G. N. Bajpai

*Independent Director*

Mr. Shailesh Haribhakti

*Independent Director*

Mr. N. C. Singhal

*Independent Director*

Mr. Anil Singhvi

*Independent Director*

Mr. Pradeep Mukerjee

*Independent Director*

Mr. Krishan Kant Rath

*Non Executive Director*

### Head - Corporate Center & Chief Financial Officer

Mr. Ashok Shinkar

### Head - Legal & Secretarial

Mr. Chetan Gandhi

### Statutory Auditors

S. R. Batliboi & Co., Chartered Accountants

### Bankers

Andhra Bank

Central Bank of India

Corporation Bank

Dena Bank

Deutsche Bank

HDFC Bank Limited

IDBI Bank

Indian Overseas Bank

Oriental Bank of Commerce

State Bank of India

Syndicate Bank

Union Bank of India

United Bank of India

Vijaya Bank

Yes Bank Limited

### Share Transfer Agents

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (West),

Mumbai - 400 078. Maharashtra.

Tel No.: +91 22 2594 6970

Fax No.: +91 22 2594 6969

E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

### Registered & Corporate Office

15<sup>th</sup> Floor, Tower-2, Indiabulls Finance Centre,

Senapati Bapat Marg, Elphinstone (West),

Mumbai - 400 013. Maharashtra.

Tel No.: +91 22 4042 3400

Fax No.: +91 22 4042 3401

E-mail: [fch.contactus@futurecapital.in](mailto:fch.contactus@futurecapital.in)

Website: [www.futurecapital.in](http://www.futurecapital.in)

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Seventh Annual Report of your Company with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2012.

### FINANCIAL HIGHLIGHTS

The highlights of the consolidated and standalone financial results of the Company for the financial years 2011-12 and 2010-11 are as under:

Particulars	(₹ in million)			
	Consolidated		Standalone	
	2011-12	2010-11	2011-12	2010-11
Total Income	7,437.45	4,015.14	7,027.62	2,637.28
Total Expenditure	5,921.51	3,176.57	5,676.50	1,885.39
Profit Before Tax	1,515.94	838.57	1,351.12	751.89
Provision For Tax (including Fringe Benefit Tax)	457.63	347.36	429.19	199.28
Profit After Tax	1,058.31	491.21	921.93	552.61
Profit brought forward from previous year / period	(359.07)	(590.07)	178.78	(122.74)
Profit available for appropriation	699.24	(98.86)	1,100.71	429.87
<b>Appropriations:</b>				
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	186.34	119.64	184.39	110.52
Proposed Dividend	97.20	97.18	97.20	97.18
Dividend Tax thereon	15.77	15.76	15.77	15.76
Transfer to General Reserve	46.10	27.63	46.09	27.63
Balance carried forward to Balance Sheet	353.83	(359.07)	757.26	178.78

The Company is focused on retail and wholesale credit, which is expected to drive growth for the Company going forward. The Company has grown its outstanding Loan Book from ₹ 28,548 million to ₹ 46,704 million. The Retail Loan Book has grown from ₹ 8,144 million to ₹ 19,451 million. The Wholesale Book expanded from ₹ 20,404 million to ₹ 27,253 million. Both, Retail and Wholesale Loan Book grew during the year, but the proportion of Loan Book growth tilted more towards Retail credit this year.

The Net worth of the Company increased from ₹ 7,469 million to ₹ 8,316 million as at 31<sup>st</sup> March, 2012.

The Company has brought down its gross NPAs from ₹ 71 million to ₹ 36 million and net NPA from ₹ 18 million to NIL pursuant to better asset quality/ policies, which is now largely secured with adequate collateral, significantly more conservative provisioning norms and improved collections.

Consolidated Net Interest Income increased 92% from ₹ 1,199 million during the financial year ending 31<sup>st</sup> March, 2011, to ₹ 2,303 million during the financial year ending 31<sup>st</sup> March, 2012. This was largely on account of larger Loan Book in comparison to previous year.

The Profit Before Tax was up by 81%, the Profit After Tax was up by 115% from ₹ 491 million to ₹ 1,058 million.

### DIVIDEND

Keeping in mind the overall performance and the outlook for your Company, the Directors are pleased to recommend a dividend of ₹ 1.50/- (Rupee One and Paise Fifty Only) per share i.e. 15% on each Equity Share of ₹ 10/- (Rupees Ten Only). The dividend would be paid to all the shareholders, whose names appear in the Register of Members / Beneficial Holders list on the Book Closure date.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Management Discussion and Analysis of the financial condition and result of consolidated operations of the Company for the year under review, is annexed and forms an integral part of the Directors' Report.

### SHARE CAPITAL

During the year under review, the Company issued and allotted 15,000 (Fifteen Thousand) equity shares of ₹ 10/- each, on exercise of Stock Options granted to employees under FCH Employee Stock Option Scheme - 2008. Consequently, the issued, subscribed and paid-up capital increased by 15,000 equity shares of ₹ 10/- each. Consequently, the issued, subscribed and paid-up capital of the Company increased from ₹ 64,78,34,840/- to ₹ 64,79,84,840/- as at the end of the financial year.

Subsequent to the year under review, pursuant to the approval of the shareholders sought through Postal Ballot, results of which were announced on 5<sup>th</sup> July, 2012, the authorized share capital of the Company has been re-classified into 10,30,00,000 equity shares of ₹ 10/- each and 1,00,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, aggregating to ₹ 1,13,00,00,000/-.

## DIRECTORS' REPORT (CONTD.)

With reference to 1,00,00,000 warrants issued by the Company on 30<sup>th</sup> September, 2010, the warrant holders had not exercised their right to convert their warrants into equity shares by the latest date of exercise of such right, which was 29<sup>th</sup> March, 2012 (i.e. within 18 months from the date of allotment) as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and consequently the warrants lapsed.

Subsequent to the year under review, the Board at its Meeting held on 4<sup>th</sup> June, 2012 had approved the execution of Share Purchase Agreement with Pantaloon Retail (India) Limited, Future Value Retail Limited, Mr. Kishore Biyani and Cloverdell Investment Ltd ("Cloverdell") and also the execution of Share Subscription Agreement with Cloverdell pursuant to which an open offer has also been proposed by Cloverdell. Consequent to the subscription of shares and secondary acquisition through the above arrangement, Cloverdell would acquire substantial stake and control of the Company.

### CHANGE OF REGISTERED OFFICE

During the year under review, the Company shifted its registered office from FCH House, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013 to 15<sup>th</sup> Floor, Tower-2, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone (West), Mumbai - 400 013 with effect from 1<sup>st</sup> September, 2011.

### SUBSIDIARIES

During the year under review, the Hon'ble High Court of Judicature at Bombay, vide its order dated 17<sup>th</sup> June, 2011, had approved the Scheme of Arrangement (Scheme) between the Company and Future Capital Financial Services Limited (FCFS), a Wholly Owned Subsidiary of the Company and a Systemically Important Non Deposit Taking Non Banking Finance Company registered with the Reserve Bank of India, under the provisions of Section 391 to 394, 78 and 100 to 103 of the Companies Act, 1956, *inter alia*, providing for Amalgamation of FCFS with the Company and the Scheme became effective on 29<sup>th</sup> June, 2011.

During the year under review, Future Capital Commodities Limited (FCCL) became a step down subsidiary of the Company and has obtained membership of leading commodity exchanges i.e. Multi Commodity Exchange and National Commodity & Derivatives Exchange Limited and also from National Spot Exchange Limited for commencing its commodity trading business.

During the year under review, the Company divested its shareholding in Future Hospitality Management Limited, a Wholly Owned Subsidiary of the Company effective from 2<sup>nd</sup> September, 2011 vide Share Purchase Agreement dated 2<sup>nd</sup> September, 2011

entered into with Future Ideas Realtors India Limited. Also, the Company's shareholding in Kshitij Property Solutions Private Limited, a Wholly Owned Subsidiary of the Company was divested effective from 1<sup>st</sup> December, 2011 vide Share Purchase Agreement dated 1<sup>st</sup> December, 2011, entered into with Everstone Capital Advisors Private Limited.

Your Directors are pleased to inform that the Hon'ble High Court of Judicature at Bombay, vide its order dated 13<sup>th</sup> April, 2012, has approved the Scheme of Amalgamation of two wholly owned subsidiaries of the Company viz. Future Capital Investment Advisors Limited and FCH Securities & Advisors Limited with Kshitij Investment Advisory Company Limited and the same has been effective pursuant to filing the certified true copy of the said order with the Registrar of Companies on 2<sup>nd</sup> June, 2012.

Subsequent to the year under review, Future Capital Home Finance Private Limited, a Wholly Owned Subsidiary of the Company made an application to the National Housing Bank for obtaining the Certificate of Registration to commence its housing finance business.

Subsequent to the year under review, the Company sold the entire 10,00,000 fully paid-up equity shares of ₹ 10/- each held in its Wholly Owned Subsidiary Company namely Myra Mall Management Company Limited (Myra Mall) to Providence Educational Academy Private Limited, in its capacity as a Trustee of AAA Holding Trust, a private trust. Consequently, Myra Mall ceased to be a Subsidiary of the Company with effect from 9<sup>th</sup> July, 2012.

In terms of the General Circulars No. 2/2011 & 3/2011 of the Ministry of Corporate Affairs (MCA), dated 8<sup>th</sup> and 21<sup>st</sup> February, 2011, respectively, copies of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries of the Company have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same and these documents are also kept for inspection by any Member at the Corporate Office of the Company and the Subsidiaries. However, as directed by the MCA, the financial data of the Subsidiaries has been furnished under 'Details of Subsidiaries', forming part of the Audited Accounts. Further, pursuant to Accounting Standard (AS - 21) issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements presented by the Company in this Annual Report includes financial information of its Subsidiaries.

### PUBLIC DEPOSITS

The Company being a Non Deposit Accepting NBFC has not accepted any deposits from the public during the year under review and shall not accept any deposits from the public without obtaining prior approval of Reserve Bank of India.



## DIRECTORS' REPORT (CONTD.)

### RBI GUIDELINES

The Company has complied with the Regulations of the Reserve Bank of India as on 31<sup>st</sup> March, 2012, as are applicable to it as a Systemically Important Non Deposit Taking Non Banking Finance Company.

### CAPITAL ADEQUACY

The Company's capital adequacy ratio was 18.63% as on 31<sup>st</sup> March, 2012, which is significantly above the threshold limit of 15% as prescribed by Reserve Bank of India.

### CREDIT RATING

During the year under review, Credit Analysis & Research Ltd. ("CARE") retained the "A1+" ("A One Plus"). The rating is the highest rating issued by CARE for short term debt instruments and indicates strong capacity for timely payment of short term debt obligations and further indicates that the borrowing carries the lowest credit risk. During the year under review, the rating of short term borrowing programme was enhanced by ₹ 2,000 million i.e. from ₹ 7,000 million to ₹ 9,000 million.

During the year CARE has upgraded your Company's rating to "CARE AA-" ("Double A Minus") from "CARE A+" ("Single A Plus") for the Secured Redeemable Non-Convertible Debentures (NCDs) for an aggregate amount of ₹ 6,000 million. The rating of the NCDs was also upgraded by Brickwork Ratings India Private Limited (Brickwork) to "BWR AA-" ("BWR Double A Minus") from "BWR A+" ("BWR A Plus") for issue size upto ₹ 5,500 million. Brickwork has also assigned the "BWR AA-" ("BWR Double A Minus") rating to the proposed Unsecured Subordinated Debt Issue of the Company for ₹ 1,500 million. The rating indicates that the NCDs carry low credit risk and offer adequate safety for timely servicing of debt obligations. This rating indicates that the NCDs are considered to offer adequate credit quality in terms of timely servicing of debt obligations and further indicates "Stable" outlook.

CARE has also upgraded your Company's rating to "CARE AA-" ("Double A Minus") from "CARE A+" ("Single A Plus") in respect of the long-term bank loan facilities of the Company aggregating to ₹ 22,500 million (enhanced from ₹ 8,500 million), having tenure of more than one year. Facilities with this rating carry low credit risk and offer adequate safety for timely servicing of debt obligations.

Subsequent to the year under review, CARE has also assigned the "CARE AA-" (Double A Minus) rating to the Company's Non-Convertible Debentures (NCDs) programme for an enhanced limit of ₹ 10,500 million (enhanced from ₹ 6,000 million).

### DIRECTORS

In accordance with Sections 255 and 256 of the Companies Act, 1956, read with the Articles of Association of the Company,

Mr. G.N. Bajpai, Independent Director and Mr. K.K. Rath, Non-Executive Director, retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

Brief resumes of Mr. G. N. Bajpai and Mr. K. K. Rath, nature of their expertise in specific functional areas and names of companies in which they hold directorship and / or membership / chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, are annexed and forms part of this Report (*Annexure 1*).

Based on the confirmations received, none of the Directors are disqualified for appointment under Section 274(1)(g) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii) 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 of the Company for that period.
- iii) 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, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2012, on a going concern basis.

### CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements are provided in this Annual Report. These statements have been prepared on the basis of the financial statements received from Subsidiaries, as approved by their respective Board of Directors.

### AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies

## DIRECTORS' REPORT(Contd.)

Act, 1956, the Company has obtained a written confirmation from the Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

### PARTICULARS OF EMPLOYEES, EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, the name and other particulars of certain employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Directors' Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company.

Subsequent to the year under review, the Members of the Company vide Special Resolutions passed through Postal Ballot, result of which was announced on 5<sup>th</sup> July, 2012, approved the FCH Employees Stock Option Scheme – 2012 (FCH ESOS – 2012) for the Company and its Subsidiary Companies. However, the Company has not granted any Options under the FCH ESOS – 2012.

The disclosure(s) as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are annexed and forms part of this Report (*Annexure 2*).

### PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, EXPENDITURE ON RESEARCH AND DEVELOPMENT, FOREIGN EXCHANGE INFLOW/OUTFLOW, ETC.

The requirements of disclosure with regard to Conservation of Energy in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable to the Company.

The Company's activities do not require any technology to be absorbed as mentioned in the aforesaid Rules. However the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.

The details of the earnings and outgo in Foreign Exchange during the year under review are provided as Note No. 37 to the Financial Statements as at 31<sup>st</sup> March, 2012. The Members are requested to refer to the said Note for details in this regard.

### CORPORATE GOVERNANCE

A report on Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, forms part of the Annual Report.

A Certificate from M/s. SVJS & Associates, Company Secretaries, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, also forms part of the Annual Report.

### HUMAN RESOURCE MANAGEMENT

Skilled and motivated employees are one of the cornerstones of our business. We focus on meeting the skill gap and providing skilled manpower wherever required. We ensure a favorable work environment for all our employees. Our recruitment and Human Resources management set up enables us to attract and retain employees.

### ACKNOWLEDGEMENT

We are grateful to the Government of India, the Reserve Bank of India, the Securities and Exchange Board of India, Stock Exchanges, Insurance Regulatory and Development Authority of India and other regulatory authorities for their valuable guidance and support and wish to express our sincere appreciation for their continued co-operation and assistance. We look forward to their continued support in future.

We wish to thank our bankers, rating agencies, customers and all other business associates for their support and trust reposed in us.

Your Directors express their deep sense of appreciation for all the employees whose commitment, co-operation, active participation, dedication and professionalism has made the organisation's growth possible.

Finally, the Directors thank you for your continued trust and support.

On behalf of the Board of Directors

Sd/-  
Kishore Biyani  
Chairman

Place: Mumbai  
Date: 30<sup>th</sup> July, 2012



## ANNEXURE 1 TO THE DIRECTOR'S REPORT

### I) Mr. G. N. Bajpai

Mr. G. N. Bajpai, aged 68 years, has had a distinguished career in the Indian financial sector for over 40 years. Mr. Bajpai completed his Master of Commerce degree from the University of Agra and his Bachelor of Laws degree from the University of Indore. Mr. Bajpai has been the Chairman of the Securities and Exchange Board of India, Life Insurance Corporation of India, National Stock Exchange, Corporate Governance Task Force of International Organisation of Securities Commission, and Insurance Institute of India among others. He has also been a member of the Board of Directors of General Insurance Corporation of India, ICICI Bank, Unit Trust of India, Axis Bank and Indian Railway Finance Corporation. Mr. Bajpai is a member Board of Advisors of Indian Army Group Insurance Fund. He serves on the Governing Board of the National Insurance Academy. Mr. Bajpai was on the Board of Governors of the Indian Institute of Management (Lucknow). Currently, he is a Visiting Professor of Middlesex University, London. He has delivered lectures including at the London School of Economics, Harvard University and the Massachusetts Institute of Technology and has addressed the Organisation of Economic Co-operation and Development (OECD) and International Monetary Fund (IMF). Mr. Bajpai has written three books and was awarded the "Outstanding Contribution to the Development of Finance" from the Prime Minister of India, Dr. Shri Manmohan Singh.

The details of the directorship and/or membership/chairmanship of Committees of the Board of Mr. G. N. Bajpai (except private companies, Section 25 companies and foreign companies).

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
1	Future Generali India Life Insurance Company Limited	C	C
2	Future Generali India Insurance Company Limited	C	C
3	The Dhanlaxmi Bank Limited	-	-
4	Mandhana Industries Limited	M	-
5	Future Venture India Limited	M	-
6	Nitesh Estates Limited	-	-
7	New Horizons India Limited	-	-
8	PNB Housing Finance Limited	-	-
9	Usha Martin Limited	-	-
10	Micromax Informatics Limited	-	-
11	Walchandnagar Industries Limited	-	-
12	Dalmia Cement (Bharat) Limited	M	-
13	United Spirits Limited	-	-

C - Chairman of the Committee

M - Member of the Committee

Mr. Bajpai holds 50,000 equity shares in the Company.

### II) Mr. Krishan Kant Rath

Mr. Krishan Kant Rath, aged 51 years, brings more than 26 years of experience in senior positions at some of India's respected business houses. Mr. Rath has rich knowledge and competence in business expansions, joint ventures and divestment, financial restructuring and fund raising (domestic and international), system driven operations, risk management and acquisitions.

Presently Mr. Rath is the Chief Executive Officer of Future Ventures India Ltd. Prior to joining the Company, Mr. Rath was the Director of Motilal Oswal Private Equity Advisors Pvt. Ltd. As a Director, Mr. Rath oversaw both investment as well as post investment monitoring of portfolio companies and execution of the overall private equity strategy.

He has earlier worked with KEC International Limited as the Controller Corporate Finance for eight years and the President (Finance) with H & R Johnson (India) Limited (R. Raheja Group Company) for eight years. He was associated with Future Group between 2005-07 as the Group CFO.

Mr. Rath is a first class Commerce graduate, a rank-holder Chartered Accountant from The Institute of Chartered Accountants of India and a qualified Company Secretary from The Institute of Company Secretaries of India.

The details of the directorship and/or membership/chairmanship of Committees of the Board of Mr. Rath (except private companies, Section 25 companies and foreign companies).

Sr. No.	Name of the Company	Committee positions held (excluding in Company)	
		Audit Committee	Shareholders' and Investor Grievances Committee
1	Future Generali India Life Insurance Company Limited	M	M
2	Future Generali India Insurance Company Limited	M	M
3	Future Finance Limited	-	-
4	Aadhaar Retailing Limited	-	-
5	Turtle Limited	-	-
6	Lee Cooper (India) Limited	-	-
7	Celio Future Fashion Limited	-	-
8	Future Market Networks Limited	-	M
9	Indus - League Clothing Limited	-	-
10	Capital Foods Limited	-	-
11	Clarks Future Footwear Limited	M	-
12	Amar Chitra Katha Pvt. Ltd. (Subsidiary of Public Ltd. Co.)	-	-

M - Member of the Committee

Mr. Rath does not hold any shares in the Company.

## ANNEXURE 2 TO THE DIRECTORS' REPORT

Disclosures as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 [SEBI (ESOS & ESPS) Guidelines, 1999].

### (I) FCH EMPLOYEES' SHARE PURCHASE SCHEME(S)

The Company has two Employees Share Purchase Schemes viz. FCH Employees Share Purchase Scheme – 2007 (FCH ESPS - 2007) and FCH Employees Share Purchase Scheme – 2008 (FCH ESPS - 2008). The disclosures below are in respect of the year ended 31<sup>st</sup> March, 2012.

Number of Equity Shares issued during the year	During the year, no equity shares were allotted to any employee under the FCH ESPS – 2007 & 2008.
Price at which Equity Shares were issued during the year	N.A.
Employee-wise details of Equity Shares issued during the year to:	
i) Directors and senior managerial employees	Nil
ii) any other employee who is issued Equity Shares in any one year amounting to 5% or more of Equity Shares issued during that year	Nil
iii) identified employees who are issued Equity Shares, during any one year equal to or exceeding 1% of the issued capital of our Company at the time of issuance	Nil
Diluted EPS pursuant to issuance of Equity Shares under ESPS during the year	N.A.
Consideration received against the issuance of Equity Shares	Nil

### (II) FCH EMPLOYEES STOCK OPTIONS SCHEME(S)

The Stock Options granted to the employees currently operate under four schemes viz. FCH Employees Stock Option Scheme - 2007 (FCH ESOS – 2007), FCH Employees Stock Option Scheme – 2008 (FCH ESOS – 2008), FCH Employees Stock Option Scheme - 2009 (FCH ESOS – 2009) and FCH Employees Stock Option Scheme – 2011 (FCH ESOS – 2011) (collectively referred as 'Schemes'). The disclosures below are in respect of the year ended 31<sup>st</sup> March, 2012.

Options Granted during the year	FCH ESOS – 2007 : Nil
	FCH ESOS – 2008 : 65,000
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : 12,02,000
The pricing formula	As per the Schemes approved pursuant to the SEBI (ESOS & ESPS) Guidelines, 1999
Options Vested	FCH ESOS – 2007 : Nil
	FCH ESOS – 2008 : Nil
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : Nil
Options Exercised	FCH ESOS – 2007 : Nil
	FCH ESOS – 2008 : 15,000
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : Nil

## ANNEXURE 2 TO THE DIRECTORS' REPORT (CONTD.)

The total number of shares arising as a result of exercise of option	15,000 equity shares of ₹ 10/- each
Options lapsed/ cancelled/ forfeited	FCH ESOS – 2007 : 7,000
	FCH ESOS – 2008 : 40,000
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : 5000
Variation of terms of options	No variation made in the terms of the Options granted under any of the Schemes.
Money realized by exercise of options	₹ 15,30,000/-
Total Number of options in force	FCH ESOS – 2007 : 4,52,000
	FCH ESOS – 2008 : 5,79,500
	FCH ESOS – 2009 : 3,50,000
	FCH ESOS – 2011 : 11,97,000
Employee wise details of options granted during the year to:	Refer Note 1
i) Directors and senior managerial personnel	
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	
iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard AS-20 ('Earnings Per Share')	Diluted EPS calculated in accordance with AS-20 is ₹ 15.01 (Consolidated) and ₹ 12.91 (Standalone) for the FY 2011-12.
Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	* Had the Company (Consolidated) followed the fair value method for accounting the Stock Options, compensation expense would have been higher by ₹ 85,613,346/- with consequent lower Consolidated profits. On account of the same the diluted EPS of the Company (Consolidated) would have been less by ₹ 1.32 per share.
Weighted-average exercise prices and weighted-average fair values options shall be disclosed separately for options whose of exercise price either equals or exceeds or is less than the market price of the stock.	Weighted Avg. Exercise Price
	FCH ESOS – 2007 : ₹ 238.39
	FCH ESOS – 2008 : ₹ 176.79
	FCH ESOS – 2009 : ₹ 242.59
	FCH ESOS – 2011 : ₹ 129.68
	Weighted Avg. Fair Value
	FCH ESOS – 2007 : ₹ 113.70
	FCH ESOS – 2008 : ₹ 96.63
	FCH ESOS – 2009 : ₹ 141.50
	FCH ESOS – 2011 : ₹ 66.00

\* Note: Above figures are derived by considering the Options granted to the employees of the Company and its subsidiaries.

## ANNEXURE 2 TO THE DIRECTORS' REPORT (CONTD.)

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
i) risk-free interest rate	FCH ESOS – 2007 : N.A. FCH ESOS – 2008 : 8.31% FCH ESOS – 2009 : N.A. FCH ESOS – 2011 : 8.07% to 8.32%
ii) expected life	FCH ESOS – 2007 : 3.75 years FCH ESOS – 2008 : 5.07 years FCH ESOS – 2009 : 4.86 years FCH ESOS – 2011 : 5.70 years
iii) expected volatility	FCH ESOS – 2007 : N.A. FCH ESOS – 2008 : 50.08% to 54.89% FCH ESOS – 2009 : N.A. FCH ESOS – 2011 : 48.94% - 54.89%
iv) expected dividends	FCH ESOS – 2007 : N.A. FCH ESOS – 2008 : 0.59% FCH ESOS – 2009 : N.A. FCH ESOS – 2011 : 0.46% - 0.59%
v) the price of the underlying shares in market at the time of option grant	Same as that of Grant Price

**Note 1:** Details of the options granted under ESOS to the Directors and Senior Managerial personnel of Future Capital Holdings Limited during the financial year 2011-12, and its subsidiaries are as under:

Sr. No.	Particulars	Position	Number of options granted under FCH ESOS - 2007	Number of options granted under FCH ESOS - 2008	Number of options granted under FCH ESOS - 2009	Number of options granted under FCH ESOS - 2011
a	Directors and Senior Managerial personnel					
	Mr. V. Vaidyanathan	Vice Chairman & Managing Director	-	-	-	6,47,000
	Mr. Ashok Shinkar	Head Corporate Center & Chief Financial Officer	-	-	-	1,00,000
	Mr. Shailesh Shirali	CEO – Wholesale	-	-	-	35,000
	Mr. Apul Nayyar	CEO – Retail	-	-	-	1,00,000
	Mr. Pankaj Sanklecha	Chief Risk Officer	-	-	-	25,000
	Mr. Vivek Kanwar	Executive V. P. - Wealth & Broking	-	-	-	35,000
	Mr. Prashant Shetty	Sr. V. P. - Finance	-	-	-	25,000
	Mr. Manish Chitnis	Sr. V. P. - Treasury	-	-	-	25,000
	Mr. Chetan Gandhi	Head - Legal & Secretarial	-	-	-	10,000
	Mr. Adrian Andrade	Head - Human Resources	-	-	-	20,000

## ANNEXURE 2 TO THE DIRECTORS' REPORT (CONTD.)

Sr. No.	Particulars	Position	Number of options granted under FCH ESOS - 2007	Number of options granted under FCH ESOS - 2008	Number of options granted under FCH ESOS - 2009	Number of options granted under FCH ESOS - 2011
	Mr. Pradeep Natarajan	Head - Store Distribution, Marketing & BIU	-	-	-	25,000
	Mr. Pushpinder Singh	Head - Mortgages	-	-	-	20,000
	Mr. Rahul Jain	Head - Operations	-	-	-	15,000
	Mr. Nilesh Doshi	Head - Internal Audit	-	-	-	15,000
	Mr. Girish Dev	Vice President - Operations & Compliance, Broking	-	15,000	-	-
	Mr. Mahesh Dholiya	National Credit Head - Retail Assets	-	-	-	15,000
	Mr. Arindam Das	Head - Gold Loans	-	10,000	-	-
	Mr. Deepak Bakliwal	Sr. V. P. Corporate Lending	-	-	-	15,000
	Ms. Shikha Hora Kamdar	Head - Wealth Management	-	15,000	-	-
	Mr. Rishikant Mishra	Head - Two Wheeler Loans	-	-	-	15,000
	Mr. Sandeep Joshi	Head - Property Services	-	10,000	-	-
	Mr. Amit Mande	Head - Consumer Durables & SIS	-	15,000	-	-
	Mr. Nishant Kotak	Vice President - Legal - Corporate Lending	-	-	-	15,000
	Mr. Abhinav Jain	Vice President - Syndication	-	-	-	15,000
	Mr. Jitendra Panda	Head - Sales Broking	-	-	-	10,000
	Mr. Sudhakar Atla	Regional Head - South, Mortgages	-	-	-	15,000
	Ms. Anooba Kini	Head - Resourcing, HR (Since Resigned)	-	-	-	5000
	<b>Total</b>		Nil	65,000	Nil	12,02,000
b.	Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil				
c.	Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil				

## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMIC OVERVIEW

The financial year 2011-12 has witnessed many economic challenges at the global stage. The year saw stronger economies in the European region such as France and Germany having to come to the rescue of other European countries like Spain, Portugal, Greece, Italy and Ireland which faced public debt crises. The US faced a downgrade of its sovereign credit rating, yet the dollar continued to gain strength amidst mixed signals from the largest economy of the world. Japan, a victim of natural and man-made disasters, also saw a disruption in its economy and the Middle East faced a wave of protests and demonstrations against those in power in the form of the Arab Spring. At the same time, extensive liquidity infusions from the European Central bank and the US Federal Reserve did thaw the situation temporarily, yet there are doubts whether such infusion of liquidity will solve the structural issues of high debt and slower growth, which is now more pronounced in the developed economies. Emerging economies too are beginning to feel the impact of the global slowdown. The World Bank expects the global GDP to expand by 2.5% in 2012, and accelerate to 3.1% in 2013, as reported by Reuters.

India too has faced turbulent times in 2011, partly due to international triggers and partly due to domestic incidents. The Reserve Bank of India (RBI) followed a tight monetary policy for most of the year in an attempt to tame stubborn high inflation. Against this backdrop, during FY12, the RBI increased the repo rate from 6.75% to 8.5% in six tranches and the reverse repo rate from 5.75% to 7.5%, again in 6 tranches. These rates saw some respite only at the beginning of FY13 when they were cut by half a percentage point each. Bank rates were also increased during FY12 and liquidity was tight in the market almost throughout the year. Reflecting the slower investment climate, credit growth tapered off to about 17% from the highs of about 21% witnessed in the previous year. The combination of rising interest rates, high inflation, and lower investment reflected in lower industrial output and economic growth. After over two years of sustained high growth, India's economic growth rate slowed to less than 7% in FY12.

However, the sustained efforts of the RBI seemed to pay off towards the end of calendar 2011 when inflation dipped to 7.5% in December and stayed so for the rest of the year, from the double digit inflation for the better part of the earlier two years. The RBI has not yet dropped guard on this front, yet they are beginning to shift their focus on growth, which is beginning to slow down and a trend that can no longer be explained away as statistical aberrations.

The RBI proceeded to reduce interest rates and release liquidity into the system towards the end of the last FY 12.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Non-Banking Finance Companies (NBFCs) broadly comprise Asset Finance Companies, Investment Companies, Loan Companies and Infrastructure Finance Companies. Traditionally, they have played a crucial role in the development of sectors like transport, infrastructure, equipment leasing and hire purchase, retail amongst others. NBFCs have also enabled substantial broad based economic development by financing small business segments and the economically weaker sections of society besides facilitating the funding of first-time borrowers.

NBFCs have played a special role in funding MSMEs, which are the backbone of the Indian economy and contribute almost half of the country's total industrial production and generate sizeable employment. In the process, they have also promoted inclusive development and have provided a major thrust to the rural and semi-rural sector. In the Twelfth Plan period, the MSME Ministry has set a growth target of 15% for this segment, which is currently growing at 12-13% per annum. According to the Ministry, there are over 6,500 small clusters in the country but 99% of them are in cottage industry belonging to sectors like coir, handicrafts and handloom. Due to the fact that this segment of industry is highly unorganised, and in many cases, deal in parallel economy, funds from banks and alternate source of capital such as private equity, venture capital and angel funds are not forthcoming. Beyond government sources of finance, it is the NBFC sector that supports their initiatives as NBFCs often do customised alternative credit evaluation methodologies for credit assessment for this sector. Indeed the RBI has well captured this in one of their reviews as follows: "In addition to enhancing competition in the financial system, these institutions play a role in broadening the access of financial services to the population at large. NBFCs are important financial intermediaries particularly for the small scale and retail sectors."

Overall, NBFCs across the country offer a range of services including retail asset backed lending, lending against securities and microfinance. This segment in the financial sector has been growing considerably over the past few years. Last but not the least, NBFCs make a sizeable contribution to the state exchequer.

To infuse more transparency in loans and advances, the RBI, in March 2012 revamped the Fair Practices Code (FPC) to be adopted by NBFCs in their lending business. The guidelines emphasized on the general principles about adequate disclosures on the terms and conditions for more transparency, which we believe will improve the confidence of customers in the services provided by NBFCs in the long run.

### BUSINESS OVERVIEW

Future Capital Holdings Limited (FCH) provides financial services across a wide range of consumer and wholesale businesses. As veritable one-stop financial shop, it offers a comprehensive



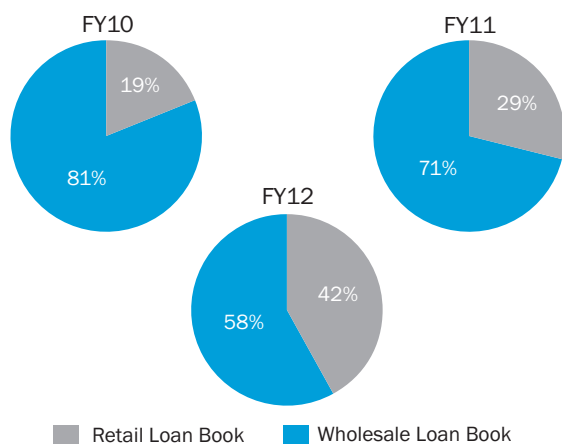
## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

suite of products and services that meet all four key financial needs of customers, namely Borrowing, Protection, Investment and Planning.

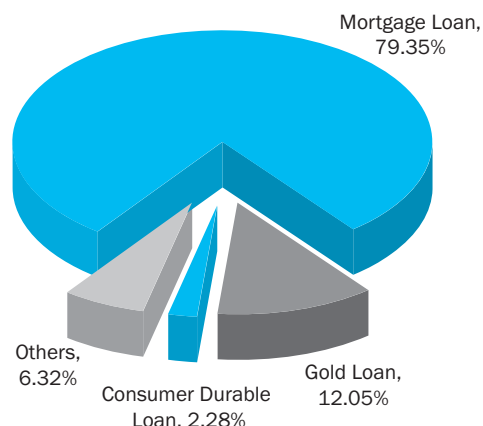
Your Company is focusing largely on catering to the MSME segment which we believe is largely under-banked and under-served in India, and is hence a large opportunity for your Company. Your Company has the required skill sets for serving this need, and hence the passion for this area as well. The largest focus of your Company's business is to provide financing to MSMEs, with their residential or commercial property as the collateral. Your Company is also capitalising on the growing consumption in India. Your Company seeks to maintain a comprehensive product suite that covers financing consumer durables like Televisions, Air Conditioners as well as financing Two-Wheelers. Your Company is structured to meet multiple needs of customers not only for maximum customer impact, but also for optimal productivity. Your Company also has a well-established corporate lending business and has developed its Broking and Wealth Management services to grow its fee-based income.

### Loan Products

The loan book of your Company has grown 64% from ₹ 28.55 billion in FY11 to ₹ 46.70 billion in FY12. What is particularly important to note is that the share of retail business in the loan book steadily increased from 18% in FY10, to 29% in FY11, to 42% in FY12. Through its extensive branch network, which increased to 197 branches by end of FY12, FCH has been able to reach customers across most states and major cities in India. Your Company plans to grow the retail business and increase its contribution to the overall loan book in the coming years.



Mortgage Loan has been the biggest contributor in the retail loan book composition and the product has been growing steadily for the last two years. The mortgage loan book grew to reach ₹ 15,434 million by the end of FY12. The composition of the retail loan book as on 31<sup>st</sup> March 2012 is given below -



Gold Loan, which was launched in February 2011, grew steadily to produce a healthy loan book of ₹ 2,343 million by the end of FY12. Through the extensive branch network, your Company has been able to reach out to Gold Loan customers in more than 40 cities in India. Your Company is confident about this product contributing profitably in the coming years.

Utilizing the strong processes, automated credit-scoring solutions and presence at the dealer stores, your Company also had a steady growth in consumer durable loan business which has grown to reach a loan book of ₹ 444 million in FY12. Currently, your Company is able to acquire more than 12,000 customers a month through this product.

Your Company also launched two-wheeler loans during the last financial year. Considering the growth of the two-wheeler segment and the fact that this is a segment that has been highly under-served in India, your Company has chosen this niche area with improved value proposition for the two-wheeler customers. This business requires relatively high investment in the initial years as ticket size is small, and it requires high volume of transactions, but your Company has embarked on building this business as it is more suited for smaller/medium size companies like ours.

### Wealth Management

FCH launched its Private Wealth proposition for customers in April 2011. Through this vertical, your Company provides its customers access to financial products and solutions like mutual

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

funds, insurance, structured products, property services, private equity funds, etc. Additionally, it provides a unique advisory led approach, backed by incisive research to deliver holistic wealth management solutions to HNIs. Future Capital Holding Private Wealth (FCH PW) seeks to deliver results to its clients in the arena of wealth management by constantly leveraging its strengths. FCH PW operates out of 10 full service branches across India. It currently has an experienced sales team of over 70 private wealth managers, advising over 2000 High Networth Clients. The private wealth managers of your Company are trusted advisors for their client's personal and business needs backed by a platform of transparency, product innovation and advisory.

### Broking

FCH, through its 100% subsidiary, Future Capital Securities Limited (FCSL) operates in the retail broking space with a focus on fee based income. FCSL acquired memberships of various stock exchanges and made its foray into the Currency Derivatives segment business. Future Capital Commodities Limited (FCCL), a wholly owned subsidiary of FCSL, acquired memberships of various commodity exchanges and commenced business in the Commodity Derivatives and Spot Commodities business. FCSL and FCCL operate out of 19 full service branches across India and have more than 125 Business Associates across India to cater to the needs of retail clients for their investments in Securities, Commodities, Mutual Funds, etc. To provide unparalleled access and the highest level of convenience to its clients, it has introduced a one of its kind Trading Platform and an intranet portal, "futuredirect" and "myfuture", respectively.

Finally, to complete the customer service proposition for alternative investments, your Company has successfully launched its retail property broking business.

While FCH has achieved steady growth in the past three years, high levels of corporate governance, transparency, robust processes and controls continue to be an integral part of your Company's policy. Your Company has consistently maintained good quality of assets and reduced its gross and net NPAs over the past quarters due to tighter management, a robust credit check framework and streamlined processes and checks. The gross NPA has improved from 0.25% in FY11 to 0.08% in FY12 while the net NPA has improved from 0.06% to 0.00% over the same period.

Particulars	Q4- FY10	Q1- FY11	Q2- FY11	Q3- FY11	Q4- FY11	Q1- FY12	Q2- FY12	Q3- FY12	Q4- FY12
% Gross NPA	3.73%	2.60%	1.98%	0.27%	0.25%	0.05%	0.03%	0.04%	0.08%
% Net NPA	1.63%	1.08%	0.85%	0.00%	0.06%	0.00%	0.01%	0.00%	0.00%

Usually, as companies grow in size and maturity, it is expected

that the NPA levels tend to increase and stabilise over time. Yet your Company has built strong capabilities in credit scoring, cash flow evaluation techniques and collections. Finally, your Company is structured uniquely where the functions of sales, credit policy, credit administration, fraud control, operations and collections are unique and separated from each other, thereby providing for checks and controls in the process. Considering the above, even as you Company grows in maturity, we expect the asset quality to remain high as compared to peer and industry standards.

To support the business growth, your Company has maintained a healthy capital adequacy. As of 31<sup>st</sup> March 2012, the capital adequacy ratio of your Company stands at 18.63% which is much higher than the minimum capital adequacy requirement required by the RBI.

CARE has upgraded the long term rating of your Company to "CARE AA-"(Double A minus) from CARE A+ (Single A plus) in the previous financial year. The upgrade was a result of the review conducted by CARE on the recent developments including operational and financial performance of your Company. Brickworks has also provided long term rating of "AA-"(Double A minus) to your Company in the last financial year. The revised ratings provided by these rating agencies reflect the confidence that they have expressed in our stable and top quality management with good track records, and a strong and proven business model as is evidenced by the growth in profitability and high quality of assets.

The leadership and guidance of the key management, with their insight and experience in the fields of industry and finance, has been one of the fundamental factors driving the growth of your Company in FY12 and will continue to be a key strength of your Company. Your Company will continue to grow the retail portfolio as a percentage of the overall loan book which we believe will provide diversification over a large number of customers and as a result, it will offer great stability in performance. FCH looks forward to the steady growth in future as the respective department heads, including business origination, credit and support functions with their strengthened teams efficiently implement the strategies.

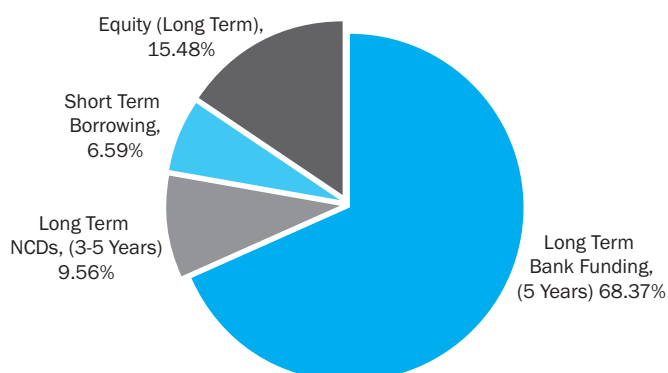
### RESOURCES

During the financial year FY12, the outstanding balance (borrowing) for your Company was ₹ 43,863 million as of FY12, as compared to ₹ 26,238 million in FY11. As a strategy, your Company raised most of this debt as long term debt, which was matched with the cash flow of the customers' repayments. Only 6.78% of your Company's borrowing was short term, and overwhelmingly, over 93%, including the equity was long duration borrowings. This provides excellent cushion for the company for repayments of its obligations. During the year, your Company



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

successfully managed to raise ₹ 2,000 million as subordinated debt for the first time. Further, the borrowings were mostly at floating rates linked with base rates of the banking system, and the customer repayments too, were linked to the floating rate, largely insulating the company from interest rate risks.



One of the significant achievements of your Company was that in spite of the rising interest rate and tough liquidity conditions in the Indian market, your Company has performed exceptionally well to reduce the margin of incremental borrowing as compared to the movement of base rates, based on improved performance of your Company and its financial prospects. Your Company also increased the number of banking relationships with key public and private banks in India during the last financial year.

### CONSOLIDATED FINANCIAL PERFORMANCE

The following table presents our consolidated results of operations for the year ended 31<sup>st</sup> March, 2012:

	Year ended March 31, 2012 (₹ in million)	Year ended March 31, 2011 (₹ in million)
Income	7,438	4,015
Expenditure	5,922	3,177
Profit before tax	1,516	838
Provision for income tax	458	347
Profit after tax	1,058	491

Your Company had an excellent year in terms of profitability and returns. The Profit Before Tax grew by 81% where as Profit After Tax grew by 115%. The Return on Average Net Worth improved

from 6.67% in FY11 to 13.41% in FY12. The Return on Average Total Assets increased from 1.73% in FY11 to 2.27% in FY12. The Earning per Share (Basic) grew by 113%, from ₹ 7.64 in FY11 to ₹ 16.33 in FY12.

### Income

The table below presents a breakdown of our income for the year ended 31<sup>st</sup> March, 2012:

	Year ended March 31, 2012 (₹ in million)	Year ended March 31, 2011 (₹ in million)
Income from retail financial services	3,124	1,506
Income from wholesale credit and treasury	4,072	2,064
Others	242	445
<b>Total income</b>	<b>7,438</b>	<b>4,015</b>

The increase in income during the year was mainly on account of increase in our loan book along with the increase in the fee based income.

### Expenditure

We had incurred an expenditure of ₹ 5,922 million for the year ended 31<sup>st</sup> March, 2012. Our expenditure comprised of personnel expenses, administration & other expenses and finance cost. Out of the total expenditure, Finance costs comprised 67% followed by administration and other expenses of 17%, Personnel expenses of 15% and Depreciation/Amortization of 1% for the year. The increase in the expenditures during the year was mainly on account of increase in borrowing for growth and increase in our branch network, headcounts, introduction of new product line, etc.

The table below presents a breakdown of our expenditure for the year ended 31<sup>st</sup> March, 2012:

	Year ended March 31, 2012 (₹ in million)	Year ended March 31, 2011 (₹ in million)
Personnel expenses	868	479
Administration and other expenses	1,021	768
Depreciation/amortization	55	42
Financial expenses	3,977	1,888
<b>Total expenditure</b>	<b>5,922</b>	<b>3,177</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

### Profit Before Tax

Your Company made a profit before tax of ₹ 1,516 million for the year ended 31<sup>st</sup> March, 2012 as compared to ₹ 838 million for the year ended 31<sup>st</sup> March, 2011. The profit primarily reflects increased business in the credit division and fee based income.

### Net Profit After Tax

The Profit after tax was up by 115% to ₹ 1,058 million from ₹ 491 million in the previous year. The profit primarily reflects an increase in the Net Interest Income and growth in the fee based income.

### Shareholders' Funds

As of 31<sup>st</sup> March, 2012, shareholders' funds of your Company amounted to ₹ 8,316 million as compared to ₹ 7,469 million as on March 31, 2011. The increase is mainly on account of profit earned in the current year ₹ 1,058 million.

### INTERNAL CONTROL

Your Company has adequate systems of internal control which commensurate with its size and nature of operations. It maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The systems in your Company ensure that assets are safeguarded against loss from unauthorized use. Your Company is in the process of further strengthening its system controls by implementation of a new robust Loan Management System.

Your Company has, during the year, established an In-house Internal Audit Department. The Internal Audit Team, undertakes comprehensive audit of functional areas and operations of your Company to examine the adequacy of and compliance with policies, plans and statutory requirements. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of your Company's internal control environment and monitors the implementation of audit recommendations.

### RISK MANAGEMENT

Your Company has invested in people, processes and technology to mitigate risks posed by the external environment and by its borrowers. Your Company does an assessment of cash flow of the borrowers for MSME customers before lending to them, and for low ticket transactions, it has implemented statistically valid credit scoring systems that adequately capture the risk in lending and collections. Regular credit bureau inputs are incorporated in the credit scoring model and credit analysis process. We ensure

that the underwriting and collection process are well streamlined and managed by highly competent workforce.

The operations team does an independent due-diligence of the documentation and books the loans. The operations team presents the PDCs or ECS instruction of customers, and directly gives the returned cheques to the collections team for physical collections, if any. The above processes ensure there is clear segregation of responsibilities, the customer is appraised by separate teams, and there are checks and balances within the system.

Your Company implements effective customer engagement and awareness tools like regular automated SMS, welcome and awareness calling, E-mailers & follow up letters at regular intervals to keep the customer aware of the payment cycle.

High quality of customer experience is of critical importance in building a sustainable customer franchise and FCH recognizes the same. FCH ensures that high quality of service engagement with its customers through physical branches and call centre.

FCH has set up elaborate procedures and systems as well as invested in a strong IT backbone to assist in monitoring of the portfolio on a continuous basis. Detailed procedures and policies have been established for underwriting across various product categories, based on the credit profile of the customer. Since last year, your Company has been continuously monitoring and realigning its credit policies at regular interval and is also working very closely with leading credit bureaus in the country to ensure better credit quality.

The risk management committee reviews and addresses strategy and portfolio/balance sheet risks arising from credit, liquidity movements and interest rate movements. Sustained efforts to strengthen the risk framework and portfolio quality have yielded results. The overall portfolio quality has improved over time and is stable and healthy. FCH's Assets-Liability Committee (ALCO), set-up in line with the guidelines issued by the RBI, monitors asset-liability mismatches and ensures that there are no material imbalances or excessive concentration on either side of the balance sheet.

### INFORMATION TECHNOLOGY

During FY12, your Company has taken major initiatives to strengthen the technology and operations framework in order to provide better and faster service delivery to its customers. It is carrying out the implementation of "FinnOne", a system by Nucleus Software, which replaces the existing Loan Management System and results in improvement in data quality, better checks and controls as well as faster processing capabilities. FinnOne is considered to be the best Loan Management System in India and is being used by various leading Banks and Financial Institutions in India and globally.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Your Company is also implementing the Gold Loan Management System by Gradatim Software which brings more efficiency in processing gold loans. During the year, your Company has also implemented a new HR management system, developed eFax System for automating workflow from remote two wheeler stores and automated calling for verification through Dialler to speed up workflow.

### HUMAN CAPITAL

FCH recognises that people play a critical role in achieving its goals. As on 31<sup>st</sup> March, 2012, your Company had a team of 1,123 talented and experienced employees, providing a wide range of financial services.

The focus for the year was to build platforms and to put in place scalable processes that would meet the needs of your Company's growth agenda. To achieve a good work culture, the people agenda has a 3 pronged strategy – Driving a performance culture to achieve financial goals, Future Proofing the franchise to build sustainability and Engagement & Communication to build commitment.

As a growing Company there are many opportunities available to employees to contribute and grow, ensuring that motivation is high. Your Company prides itself on its ability to attract and retain talents at all levels. It continues to use the Employees Stock

Options Scheme (ESOS) and Employee Stock Purchase Scheme (ESPS) to foster a sense of ownership among employees. While employee engagement is at the heart of everything your Company does, the learning and development as well as talent management framework is being strengthened to build the capabilities that are required for the future.

### CAUTIONARY STATEMENT

*Statements made in this Management Discussion and Analysis Report may contain certain forward-looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Actual results may differ substantially or materially from those expressed or implied due to risk and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and abroad, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the Company's businesses as well as the ability to implement its strategies. The information contained herein is as of the date referenced and the Company does not undertake any obligation to update these statements. The Company has obtained all market data and other information from sources believed to be reliable or its internal estimates, although its accuracy or completeness cannot be guaranteed.*

Place: Mumbai

Date: 30<sup>th</sup> July, 2012

## REPORT ON CORPORATE GOVERNANCE

### INTRODUCTION:

Clause 49 of the Listing Agreement executed with the Stock Exchange(s), *inter alia*, lists down various Corporate Governance related practices and requirements, which listed companies are required to adopt and follow. This Report outlines the governance practices followed by the Company in compliance with the said requirements of the Listing Agreement.

### PHILOSOPHY ON CORPORATE GOVERNANCE:

The Corporate Governance philosophy of the Company is driven by the following fundamental principles which ensure:

- conduct of the affairs of the Company in an ethical manner;
- transparency in all dealings;
- highest level of responsibility and accountability in dealing with various stakeholders of the Company;
- compliance with applicable statutes and regulations;
- timely dissemination of all price sensitive information and matters of interest to stakeholders through proper channel.

The Company firmly believes that good Corporate Governance practices are sine qua non for sustainable business that aims at generating long term value to all its stakeholders.

Effective, regular and timely dissemination of information to the Board of Directors and active interaction of the Board Members with Senior Management of the Company ensures effective supervision of the Company's businesses and activities.

A robust governance mechanism has been established within the Company which ensures that the Board of Directors alongwith its various Committees are able to connect with multiple stakeholders and address their issues in the best possible manner.

The Corporate Governance framework established by the Company ensures strategic guidance of the Company, effective monitoring of management by the Board and Board's accountability to the Company and the Shareholders.

### BOARD OF DIRECTORS ("Board")

The Board of Directors has been constituted in a manner to include the right mix of Executive, Non-executive and Independent Directors with a majority of Independent Directors so as to ensure proper governance and management.

The Corporate Governance principles of the Company have been formulated to ensure that the Board remains informed, independent and participates actively in the affairs of the Company. The Company also strives to mitigate "non business" risks and enhance stakeholders' value by taking measures to continuously improve Corporate Governance standards.

The Directors at Future Capital Holdings Limited (FCH) possess the highest personal and professional ethics, integrity and values and are committed to represent the long-term interest of the stakeholders. The Company's business is conducted by its employees under the direction of Mr. V. Vaidyanathan, Vice Chairman & Managing Director and the overall supervision of the Board.

FCH's Corporate Governance framework is based on majority of active Independent Board Members, separation of Board from the Executive Management, Board's effective supervisory role and constitution of Board Committees for significant and material matters generally comprising majority of Independent Directors, chaired by an Independent Director and also having a blend of Executive Management Members to assist the Committees.

### Composition of the Board

During the year under review, the Board of Directors of the Company had an optimum combination of Promoter, Professional and Independent Directors with tremendous knowledge and experience in various fields.

As at 31<sup>st</sup> March, 2012, the Board of Directors of the Company consisted of one Promoter Director, five Independent Directors, one Non-Executive Director and one Executive Director.

None of the Directors hold directorship in more than fifteen public limited companies, nor is any of them a member of more than ten committees or chairman of more than five committees across all public limited companies in which they are Directors.

During the financial year 2011-12, five Meetings of the Board of Directors were held on following days: 12<sup>th</sup> May, 2011, 30<sup>th</sup> June, 2011, 2<sup>nd</sup> August, 2011, 7<sup>th</sup> November, 2011 and 25<sup>th</sup> January, 2012 with the time gap between any two consecutive Meetings being not more than four months at any point in time.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

The details of the number of Board and General Meeting(s) attended by each Director during the year ended 31<sup>st</sup> March, 2012 and Directorship and or Membership/Chairmanship of the Committees of Board (except private companies, Section 25 companies and foreign companies) held by each of them as on 31<sup>st</sup> March, 2012, are given below:

Name of Directors	Category	Attendance Particulars			No. of outside Directorships	No. of committee positions held (including in company)	
		No. of Board Meetings held during tenure of the Director	No. Board Meetings attended by the Director	Attended the last AGM		Chairman	Member <sup>®</sup>
Mr. Kishore Biyani	Non-Executive Promoter Director & Chairman	5	3	No	10	-	4
Mr. V. Vaidyanathan	Executive Director, Vice Chairman & Managing Director	5	5	Yes	5	1	2
Mr. Krishan Kant Rathi	Non-Executive/Non-Independent Director	5	5	Yes	12	-	9
Mr. G. N. Bajpai	Non-Executive/Independent Director	5	4	Yes	14	4	9
Mr. Shailesh Haribhakti	Non-Executive/Independent Director	5	5	Yes	13	5	10
Mr. N. C. Singhal	Non-Executive/Independent Director	5	5	Yes	9	5	8
Mr. Anil Singhvi	Non-Executive/Independent Director	5	5	Yes	6	1	3
Mr. Pradeep Mukerjee	Non-Executive/Independent Director	5	3	Yes	1	1	3

<sup>®</sup> Member includes Chairman. Only Membership of Audit Committee and Shareholders' / Investors' Grievances Committee is considered.

### COMMITTEES OF THE BOARD OF DIRECTORS:

Under the aegis of the Board of Directors, several committees have been constituted which have been delegated powers for different functional areas. The Audit Committee, Shareholders'/Investors' Grievance and Share Transfer Committee, Compensation and Nomination Committee (which is also the ESOS/ESPS/Remuneration Committee), Asset Liability Management Committee (ALCO) and Risk Management Committee (RMC) have been constituted pursuant to and in accordance with the provisions of Listing Agreement, rules & regulations prescribed by Reserve Bank of India read with requirements of the Companies Act, 1956 and other applicable laws.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### AUDIT COMMITTEE

#### Terms of Reference

In addition to the matters provided in Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India, the Committee reviews the reports of the Internal Auditors, periodically meets the Statutory Auditors of the Company and discusses their findings, observations, suggestions, scope of audit etc. and also reviews internal control systems and accounting policies followed by the Company. The Committee also reviews the financial statements with the management, before their submission to the Board.

The terms of reference of the Audit Committee of the Board of Directors of the Company, *inter alia* includes:

1. Overseeing the Company's financial reporting process and reviewing with the management, the financial statements before submission to the Board for approval;
2. Recommending to the Board the appointment, re-appointment and replacement of the Statutory Auditor and fixing their fees;
3. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
4. Such other matters as specified under Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India or as may be delegated by the Board of Directors of the Company.

#### Composition and Attendance of Meeting:

The Audit Committee comprises of following three Members and two of them are Independent Directors:

- Mr. Anil Singhvi — Chairman
- Mr. G. N. Bajpai — Member
- Mr. K. K. Rath — Member

Mr. N. C. Singhal was inducted as a Member of the Committee w.e.f. 26<sup>th</sup> July, 2012.

All the Members of the Committee have vast experience and knowledge of finance, accounts and corporate laws with the Chairman being an eminent Chartered Accountant, who has finance, accounting, corporate law and financial market related expertise. The Statutory Auditors, Internal Auditors and Senior Management are invited to attend the Meetings of the Committee.

The quorum for the Meeting of the Audit Committee is as per applicable laws. The Company Secretary of the Company acts as a Secretary to the Committee.

During the year under review, the Committee met five times, i.e. on 12<sup>th</sup> May, 2011; 30<sup>th</sup> June, 2011; 2<sup>nd</sup> August, 2011; 7<sup>th</sup>

November, 2011 and 25<sup>th</sup> January, 2012. The details of the composition, categories and attendance of Directors at Audit Committee meetings during the financial year are as under:

Name	Category	Number of Audit Committee Meeting(s) Attended
Mr. Anil Singhvi	Chairman	5
Mr. G.N. Bajpai	Member	4
Mr. Krishan Kant Rath	Member	5

The minutes of the Audit Committee Meetings forms part of the documents placed before the Meetings of the Board. In addition, the Chairman of the Audit Committee appraises the Board Members about the significant discussions at Audit Committee Meetings.

### COMPENSATION AND NOMINATION COMMITTEE (WHICH IS ALSO THE ESOS/ESPS/REMUNERATION COMMITTEE)

#### Terms of reference:

The terms of reference of the Compensation and Nomination Committee, broadly includes the following:

1. Considering all matters as are required to be considered by the Remuneration Committee pursuant to the requirements of the Companies Act, 1956, including determining the Company's policy on specific remuneration packages for executive directors;
2. Performing all such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
3. Performing all such functions as are required to be performed by the Nomination Committee as per the requirements of Reserve Bank of India;
4. Such other matters as may be delegated by the Board of Directors of the Company from time to time.

#### Composition and Attendance at Meetings:

The Compensation and Nomination Committee comprises of following four Members out of which three Members are Independent Directors:

- Mr. G. N. Bajpai — Chairman
- Mr. Shailesh Haribhakti — Member
- Mr. Pradeep Mukerjee — Member
- Mr. V. Vaidyanathan — Member

During the year under review, the Committee met once, i.e. on 30<sup>th</sup> June, 2011. The details of the composition, categories and



## REPORT ON CORPORATE GOVERNANCE (CONTD.)

attendance of Directors at meeting(s) of the Committee held during the financial year are as under:

Name	Category	Number Compensation and Nomination Committee Meeting(s) Attended
Mr. G. N. Bajpai	Chairman	1
Mr. Shailesh Haribhakti	Member	1
Mr. V. Vaidyanathan	Member	1
Mr. Pradeep Mukerjee	Member	-

The minutes of the Meeting of Compensation and Nomination Committee forms part of the documents placed before the Meetings of the Board.

### Remuneration Policy:

The key components of the remuneration policy of the Company are:

- Compensation will be based on merit, experience and criticality of the function.
- Compensation will be competitive and benchmarked with financial services.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

### i) Non-Executive Directors' Compensation

The Company pays sitting fees of ₹ 20,000/- per Meeting to the Non-Executive Independent Directors for attending Meetings of the Board and/or its Committees. Pursuant to the approval given by the Members of the Company vide Special Resolution

passed at the Extraordinary General Meeting held on 27<sup>th</sup> August, 2010, under Section 309 and other applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company may remunerate Non-Executive Directors by way of Commission as per the limits specified therein. As on 31<sup>st</sup> March, 2012, 2,00,000 Stock Options granted to Mr. K. K. Rathi are outstanding. However, no fresh Stock Options were granted to any of the Non-Executive / Independent Directors during the year.

### ii) Executive Directors' Compensation

The compensation of the Executive Director(s) comprises of a fixed component and a performance incentive in the form of Bonus. The compensation has been determined based on the level of responsibility, prior experience & remuneration and prevailing industry standards in respect of remuneration. Further, in recognition of his experience, expertise and responsibility, the Company has granted 647,000 Stock Options to Mr. V. Vaidyanathan, Vice Chairman & Managing Director under the Company's Employee Stock Option Scheme 2011 during the financial year.

### Remuneration and period of contract of the Managing Director

Mr. V. Vaidyanathan, Vice Chairman & Managing Director is appointed for a period of five years with effect from 10<sup>th</sup> August, 2010 to 9<sup>th</sup> August, 2015. The contract may be terminated by either party by giving the other party six months' notice in writing. Details of remuneration paid to Mr. Vaidyanathan is as per table given below.

### Details of Equity Shares & Stock Options held and remuneration of Directors for the year ended 31<sup>st</sup> March, 2012.

(Amt. in ₹)

Name of Directors	Equity Shares Held	Stock Options Held	Sitting Fees (In ₹)	Gross Remuneration (In ₹)	Commission (In ₹)	Total (In ₹)
Mr. Kishore Biyani #	1,700,000	-	60,000	N.A.	Nil	60,000
Mr. V. Vaidyanathan ^	*147,904	991,000	—	**35,000,000	N.A.	35,000,000
Mr. G. N. Bajpai	50,000	-	180,000	N.A.	1,000,000	1,180,000
Mr. Shailesh Haribhakti	60,949	-	200,000	N.A.	1,000,000	1,200,000
Mr. N. C. Singhal	-	-	100,000	N.A.	1,000,000	1,100,000
Mr. Anil Singhvi	-	-	200,000	N.A.	1,000,000	1,200,000
Mr. Pradeep Mukerjee	-	-	80,000	N.A.	1,000,000	1,080,000
Mr. Krishan Kant Rathi	-	200,000	200,000	N.A.	Nil	200,000

# 8,000,000 share warrants allotted to Mr. Kishore Biyani on 30<sup>th</sup> September, 2010 which were convertible into equal number of equity shares and which were to be exercised on or before 29<sup>th</sup> March, 2012 in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 lapsed on 30<sup>th</sup> March, 2012 due to their non-exercise by the warrant holder.

^ 2,000,000 share warrants allotted to Mr. V. Vaidyanathan, Vice Chairman & Managing Director on 30<sup>th</sup> September, 2010 which were convertible into equal number of equity shares and which were to be exercised on or before 29<sup>th</sup> March, 2012 in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 lapsed on 30<sup>th</sup> March, 2012 due to their non-exercise by the warrant holder. Further, 647,000 stock options were allotted to Mr. V. Vaidyanathan during the financial year ended 31<sup>st</sup> March, 2012 under the FCH Employees Stock Option Scheme 2011.

\* As on 31<sup>st</sup> March, 2012, JV and Associates LLP, in which Mr. V. Vaidyanathan is a partner, was holding 30,73,795 equity shares of the Company.

\*\* Gross remuneration to Mr. V. Vaidyanathan includes performance bonus of ₹ 5,000,000/- payable for the financial year 2011-12.

## REPORT ON CORPORATE GOVERNANCE (CONT'D.)

### SHAREHOLDERS'/INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

#### Terms of reference:

The terms of reference of the Shareholders'/Investors' Grievances and Share Transfer Committee *inter alia* includes carrying out such functions for redressal of the shareholders' and investors' complaints, including but not limited to, transfer of shares, non-receipt of Annual Report, non-receipt of dividend and any other grievance that a shareholder or investor of the Company may have against the Company. The Committee also oversees and approves Transfer/Transmission/Dematerialisation of shares, issue of Duplicate/Consolidated/Split Share Certificate(s) etc.

The Company has appointed M/s. Link Intime India Private Limited as its Registrar and Share Transfer Agent (RTA). The Shareholders'/Investors' Grievances and Share Transfer Committee also oversees the performance of the RTA and recommends measures for overall improvement in the quality of investor services.

#### Composition:

The Shareholders'/Investors' Grievances and Share Transfer Committee comprises of three Members and one of them is an Independent Director. The present constitution of the Committee is as follows:

- Mr. Pradeep Mukerjee — Chairman
- Mr. V. Vaidyanathan — Member
- Mr. Krishan Kant Rathie — Member

Mr. Chetan Gandhi, Head - Legal & Secretarial, acts as Secretary to the Committee and is also the Compliance Officer of the Company.

The minutes of the Shareholders' / Investors' Grievances and Share Transfer Committee Meetings forms part of documents placed before the Meetings of the Board of Directors.

The equity shares of the Company are listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). Currently the Company has approximately 146,677 shareholders and during the year, the Company has not received any request for transfer of equity shares in the physical form.

At the beginning of the year, 7 complaints / correspondence were pending. During the year under review, the Company and M/s. Link Intime India Private Limited, the Registrar and Share Transfer Agent, received 21 complaints / correspondence (arising out of IPO and also related to Dividend). Out of the total complaints, 24 complaints were resolved / replied during the year and 4 Consumer Dispute Redressal Forum cases being "Subjudice", are hence treated as pending.

#### CODE OF CONDUCT

The Company has adopted the Code of Conduct for Directors and Senior Management ("Code"). The Code has been circulated to all the Members of the Board and Senior Management and the same has been put on the Company's website, i.e. [www.futurecapital.in](http://www.futurecapital.in). The Board of Directors and Senior Management have affirmed their compliance with the Code and a declaration signed by the Vice Chairman and Managing Director of the Company forms part of the Annual Report.

#### GENERAL BODY MEETINGS:

##### Details of General Meetings

During last three years, three Annual General Meetings i.e. fourth, fifth and sixth Annual General Meetings of the Company, one Extraordinary General Meeting and two Court Convened Meetings of the equity shareholders were held. The details of the Meetings and the Special Resolutions passed thereat are as follows:

General Meeting	Date, Time and Venue	Special Resolutions passed
Court Convened Meeting of Equity Shareholders	June 15, 2009, at 3:00 p.m. at Sunville Banquets, 9 Dr. Annie Besant Road, Worli, Mumbai - 400023	Resolution with the requisite majority prescribed under Section 391 of the Companies Act, 1956, for approving the composite Scheme of Amalgamation and Arrangement between the Company, Future Capital Financial Services Limited and Future Capital Credit Limited and their respective shareholders and creditors.
Fourth Annual General Meeting	4 <sup>th</sup> August, 2009, at 3:30 p.m. at M. C. Ghia Hall, Bhogilal Harigovinddas Building, 2 <sup>nd</sup> Floor, 18/20, K. Dubash Marg, Kalaghoda, Fort, Mumbai - 400 001	a) Special Resolution under Section 81(1A) of the Companies Act, 1956 for issue and allotment of equity shares through depository receipts in the course of one or more international or domestic public offerings and/or private placement basis in domestic and/or one or more international market(s).
		b) Ratification of pre-IPO FCH Employee Stock Option Scheme - 2007 and modification thereof.
		c) Ratification of pre-IPO FCH Employee Stock Option Scheme - 2007, in respect of employees of Holding Company and/or Subsidiary Company(ies) and modification thereof.
		d) Modification of FCH Employee Stock Purchase Scheme - 2008.



## REPORT ON CORPORATE GOVERNANCE (CONTD.)

General Meeting	Date, Time and Venue	Special Resolutions passed	
		e)	Modification of FCH Employee Stock Purchase Scheme – 2008, in respect of employees of Holding Company and/or Subsidiary Company(ies).
		f)	Modification of FCH Employee Stock Option Scheme – 2008.
		g)	Modification of FCH Employees Stock Option Scheme – 2008, in respect of employees of Holding Company and/or Subsidiary Company(ies).
		h)	Approval for FCH Employee Stock Option Scheme – 2009.
		i)	Approval for FCH Employee Stock Option Scheme – 2009, in respect of employees of Holding Company and/or Subsidiary Company(ies).
Fifth Annual General Meeting	9 <sup>th</sup> August, 2010, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	a)	Appointment of Mr. Krishan Kant Rathi as a Manager.
		b)	Grant of 200,000 Stock Options to Mr. Krishan Kant Rathi under FCH ESOS – 2008.
Extra Ordinary General Meeting	27 <sup>th</sup> August, 2010, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	a)	Appointment and remuneration of Mr. V. Vaidyanathan as the Managing Director of the Company.
		b)	Preferential allotment of 8,000,000 Warrants to Mr. Kishore Biyani each convertible into one Equity Share of the Company.
		c)	Preferential allotment of 2,000,000 Warrants to Mr. V. Vaidyanathan each convertible into one Equity Share of the Company.
		d)	Payment of commission to Non-Executive Directors of the Company.
Court Convened Meeting of Equity Shareholders	17 <sup>th</sup> February, 2011, at 2:30 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	Resolution with the requisite majority pursuant to provisions of Sections 391 to 394 read with Sections 78 and 100 to 103 of the Companies Act, 1956, for approving the Scheme of Arrangement between the Company and Future Capital Financial Services Limited and their respective shareholders.	
Sixth Annual General Meeting	17 <sup>th</sup> August, 2011, at 4:00 p.m. at the Mini Theatre, 3 <sup>rd</sup> floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400 025.	None	

### Postal Ballot

No resolution has been passed through Postal Ballot, during financial year 2011-12.

### DISCLOSURES:

#### i) Related Party Transactions

The Company has no material significant transactions with its related parties that may have a potential conflict with the interest of the Company. The details of transaction between the Company and the related parties are given for information under Note No. 34 of the Financial Statement for the year ended 31<sup>st</sup> March, 2012.

#### ii) No Penalty or strictures

There has been no instance of non-compliance by the Company on any matter relating to the capital markets and accordingly no penalties have been levied or strictures have

been passed by the Securities & Exchange Board of India or Stock Exchanges or any other statutory authority.

#### iii) Disclosure of accounting treatment

In the preparation of the financial statements, the Company has followed all the applicable Accounting Standards laid down by the Institute of Chartered Accountants of India.

#### iv) Disclosures on Risk Management

The Company has laid down procedures to inform the Members of the Board about the risk assessment and minimization procedures. A Risk Management Committee consisting of the Directors and the senior executives of the Company reviews these procedures to ensure that executive management controls risk through the means of a properly defined framework. The Company has framed the risk assessment and minimization procedure which is periodically reviewed by the Audit Committee and the Board.

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

### v) Proceeds from the Initial Public Offer of the Company

The details of the utilization of proceeds raised through Initial Public Offer of equity shares of the Company are disclosed to the Audit Committee. The Company has not utilized these funds for purposes other than those stated in the Prospectus of the Company.

### vi) CEO / CFO Certification

In accordance with Sub-Clause V of Clause 49 of the Listing Agreement, a certificate from the Vice Chairman & Managing Director and the Head Corporate Centre & Chief Financial Officer was placed before the Board.

### vii) Appointment / Re-appointment of Directors

The details in respect of the Director proposed to be re-appointed are provided in the Directors' Report.

### viii) Management Discussion and Analysis

The Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the Listing Agreement.

### MEANS OF COMMUNICATION:

Quarterly/annual audited/unaudited financial results are regularly submitted to all the Stock Exchanges where the shares of the Company are listed in accordance with the Listing Agreement and published in a prominent English daily newspaper and in a regional language newspaper. The quarterly / annual results are also displayed on the Company's website [www.futurecapital.in](http://www.futurecapital.in) soon after their declaration.

### GENERAL SHAREHOLDER INFORMATION:

#### 1. Annual General Meeting:

Date and Time : Tuesday, 25<sup>th</sup> September, 2012;  
3:00 p.m.  
Venue : Mini Theatre, 3<sup>rd</sup> Floor,  
P. L. Deshpande,  
Maharashtra Kala Academy,  
Sayani Road, Prabhadevi,  
Mumbai - 400 025.

2. Tentative Financial Calendar : The financial year of the Company is from 1<sup>st</sup> April to 31<sup>st</sup> March of the following year.
  - First Quarter Results : Last week of July, 2012
  - Second Quarter Results : Last week of October, 2012
  - Third Quarter Results : First week of February, 2013
  - Fourth Quarter Results : Mid/Last week of May, 2013
3. Date of Book Closure : 8<sup>th</sup> September, 2012 to 11<sup>th</sup> September, 2012 (Both days inclusive)
4. Dividend Payment Date : On or after 26<sup>th</sup> September, 2012.
5. Listing on Stock Exchanges : BSE Limited (BSE)  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001.  
National Stock Exchange of India Ltd (NSE)  
Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No.C/1, G-Block,  
Bandra-Kurla Complex,  
Bandra (East),  
Mumbai - 400 051.
6. Listing Fees : Listing fees of both the Stock Exchanges for the year 2011-12 have been paid.

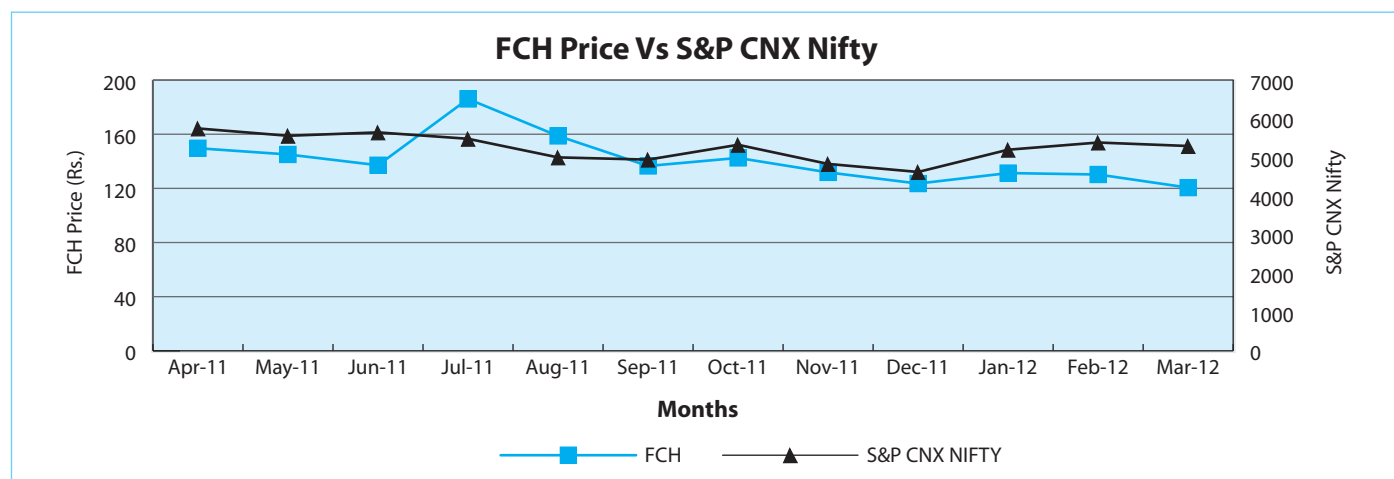
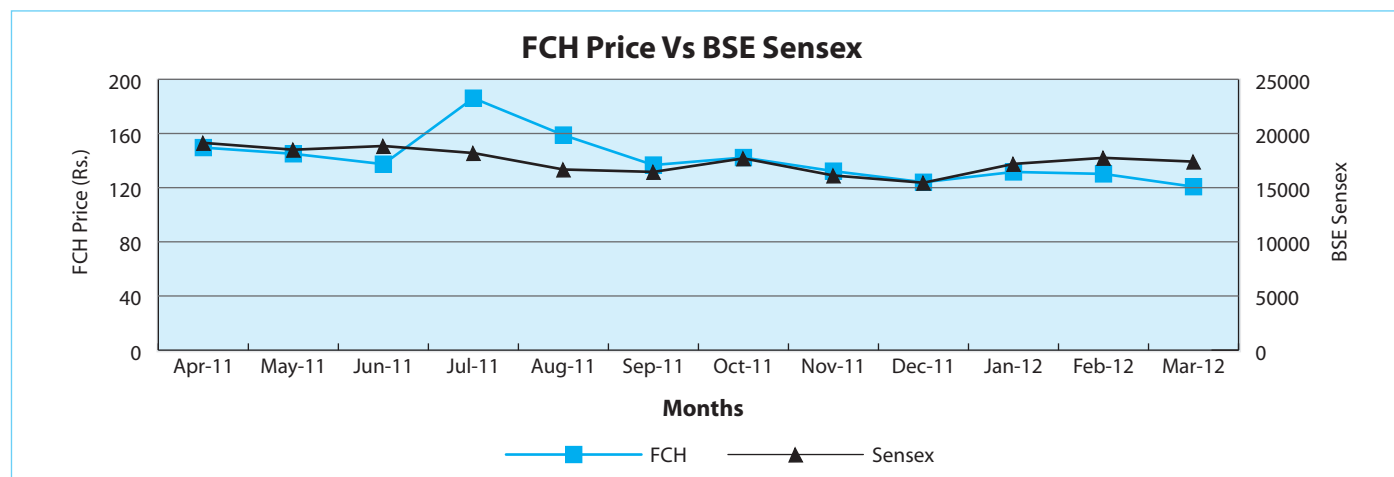
7. Stock Code  
BSE : 532938  
NSE : FCH  
International Securities  
Identification Number (ISIN) : INE688I01017

#### 8. Market Price Data during the financial year ended 31<sup>st</sup> March, 2012:

Month	BSE		NSE	
	High	Low	High	Low
April, 2011	179.25	141.00	179.50	140.40
May, 2011	150.90	129.50	151.20	129.00
June, 2011	147.35	127.00	147.25	127.50
July, 2011	199.00	136.60	199.90	136.10
August, 2011	198.30	145.10	198.00	145.40
September, 2011	162.35	136.00	162.00	135.45
October, 2011	154.40	123.10	159.80	123.50
November, 2011	157.95	130.10	158.00	126.20
December, 2011	148.80	101.60	148.80	91.00
January, 2012	149.10	114.55	149.75	114.50
February, 2012	153.40	120.90	153.95	120.90
March, 2012	131.90	116.55	132.70	116.35

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

Performance of share price in comparison with broad-based indices, viz. NSE Nifty & BSE Sensex:



### 9. Distribution of Shareholdings as at 31<sup>st</sup> March, 2012:

Sr. No.	Shareholding Nominal Value of			Shareholders		Share Amount	
	₹		₹	Number	% to Total	In ₹	% to Total
	(1)			(2)	(3)	(4)	(5)
1	Upto	-	5,000	144,815	98.73	32,100,520	4.95
2	5,001	-	10,000	878	0.60	6,990,920	1.08
3	10,001	-	20,000	413	0.28	6,239,740	0.96
4	20,001	-	30,000	133	0.09	3,341,540	0.52
5	30,001	-	40,000	82	0.06	2,969,120	0.46
6	40,001	-	50,000	69	0.05	3,328,170	0.51
7	50,001	-	100,000	123	0.08	9,214,520	1.42
8	100,001 and above			164	0.11	583,800,310	90.10
	Total			146,677	100.00	647,984,840	100.00

## REPORT ON CORPORATE GOVERNANCE (CONT'D.)

### 10. Categories of Shareholdings as on 31<sup>st</sup> March, 2012 :

Category	No. of Shares	%
Promoters & their relatives	36,479,999	56.30
Mutual Funds and UTI	1,240,354	1.91
Banks, Financial Institutions, Insurance Companies	381,077	0.59
Foreign Institutional Investors	1,362,943	2.10
Bodies Corporate	11,232,708	17.34
Indian Public	9,594,071	14.81
Non Resident Individuals/ Overseas Corporate Bodies	3,751,509	5.79
Others*	755,823	1.16
<b>Total</b>	<b>64,798,484</b>	<b>100.00</b>

\* Includes Clearing members and Trusts

### 11. Registrar and Transfer Agents

: Link Intime India Private Limited  
(Formerly Intime Spectrum Registry Limited),  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai - 400 078.  
Tel No.: +91 22 2594 6970  
Fax No.: +91 22 2594 6969  
E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

### 12. Dematerialisation of shares and liquidity:

Equity Shares of the Company are under compulsory Demat trading. As on 31<sup>st</sup> March, 2012, a total of 63,858,272 equity shares aggregating to 98.55 % of the total issued, subscribed and paid-up equity share capital of the Company, are in dematerialised form.

### 13. Outstanding GDRs / ADRs / Warrants or any Convertible instruments

: Nil

### 14. Plant Locations

: Not Applicable

### 15. Address for correspondence

: Registrar and Transfer Agents  
**Link Intime India Private Limited**  
(Formerly Intime Spectrum Registry Limited),  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai - 400 078.  
Tel No.: +91 22 2594 6970  
Fax No.: +91 22 2594 6969  
E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

**Mr. Chetan Gandhi, Head - Legal & Secretarial**  
Future Capital Holdings Limited  
Indiabulls Finance Centre,  
15<sup>th</sup> Floor, Tower – 2, Senapati Bapat Marg,  
Elphinstone (West), Mumbai – 400 013.  
Tel. No.: 022-4042 3400  
Fax No.: 022- 4042 3401

### 16. Designated E-mail ID

: [fch.legal@futurecapital.in](mailto:fch.legal@futurecapital.in)

## REPORT ON CORPORATE GOVERNANCE (CONTD.)

17. Pursuant to the requirements of the Circular dated 24<sup>th</sup> April, 2009, issued by the Securities & Exchange Board of India ("SEBI") and in accordance with Clause 5A of the Listing Agreement, the aggregate Equity Shares which are unclaimed by the shareholders under the Initial Public Offer are 2,976 as on 31<sup>st</sup> March, 2012. The Company has opened a separate demat suspense account and has credited the said unclaimed shares in compliance with requirements of the said SEBI Circular/Clause 5A of the Listing Agreement.

### COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

The extent of compliance in respect of non-mandatory requirements is as follows:

#### i. Chairman of the Board

No separate office is maintained for the Non-Executive Chairman. The Company does not reimburse expenses incurred by him in performance of his duties.

No specific tenure has been specified for the Independent Directors. However, they are liable to retire by rotation and seek re-appointment by the Members.

#### ii. Remuneration Committee

Please refer to the details given under "Compensation and Nomination Committee".

#### iii. Shareholders' Rights

The equity shares of the Company are listed on the Stock Exchanges with effect from 1<sup>st</sup> February, 2008. The Company has not yet commenced sending half yearly financial performance to each household of the shareholders.

#### iv. Audit Qualifications

There are no audit qualifications in the financial statements for the financial year 2011-12. Standard practices and procedures are in place to ensure unqualified financial statements.

#### v. Training of Board Members

The Directors interact with the management in a very free and open manner on information that may be required by them for orientation with the business of the Company.

#### vi. Mechanism for evaluating Non-Executive Board Members

The evaluation process is yet to be formulated by the Board.

#### vii. Whistle Blower Policy

The Company has initiated steps to implement a Whistle Blower Policy.

Place: Mumbai

Date: 30<sup>th</sup> July, 2012

## CODE OF CONDUCT – DECLARATION

In accordance with Sub-Clause 1(D) of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, I confirm that the Members of the Board of Directors and the Senior Management personnel of Future Capital Holdings Limited have affirmed compliance with the Company's Code of Conduct for the financial year 2011-12.

For Future Capital Holdings Limited

Sd/-

V. Vaidyanathan

Vice-Chairman & Managing Director

Place: Mumbai

Date: 30<sup>th</sup> July, 2012

## CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To

The Members

Future Capital Holdings Limited

We have examined the compliance of the conditions of Corporate Governance by Future Capital Holdings Limited ("the Company"), for the year ended 31<sup>st</sup> March 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SVJS & Associates,  
Company Secretaries,

Sd/-

P. Sivakumar

Managing Partner

CP No: 2210

Place: Kochi

Date: 30<sup>th</sup> July, 2012

## AUDITORS' REPORT

### To The Members of Future Capital Holdings Limited

1. We have audited the attached Balance Sheet of Future Capital Holdings Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ['the Order'] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose, in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.

Firm registration number: 301003E

Chartered Accountants

per Shrawan Jalan

Partner

Membership No.: 102102

Place: Mumbai

Date: May 29, 2012

## ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company did not have any inventory therefore provisions of clause (ii) of paragraph 4 of the Order are not applicable to the Company and hence not commented upon.
- (iii) (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 10,500 lakhs and the year-end balance of loans granted to such parties was ₹ 5,500 lakhs.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹ five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to custom duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks and financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanation given to us, the Company has not issued any debentures during the year. The Company had created security or charge in respect of debentures issued in prior years, which were outstanding during the current year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit *except for an instance of fraud reported on the Company by a customer who availed loans aggregating to ₹ 45 Lakhs from the Company on the basis of fraudulent documents. The Company has initiated arbitration proceedings against the said customer and has fully provided an amount of ₹ 44.54 Lakhs net of recovery of ₹ 2.70 Lakhs.*

For S.R. Batliboi & Co.

Chartered Accountants

Firm's Registration Number: 301003E

per Shrawan Jalan

Partner

Membership No.: 102102

Place: Mumbai

Date: May 29, 2012

## BALANCE SHEET AS AT MARCH 31, 2012

		Amounts in ₹	
Particulars	Notes	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	644,984,840	647,834,840
Reserves and Surplus	4	7,459,657,172	6,166,451,013
Money received against share warrants	32	-	592,500,000
		<b>8,104,642,012</b>	<b>7,406,785,853</b>
Share application money pending allotment		-	1,530,000
<b>Non - current liabilities</b>			
Long term borrowings	5	27,203,360,796	11,414,339,485
Other long term liabilities	6	109,293,464	406,804,916
Long term provisions	7	974,804,247	75,288,705
		<b>28,287,458,507</b>	<b>11,896,433,106</b>
<b>Current Liabilities</b>			
Short term borrowings	8	11,522,351,255	11,687,464,300
Trade payables	9	408,786,716	317,237,088
Other current liabilities	10	7,798,759,128	3,779,122,410
Short term provisions	11	359,432,074	658,231,778
		<b>20,089,329,173</b>	<b>16,442,055,576</b>
<b>TOTAL</b>		<b>56,481,429,692</b>	<b>35,746,804,535</b>
<b>ASSETS</b>			
<b>Non - current assets</b>			
<b>Fixed Assets</b>			
- Tangible assets	12	212,262,647	43,674,802
- Intangible assets	12	21,553,544	9,342,026
- Capital Work in Progress		19,839,798	-
- Intangible assets under development		14,037,500	-
		<b>267,693,489</b>	<b>53,016,828</b>
Non - current investments	13	2,642,676,099	519,814,059
Deferred tax assets (Net)	14	67,995,727	52,489,254
Long term loans and advances	15	27,021,440,496	19,557,093,005
Other non current assets	16	2,116,480,705	332,367,794
		<b>32,116,286,516</b>	<b>20,514,780,940</b>
<b>Current Assets</b>			
Current Investments	17	606,837,061	2,326,679,178
Trade receivables	18	471,049,007	75,313,432
Cash and cash equivalents	19	4,955,031,749	3,398,481,252
Short term loans and advances	20	17,612,898,709	9,161,144,196
Other current assets	21	719,326,650	270,405,537
		<b>24,365,143,176</b>	<b>15,232,023,595</b>
<b>TOTAL</b>		<b>56,481,429,692</b>	<b>35,746,804,535</b>
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			
As per our report of even date			

For **S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

per **Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

For and on behalf of the Board of Directors of  
Future Capital Holdings Limited

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	Notes	For the year ended March 31, 2012	For the year ended March 31, 2011
Income			
Revenue from Operations	22	7,019,183,034	2,385,362,486
Other Income	23	8,441,107	251,918,986
Total revenue		7,027,624,141	2,637,281,472
Expenses			
Employee benefits expense	24	795,875,963	238,311,817
Finance costs	25	3,956,303,772	1,142,319,806
Depreciation and amortization expense	26	29,812,975	5,647,270
Other expenses	27	894,511,117	499,111,621
Total Expenses		5,676,503,827	1,885,390,514
Profit before tax		1,351,120,314	751,890,958
Tax expense:			
- Current tax		444,700,000	253,500,000
- Deferred tax		(15,506,473)	(54,217,282)
		429,193,527	199,282,718
Profit for the year		921,926,787	552,608,240
Earning per equity share:	28		
- Basic		14.23	8.60
- Diluted		14.23	8.58
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

**For S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

**For and on behalf of the Board of Directors of  
Future Capital Holdings Limited**

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Cash Flow From Operating Activities</b>		
Profit Before Tax	1,351,120,314	751,890,958
Adjustments for :		
Depreciation/ amortisation	29,812,975	5,647,270
Bad loans and trade receivables written off	70,264,922	7,437,441
Provision for diminution in investments	35,000,000	247,938,400
Provision for standard assets	48,700,000	60,001,000
Provision for doubtful loans and advances	8,528,010	4,560,360
Provision for employee benefits	15,749,205	5,780,378
Loss/ (profit) on sale of investments (net)	20,036,866	(250,136,882)
(Profit)/ Loss on sale of fixed assets	(6,850)	2,221
Interest on Investments	(81,124,259)	(28,665,425)
	<u>146,960,869</u>	<u>52,564,763</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>1,498,081,183</b>	<b>804,455,721</b>
Adjustment for changes in working capital:		
(Increase)/ Decrease in Trade Receivables	(395,735,575)	(9,917,375)
(Increase)/ Decrease in Loans and Advances	(16,054,675,698)	(14,524,291,953)
(Increase)/ Decrease in Other Assets	(2,232,656,244)	37,644,818
Increase/ (Decrease) in Trade payables and other liabilities	4,321,915,376	774,734,717
Cash used in operations	(12,863,070,958)	(12,917,374,072)
Direct taxes paid (net of refund)	(469,554,241)	(295,624,551)
<b>Net Cash used in Operating Activities</b>	<b>(13,332,625,199)</b>	<b>(13,212,998,623)</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets including intangible assets and Capital Work in progress	(244,489,635)	(26,245,817)
Sale proceeds from fixed assets	-	41,390
Purchase of investments	(2,795,304,864)	(2,769,216,535)
Sale proceeds from investments	2,337,254,927	3,056,286,881
Interest received on Investments	81,124,259	28,665,425
<b>Net Cash generated from/ (used) in Investing Activities</b>	<b>(621,415,313)</b>	<b>289,531,344</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	-	12,555,000
Proceeds from Securities Premium on issue of Equity Share Capital	-	156,166,000
Proceeds from issue of share warrants	-	592,500,000
Payment of securities issue expenses	-	(55,645,000)
Payment of dividend	(97,553,006)	(63,307,806)

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (CONTD.)**

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Payment of dividend tax	(15,764,251)	(10,796,581)
Proceeds from long term borrowings	19,887,500,000	10,811,273,972
Repayment of long term borrowings	(4,098,478,689)	(1,791,259,646)
Proceeds from short term borrowings	16,984,000,000	6,826,064,193
Repayment of short term borrowings	(17,149,113,045)	(500,000,000)
<b>Net Cash From Financing Activities</b>	<b>15,510,591,009</b>	<b>15,977,550,132</b>
<b>Net increase in Cash and Cash Equivalents during the year</b>	<b>1,556,550,497</b>	<b>3,054,082,853</b>
Cash and Cash equivalents at beginning of the year	3,398,481,252	231,919,100
Add: Cash and Cash equivalents acquired on amalgamation (Refer note 2)	-	112,479,299
	<b>3,398,481,252</b>	<b>344,398,399</b>
<b>Cash and Cash equivalents at the end of the year</b>	<b>4,955,031,749</b>	<b>3,398,481,252</b>

	As at March 31, 2012	As at March 31, 2011
<b>Cash and Cash equivalents comprises of :</b>		
Cash in Hand	102,634,757	16,112,833
Balance with scheduled banks:		
- in unpaid dividend accounts	597,958	220,178
- in unpaid share application money	2,311,621	2,311,621
- on current account	4,849,487,413	3,379,836,620
<b>Total</b>	<b>4,955,031,749</b>	<b>3,398,481,252</b>

**Notes:**

- 1 Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturity of three months or less.
- 2 During previous year, the Company acquired net assets of ₹ 1,160,940,243 from Future Capital Financial Services Limited pursuant to the Scheme of Arrangement and Amalgamation in a non cash transaction.

As per our report of even date

**For S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

**For and on behalf of the Board of Directors of  
Future Capital Holdings Limited**

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 1. CORPORATE INFORMATION

Future Capital Holdings Limited (the 'Company') is a public Company domiciled in India and incorporated on October 18, 2005 under the provisions of the Companies Act 1956. The Company has received a Certificate of Registration from the Reserve Bank of India ('RBI') on April 10, 2006 to commence / carry on the business of Non-Banking Financial Institution ('NBFC') without accepting public deposits.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspect with the Accounting Standard notified by Companies Accounting Standard Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 except for dividend from mutual fund units, which is in accordance with the Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ('NBFC Regulation'). The accounting policies adopted in the preparation of Financial Statements are consistent with those used in the previous year except for the change in Accounting Policy explained in Point No 2.1 (a).

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Change in Accounting Policy

Presentation and Disclosure of Financial Statements:

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per the Guidance Note issued by the Chartered Accounts of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly during the year, the Company has reduced the Share Capital by ₹ 3,000,000 and Securities Premium by ₹ 109,635,000 in respect of 300,000 shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

##### (b) Current/ Non Current classification of assets and liabilities

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as up to twelve months for the purpose of current – Non Current classification of assets and liabilities.

##### (c) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

##### (d) Tangible Fixed assets

Tangible Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements of 5 years.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### (e) Intangible Fixed assets

Intangible assets includes domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.

### (f) Depreciation

Depreciation is provided using straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Tangible assets and intangible assets costing ₹ 5,000 or less individually are fully depreciated / amortized in the year of purchase.

### (g) Loans

Loans are stated at the amount advanced, as reduced by the amounts received up to the balance sheet date and loans assigned.

### (h) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease period.

### (i) Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### (j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

Unquoted investments in units of mutual funds are stated at net asset value.

### (k) Commercial Papers

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

### (l) Foreign currency transactions

#### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### (iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### (m) **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### **Interest income**

Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

#### **Income on discounted instruments**

Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

#### **Fee income**

Fee income on wholesale loans is recognised as and when they are due.

Fee income on retail loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

#### **Commission and brokerage income**

Commission and brokerage income is recognised as and when they are due.

#### **Income from Assignment of loans and receivables**

In case of assignment of loans the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration to be received as reduced by the estimated provision for loss/ expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

#### **Dividend income**

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

#### **Profit/ Loss on sale of investments**

Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

### (n) **Retirement and other employee benefits**

#### **Gratuity**

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Leave Encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

### (o) Borrowing costs

Borrowing costs consists of interest and other cost that an entity incurs in connection with borrowing of funds. Borrowing costs are recognized as an expense in the period in which these are incurred.

### (p) Loan origination cost

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. The unamortized balance is being disclosed as part of loans and advances. However, if the case is foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the Statement of Profit and Loss at the time of such foreclosure.

### (q) Income Taxes

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

### (r) Provisioning / write-off of assets

Non performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. Delinquencies on assets securitized / assigned are provided for based on management estimates of the historical data.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Company accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security. Provisions and write off are made against overdue retail loans as under:

Particulars	2011- 12	2010-11
<i>All Retail loans other than loan against property</i>		
90 days overdue	10% provision	10% provision
120 days overdue	33% provision cumulative	33% provision cumulative
150 days overdue	66% provision cumulative	66% provision cumulative
180 days overdue	100% write off	100% write off
Loss Assets	100% write off	100% write off
<i>Loans against Property</i>		
90 days overdue	10% provision	10% provision
180 days overdue	33% provision cumulative	33% provision cumulative
360 days overdue	66% provision cumulative	66% provision cumulative
720 days overdue	100% write off	100% write off
Loss Assets	100% write off	100% write off

### *Provision on other than Retail loans*

Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

### (s) Employee Stock Option Scheme ('ESOS')

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

### (t) Segment Reporting Policies

#### *Identification of segments*

The Company has organized its operations into two major businesses: Retail Financial Services and Wholesale credit & Treasury services. The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

#### *Unallocated items*

It includes income and expense items which are not allocated to any business segment.

#### *Segment Policies*

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### (u) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### (v) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that 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 its present value and are determined based on 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.

### (w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

### (x) Cash and Cash Equivalent

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

Amounts in ₹		
Particulars	As at March March 31, 2012	As at March March 31, 2011
<b>3. Share Capital:</b>		
<b>Authorized:</b>		
113,000,000 (Previous Year: 113,000,000) Equity shares of ₹ 10/- each	1,130,000,000	1,130,000,000
	<u>1,130,000,000</u>	<u>1,130,000,000</u>
<b>Issued, subscribed and fully paid up:</b>		
64,798,484 (Previous Year: 64,783,484) Equity shares of ₹ 10/- each	647,984,840	647,834,840
Less: 300,000 shares issued to FCH Employee Welfare Trust but not allotted to Employees (Refer Note 2.1 (a))	(3,000,000)	-
	<u>644,984,840</u>	<u>647,834,840</u>

#### a. Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

	As at March 31, 2012		As at March 31, 2011	
	Number	₹	Number	₹
At the beginning of the reporting period	64,783,484	647,834,840	63,527,984	635,279,840
Issued during the reporting period - Employees Stock Option Scheme (Refer Note 31)	15,000	150,000	1,255,500	12,555,000
Bought back during the reporting period	-	-	-	-
At the close of the reporting period	<u>64,798,484</u>	<u>647,984,840</u>	<u>64,783,484</u>	<u>647,834,840</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

b. Terms / Rights attached to Equity Shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by the holding company:

	As at March 31, 2012		As at March 31, 2011	
	Number	₹	Number	₹
Pantaloon Retail (India) Limited	34,779,999	347,799,990	34,779,999	347,799,990

d. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

	As at March 31, 2012		As at March 31, 2011	
	Number	%	Number	%
Pantaloon Retail (India) Limited	34,779,999	53.67%	34,779,999	53.67%
Kishore Biyani	1,700,000	2.62%	4,773,795	7.37%

Amounts in ₹

	As at March March 31, 2012	As at March March 31, 2011
e. Securities convertible into equity shares		
Share Warrants		
Earliest date of conversion (Refer Note 32)	NA	March 29, 2012
f. Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment (Refer Note 31)	2,578,500	1,378,500
g. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceeding the reporting date	NIL	NIL

Amounts in ₹

Particulars	As at March March 31, 2012	As at March March 31, 2011
<b>4. Reserves and Surplus:</b>		
<b>Capital Reserve</b>		
Balance as last Balance Sheet	-	-
Add : Transferred during the year (Refer Note 32)	592,500,000	-
	<b>592,500,000</b>	-
<b>Statutory Reserve pursuant to Section 45-IC of the RBI Act, 1934</b>		
Balance as last Balance Sheet	239,449,687	71,343,345
Add : Addition on amalgamation of subsidiary (Refer Note 45)	-	57,584,694
Add : Transferred from profit and loss account	184,385,357	110,521,648
	<b>423,835,044</b>	<b>239,449,687</b>
<b>Securities Premium Account</b>		
Balance as per last Balance Sheet	5,720,593,930	6,617,435,895
Add : Received during the year	1,380,000	156,166,000
Less : Debenture issue expenses	-	(55,645,000)
Less : Amalgamation adjustments (Refer Note 42)	-	(997,362,965)
	<b>5,721,973,930</b>	<b>5,720,593,930</b>
Less: 300,000 shares issued to FCH Employee Welfare Trust but not allotted to Employees (Refer Note 2.1 (a))	(109,635,000)	-
	<b>5,612,338,930</b>	<b>5,720,593,930</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amounts in ₹

Particulars	As at March March 31, 2012	As at March March 31, 2011
<b>General Reserve</b>		
Balance as per last Balance Sheet	27,630,412	-
Add : Transferred from profit and loss account	46,096,339	27,630,412
	<b>73,726,751</b>	<b>27,630,412</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last Balance Sheet	178,776,984	210,944,611
Less : Debit Balance on amalgamation of subsidiary (Refer Note 45)	-	(333,684,330)
	<b>178,776,983</b>	<b>(122,739,719)</b>
Add: Profit for the year	921,926,787	552,608,240
Less: Appropriations:		
Transfer to statutory reserve under section 45-IC of the Reserve Bank of India ('RBI') Act, 1934	(184,385,357)	(110,521,648)
Proposed dividend	(97,197,726)	(97,175,226)
Dividend tax thereon	(15,767,902)	(15,764,251)
Transfer to general reserve	(46,096,339)	(27,630,412)
	<b>757,256,447</b>	<b>178,776,984</b>
	<b>7,459,657,172</b>	<b>6,166,451,013</b>

### 5. Long term Borrowings:

Amounts in ₹

	Non Current Portion		Current Maturities*	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>Secured</b>				
Redeemable Non Convertible Debentures	5,141,000,000	5,141,000,000	-	-
Term Loans				
- from Banks	20,062,360,796	6,273,339,485	5,137,500,000	2,525,000,000
<b>Unsecured</b>				
Term Loans				
- from Banks (Subordinated debt)	2,000,000,000	-	-	-
	<b>27,203,360,796</b>	<b>11,414,339,485</b>	<b>5,137,500,000</b>	<b>2,525,000,000</b>

\* Amount disclosed under the head 'Other current liabilities' (Refer Note 10)

#### a. Debentures

Debentures are secured by first pari passu charge on fixed assets and first exclusive charge on certain receivables of Retail and Corporate loans.

#### b. Particulars of redemption of debentures

Particulars	Face Value	Quantity	Date of Redemption	As at March 31, 2012	As at March 31, 2011
11.25%,Tranche 2	1,000,000	1,250	December 1, 2015	1,250,000,000	1,250,000,000
11.25%,Tranche 1	1,000,000	1,250	October 1, 2015	1,250,000,000	1,250,000,000
10.25%,Tranche 2-A	1,000,000	60	August 31, 2015	60,000,000	60,000,000
11.00%,Tranche 2-B3	1,000,000	4	August 31, 2015	4,000,000	4,000,000
10.25%,Tranche 1-A	1,000,000	1,251	August 16, 2015	1,251,000,000	1,251,000,000
11.00%,Tranche 1-B3	1,000,000	428	August 16, 2015	428,000,000	428,000,000
11.00%,Tranche 2-B2	1,000,000	3	February 28, 2015	3,000,000	3,000,000
11.00%,Tranche 1-B2	1,000,000	321	February 16, 2015	321,000,000	321,000,000
11.00%,Tranche 2-B1	1,000,000	3	August 31, 2014	3,000,000	3,000,000
11.00%,Tranche 1-B1	1,000,000	321	August 16, 2014	321,000,000	321,000,000
10.35%,Tranche 1	1,000,000	250	December 30, 2013	250,000,000	250,000,000
				<b>5,141,000,000</b>	<b>5,141,000,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### c. Security Details for Term loans

- 1 Term loans of ₹ 6,500,275,390 (Previous year: ₹ 3,291,666,665) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.
- 2 Term loans of ₹ 16,699,603,132 (Previous year: ₹ 2,805,283,936) is secured by way of first pari passu charge on receivables of the Company.
- 3 Term loans of ₹ 1,999,982,274 (Previous Year: ₹ 2,000,000,000) is secured by way of first exclusive charge on priority sector lending receivables of the Company.
- 4 Term loan of ₹ Nil (Previous year: ₹ 701,388,884) is secured by way of hypothecation of underlying assets financed by the Company and receivables on first pari passu basis.

### d. Terms of repayment

#### Term loans from Banks -Secured

As at March 31, 2012

Amounts in ₹

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 Months	11.75% to 12.25%	Bullet and Quarterly Instalments	2,949,860,796	750,000,000
48-60 months	10.75% to 12.25%	Monthly and Quarterly Instalments	15,112,500,000	1,387,500,000
36-48 months	11.15% to 12.15%	Bullet, Monthly and Quarterly Instalments	1,500,000,000	500,000,000
12-24 months	11.25%	Bullet, Monthly and Quarterly Instalments	500,000,000	500,000,000
Upto 12 months	11.65%	Bullet Payment on Maturity	-	2,000,000,000
<b>Grand Total</b>			<b>20,062,360,796</b>	<b>5,137,500,000</b>

As at March 31, 2011

Amounts in ₹

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 months	10.00%	20 Quarterly Instalments	1,000,000,000	-
48-60 months	11.00%	16 Quarterly Instalments	1,000,000,000	-
36-48 months	9.75%	Monthly and Quarterly Instalments	555,283,936	250,000,000
24-36 months	10.00% to 13.00%	Bullet, Yearly, Monthly and Quarterly Instalments	1,600,000,000	400,000,000
12-24 months	13.75% to 14.50%	Bullet, Monthly and Quarterly Instalments	2,118,055,549	1,083,333,333
Upto 12 months	13.75% to 14.00%	Quarterly Instalments	-	791,666,667
<b>Grand Total</b>			<b>6,273,339,485</b>	<b>2,525,000,000</b>

#### Term Loan from bank- Unsecured

As at March 31, 2012

Amounts in ₹

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 months	12.20%	Bullet	2,000,000,000	-
<b>Grand Total</b>			<b>2,000,000,000</b>	<b>-</b>

As at March 31, 2011

Amounts in ₹

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
Not Applicable			-	-
<b>Grand Total</b>			<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March 31, 2012	As at March 31, 2011	
<b>6. Other Long term liabilities:</b>			
Trade Payables (Refer below for dues to micro and small enterprises)	-	-	
Others:			
Cash collateral against retail loans	119,859	387,775,843	
Unamortised processing fees/ subvention income (Refer Note 40)	109,173,605	19,029,073	
	<u>109,293,464</u>	<u>406,804,916</u>	
<b>Micro and Small Scale Business Entities:</b>			
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.			
<b>7. Long term Provisions:</b>			
For standard assets (Refer Note 2.1 (r))	76,301,000	41,622,027	
For loan loss provision	28,000,000	-	
For foreclosure/ credit loss on assignment	860,727,379	29,673,049	
For employee benefits			
- Gratuity	9,775,868	3,993,629	
	<u>974,804,247</u>	<u>75,288,705</u>	
<b>8. Short term Borrowings:</b>			
<b>Secured</b>			
Loans repayable on demand			
- from banks	7,972,835,635	5,177,487,929	
Term loans			
- from others	-	500,000,000	
<b>Unsecured</b>			
Commercial papers	3,549,515,620	6,009,976,371	
	<u>11,522,351,255</u>	<u>11,687,464,300</u>	

### Additional Information:

- Cash credit of ₹ 1,497,230,909 (Previous Year: ₹ 4,677,186,559) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.
- Cash credit of ₹ 6,475,604,726 (Previous Year: ₹ 500,301,370) is secured by way of first passu charge on receivables of the Company.
- Term loans from others of ₹ Nil (Previous year: ₹ 500,000,000) is repayable within 1 year and secured by way of first exclusive charge on retail receivables of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March 31, 2012	As at March 31, 2011	
<b>9. Trade Payables:</b>			
To Micro, Small and Medium Enterprises	-	-	
Others	408,786,716	317,237,088	
	<b>408,786,716</b>	<b>317,237,088</b>	
<b>Micro and Small Scale Business Entities</b>			
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.			
<b>10. Other current liabilities:</b>			
Current maturities of long term debt	5,137,500,000	2,525,000,000	
Interest accrued but not due on borrowings	218,261,511	258,038,846	
Interest accrued and due on borrowings	-	2,919,578	
Income received in advance	8,142,438	-	
Advance received from customers	92,637,576	3,211,268	
Overdrawn book balance	2,025,568,214	811,511,316	
Unamortised processing fees/ subvention income (Refer note 40)	60,436,508	31,855,328	
Unpaid dividends	597,958	220,178	
Unpaid share application money	2,311,621	2,311,621	
Other liabilities	253,303,302	144,054,275	
	<b>7,798,759,128</b>	<b>3,779,122,410</b>	
<b>11. Short term provisions:</b>			
Proposed dividend	97,197,726	97,175,226	
Dividend tax thereon	15,767,902	15,764,251	
For employee benefits			
- Gratuity	2,573,347	394,628	
- Leave encashment and availment	10,498,536	2,710,288	
For standard assets	46,500,000	32,478,973	
For foreclosure/ credit loss on assignment	186,894,564	509,708,413	
	<b>359,432,074</b>	<b>658,231,778</b>	

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK	
	As at April 1, 2011	Additions for the year	Deductions during the year	As at March 31, 2012	As at April 1, 2011	For the year	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>								
Own assets	625,000	-	-	625,000	-	-	-	625,000
Land	67,991,625	50,636,236	1,282,918	117,344,943	55,018,011	7,659,021	62,283,939	12,973,614
Computers and Printers	21,709,894	39,062,671	-	60,772,565	14,689,729	2,015,042	16,704,771	7,020,165
Office Equipment	32,120,972	33,034,979	-	65,155,951	20,478,701	2,982,010	23,460,711	11,642,271
Furnitures & Fixtures	4,049,730	17,145,833	-	21,195,563	798,941	515,950	19,880,672	3,250,789
Electrical Installation	8,486,649	-	105,563	8,081,086	5,417,487	58,707	5,438,486	2,769,162
Air Conditioners	69,665,444	52,013,504	-	121,678,948	64,271,643	9,116,969	73,388,612	5,393,802
Leasehold Improvements	23,321	-	-	23,321	23,321	-	23,321	-
Vehicle	204,372,635	191,893,223	1,388,481	394,877,377	160,697,833	22,347,699	212,262,647	43,674,802
<b>Intangible assets</b>								
Domain Names and Trade Names	1,587,542	6,364	-	1,593,906	943,712	249,166	1,192,878	643,830
Data Processing Software	21,255,358	19,670,429	-	40,925,787	12,557,462	7,216,110	19,773,272	8,698,196
<b>Total</b>	22,842,900	19,676,793	-	42,519,693	13,500,874	7,465,276	20,966,149	9,342,026
	227,215,535	211,570,016	1,388,481	437,397,070	174,198,707	29,812,975	203,580,879	53,016,828

Description	Gross Block			Depreciation/ amortisation			Net Block	
	As at April 1, 2010	Addition on amalga- mation of subsidiary	Additions during the year	Deletion/ Adjustments	As at March 31, 2011	For the year	As at March 31, 2011	As at March 31, 2010
<b>Tangible Assets</b>								
Land	-	-	625,000	-	-	-	625,000	-
Computers and Printers	10,777,707	55,604,012	1,691,406	81,500	48,447,979	1,985,658	55,018,011	6,155,444
Office Equipment	5,087,971	14,976,911	1,645,012	-	13,639,486	269,620	14,689,729	4,307,348
Furnitures & Fixtures	14,683,649	16,689,523	747,800	-	15,990,440	1,494,288	20,478,701	11,689,676
Electrical Installation	4,049,730	-	-	-	606,585	192,356	798,941	3,443,145
Air Conditioners	1,691,036	6,495,613	-	-	251,269	77,761	5,417,487	2,769,162
Leasehold Improvements	7,126,872	62,538,572	-	-	58,741,309	1,220,705	64,271,643	2,817,243
Vehicle	-	23,321	-	-	23,321	-	23,321	-
<b>Total</b>	43,416,965	156,327,952	4,709,218	81,500	141,930,992	5,240,388	160,697,833	29,852,623
<b>Intangible Assets</b>								
Domain Names and Trade Names	332,736	1,237,306	17,500	-	573,759	38,550	943,712	1,333
Data Processing Software	-	21,185,358	70,000	-	12,188,830	368,332	12,557,462	-
<b>Total</b>	332,736	22,422,664	87,500	-	12,762,589	406,882	13,500,874	1,333
	43,749,701	178,750,616	4,796,718	81,500	154,693,581	5,647,270	174,198,707	29,853,956

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 13. Non Current Investments:

Amounts in ₹

Name of the Company	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Trade Investments:</b> (Valued at Cost unless otherwise stated)				
<b>Investments in Equity Instruments (Unquoted):</b>				
<i>Investments in Subsidiaries:</i>				
In fully paid up equity shares of ₹ 10 each				
FCH Securities and Advisors Limited	2,249,994	24,499,928	2,249,994	24,499,928
Myra Mall Management Company Limited (Refer Note 47)	-	-	1,000,000	10,000,000
Kshitij Investment Advisors Company Limited	2,449,994	45,879,922	2,449,994	45,879,922
Future Capital Investment Advisors Limited	2,249,994	22,749,937	2,249,994	22,749,937
Future Finance Limited (Refer Note 47)	-	-	10,750,000	122,437,061
Future Hospitality Management Limited (Refer Note 43)	-	-	49,940	499,940
Kshitij Property Solutions Private Limited (Refer Note 43)	-	-	684,000	30,613,273
Future Capital Commodities Limited	-	-	49,940	499,400
Future Capital Securities Limited	2,805,600	259,723,406	2,805,600	259,698,400
Future Capital Home Finance Private Limited	9,999,999	99,999,990	9,999	99,990
Anchor Investment and Trading Private Limited	16,987	774,608	16,987	774,608
		453,627,791		517,752,459
Less: Provision for diminution in value of investments		(246,938,400)		(247,938,400)
		206,689,391		269,814,059
<b>Investments in Equity Instruments (Quoted):</b>				
In fully paid up equity shares of ₹ 10 each				
Centrum Capital Limited	105,783	150,000,294	-	-
Less: Provision for diminution in investments (Refer Note 44)		(35,000,000)	-	-
		115,000,294		-
		321,689,685		269,814,059
<b>Investments in Preference shares (Unquoted):</b>				
<i>Investments in Subsidiaries:</i>				
In fully paid up preference shares of ₹ 100 each				
12% Cumulative Non-convertible Preference Shares of Future Capital Securities Limited	3,800,000	380,375,000	2,500,000	250,000,000
		380,375,000		250,000,000



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amounts in ₹

Name of the Company	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Non Trade Investments:</b> (Valued at Cost unless otherwise stated)				
<b>Investments in debentures (Unquoted):</b>				
18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of ₹ 10,000,000 each*	90	750,000,002	-	-
18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of ₹ 10,000,000 each*	40	333,400,000	-	-
16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of ₹ 100,000,000 each*	12	857,211,412	-	-
		<u>1,940,611,414</u>		-
		<u>2,642,676,099</u>		<u>519,814,059</u>
<b>Additional Information:</b>				
Aggregate value of quoted investments:		150,000,294		-
Aggregate value of unquoted investments:		2,774,614,205		767,752,459
Aggregate provision for diminution in value of investments:		281,938,400		247,938,400

\* Current maturities of ₹ 474,400,000 is shown under Note No. 17

Amounts in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
<b>14. Deferred tax assets:</b>		
On account of depreciation on fixed assets	43,322,689	25,514,765
On account of provision for gratuity and leave encashment	7,412,952	2,358,137
On other disallowances under Income Tax Act	17,260,086	24,616,352
	<u>67,995,727</u>	<u>52,489,254</u>
<b>15. Long term loans and advances:</b>		
<i>Secured, considered good</i>		
Loans and advances relating to financing activity	26,302,132,119	19,152,890,619
<i>Secured, considered doubtful</i>		
Loans and advances relating to financing activity	35,269,590	28,067,366
Less: Provision for doubtful advances	(13,959,562)	(28,067,366)
	<u>21,310,028</u>	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March 31, 2012	As at March 31, 2011	
<i>Unsecured, considered good</i>			
Capital advances	16,172,271	21,687,600	
Security Deposits	53,326,312	41,556,920	
Loans and advances to related parties	322,500,000	-	
Loans and advances relating to financing activity	52,214,214	38,591,554	
Advances to staff	10,000,000	10,000,000	
Advances recoverable in cash or in kind or for value to be received	39,760,000	113,195,000	
Advance taxes (net of provision for tax)	204,025,552	179,171,312	
	697,998,349	404,202,386	
<i>Unsecured, considered doubtful</i>			
Loans and advances relating to financing activity	10,150,006	5,150,704	
Less: Provision for doubtful advances	(10,150,006)	(5,150,704)	
	-	-	
	27,021,440,496	19,557,093,004	
<b>Additional Information:</b>			
Debts due by directors or other officers of the company	10,000,000	10,000,000	
<b>16. Other non current assets:</b>			
Unamortised loan origination cost (Refer Note 40)	155,438,925	33,732,794	
Receivables under loans assigned	584,337,780	-	
Balances with banks			
- in deposit accounts exceeding 12 months maturity	1,376,704,000	298,635,000	
	2,116,480,705	332,367,794	
<b>17. Current Investments:</b>			
Amounts in ₹			
Name of the Company	Quantity	As at March 31, 2012	Quantity As at March 31, 2011
<b>Investments in Equity Instruments (Unquoted):</b>			
<i>Investments in Subsidiaries:</i>			
In fully paid up equity shares of ₹ 10 each			
Myra Mall Management Company Limited (Refer Note 47)	1,000,000	10,000,000	-
Future Finance Limited (Refer Note 47)	10,750,000	122,437,061	-
		132,437,061	-
<b>Investments in Mutual funds: (At Net Asset Value)</b>			
Reliance Liquidity Fund-Growth	-	-	8,114,584
HDFC Liquid Fund - Premium Plan - Growth	-	-	21,855,943
Birla Sunlife Cash Plus Institutional Premium -Growth	-	-	17,536,671
SBI Ultra Short Term Fund-Institutional Plan Growth	-	-	58,586,427
		-	1,574,625,022
<b>Investments in debentures (Unquoted):</b>			
12.50%, Secured redeemable non-convertible debentures of Era Housing & Developers (India) Limited, fully paid up of ₹ 10,000,000 each	-	-	75
		-	750,000,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amounts in ₹

	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Other investments</b>				
Pass Through Certificates	-	-	27	2,054,156
		-		2,054,156
Current maturities of long term investments		474,400,000		-
		<u>606,837,061</u>		<u>2,326,679,178</u>
<b>Additional Information:</b>				
Aggregate value of unquoted investments		606,837,061		2,326,679,178

The Company has valued unquoted mutual funds at net asset value based on the Prudential norms issued by the Reserve Bank of India.

Amounts in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
<b>18. Trade receivables:</b>		
Trade receivables exceeding six months		
- Secured, considered good	640,958	1,550,472
- Secured, considered doubtful	510,744	978,572
- Unsecured, considered doubtful	6,929,356	17,828,320
Less: Provision for doubtful debts	(7,440,100)	(18,806,892)
	<u>640,958</u>	<u>1,550,472</u>
Other debts		
- Secured, considered good	428,822,838	2,029,552
- Secured, considered doubtful	14,698,471	15,448
- Unsecured, considered good	41,585,211	71,733,408
- Unsecured, considered doubtful	3,400,189	9,649,026
Less: Provision for doubtful debts	(18,098,660)	(9,664,474)
	<u>470,408,049</u>	<u>73,762,960</u>
	<u>471,049,007</u>	<u>75,313,432</u>
<b>19. Cash and cash equivalents:</b>		
Balances with banks		
- in unpaid dividend accounts	597,958	220,178
- in unpaid share application money	2,311,621	2,311,621
- in other accounts	4,849,487,413	3,379,836,620
Cash on hand	102,634,757	16,112,833
	<u>4,955,031,749</u>	<u>3,398,481,252</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	As at March 31, 2012	As at March 31, 2011
<b>20. Short term loans and advances:</b>		
<i>Secured, considered good</i>		
Current maturities of long term loans and advances	16,987,239,596	7,537,086,875
<i>Secured, considered doubtful</i>		
Current maturities of long term loans and advances	1,263,416	1,241,990
Less: Provision for doubtful advances	(1,263,416)	(1,241,990)
	-	-
<i>Unsecured, considered good</i>		
Current maturities of long term loans and advances	545,321,612	1,392,257,381
Loans and advances to related parties	13,417,280	10,814,545
Advances recoverable in cash or in kind or for value to be received	63,516,221	220,964,395
Security deposits	3,404,000	21,000
<i>Unsecured, considered doubtful</i>		
Current maturities of long term loans and advances	2,286,248	9,750,643
Less: Provision for doubtful advances	(2,286,248)	(9,750,643)
	-	-
	<b>17,612,898,709</b>	<b>9,161,144,196</b>
<b>21. Other Current Assets</b>		
Interest accrued and due	152,492,127	85,946,583
Interest accrued but not due	351,809,054	164,983,573
Unamortised loan origination cost (Refer note 40)	58,465,659	13,617,388
Unbilled Subvention Income	15,662,934	5,857,993
Receivables under loans assigned	140,896,876	-
	<b>719,326,650</b>	<b>270,405,537</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>22. Revenue from operations:</b>		
Interest income	5,579,293,217	1,811,004,483
Other financial services		
Fee income	786,900,111	353,621,445
Income from assignment of loans	581,889,715	147,570,316
Dividend from mutual fund units	-	33,466,798
Profit on sale of investments (net)	30,058,437	37,611,392
Commission and brokerage income	41,041,554	2,088,052
	<b>7,019,183,034</b>	<b>2,385,362,486</b>
<b>23. Other Income:</b>		
Interest on Income tax refund	7,846,045	-
Net gain on sale of non current investments	-	250,136,882
Foreign exchange gain (net)	-	881,339
Other non operating income	595,062	900,765
	<b>8,441,107</b>	<b>251,918,986</b>
<b>24. Employee Benefit Expenses:</b>		
Salaries and wages	723,128,293	205,501,685
Contribution to provident and other funds	28,613,102	6,137,321
Remuneration to whole time directors	31,729,613	25,527,661
Staff welfare expenses	12,404,955	1,145,150
	<b>795,875,963</b>	<b>238,311,817</b>
<b>25. Finance Costs:</b>		
Interest expense	2,906,770,289	970,805,343
Other borrowing costs	1,049,533,483	171,514,463
	<b>3,956,303,772</b>	<b>1,142,319,806</b>
<b>26. Depreciation and amortization:</b>		
Depreciation	22,347,699	5,240,588
Amortization of intangible assets	7,465,276	406,682
	<b>29,812,975</b>	<b>5,647,270</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>27. Other expenses:</b>		
Rent	108,471,014	17,862,320
Repairs others	21,785,347	7,287,897
Insurance	3,232,213	988,878
Rates and taxes	5,569,433	3,137,913
Payment to the auditors		
- as auditor	3,500,000	1,800,000
- for other services	100,000	100,662
- for reimbursement of expenses	316,360	126,538
Business promotion expenses	10,657,789	2,326,810
Commission and brokerage	3,313,503	95,250
Traveling expenses	40,170,024	4,694,044
Communication expenses	29,975,809	8,371,136
Printing and stationery	17,970,831	9,168,604
Recruitment expenses	23,547,884	6,422,705
Membership and subscription	1,043,930	2,479,263
Advertisement, publicity and sales promotion expenses	19,813,419	1,223,126
Electricity charges	12,786,066	546,536
Amortised loan origination cost (Refer note 40)	179,736,304	39,027,497
Loan servicing costs	-	36,039,026
Provision for doubtful loans and advances	8,528,010	4,560,360
Provision for diminution in value of investments		
- Subsidiary companies	-	247,938,400
- Others	35,000,000	-
Provision for standard assets	48,700,000	60,001,000
Bad loans and trade receivables written off	70,264,922	7,437,441
Loss on sale of non current investments	20,036,866	-
Donations	951,500	500,000
Legal and professional charges	158,512,193	27,299,893
Directors sitting fees	1,088,000	1,069,000
Collection expenses	34,801,600	2,839,706
Remuneration to non whole time directors		
- Commission	5,000,000	2,417,446
Miscellaneous expenses	29,638,100	3,350,170
	<b>894,511,117</b>	<b>499,111,621</b>
<b>28. Earnings per share</b>		
Profit for the year after tax expense	921,926,787	552,608,239
Weighted average number of equity shares	64,798,484	64,260,148
Nominal value per share	10	10
<b>Earning per share-Basic</b>	<b>14.23</b>	<b>8.60</b>
Profit for the year after tax expense	921,926,787	552,608,239
Weighted average number of equity shares	64,798,484	64,260,148
Add: Weighted number of equity shares under options	7,433	142,807
Weighted average number of diluted equity shares	64,805,917	64,402,955
Nominal value per share	10	10
<b>Earning per share-Diluted</b>	<b>14.23</b>	<b>8.58</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 29. Contingent liabilities and commitments

#### a. Contingent Liabilities not provided for in respect of:

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Income-tax matters under dispute	-	8,199,480
Corporate guarantee given by Company to banks	90,000,000	-

#### b. Capital commitments:

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for	29,186,765	52,409,014
Commitments relating to granting of loan	2,899,633,455	-

### 30. Post-employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses.

The following table summaries the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

#### A. Change in Present Value of Obligation

(Amount in ₹)

Particulars	Gratuity (Unfunded)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Present Value of the Obligation as at the beginning of the year	4,388,257	1,151,698
Add: Transferred pursuant to the Scheme of Merger (Refer note 46)	-	2,670,872
Interest Cost	351,061	109,776
Current Service Cost	9,351,788	1,746,942
Benefit Paid	(1,810,587)	(649,918)
Actuarial (gain)/ loss on obligations	68,696	(641,113)
Present Value of the Obligation as at the end of the year	12,349,215	4,388,257

#### B. Amount recognised in the Profit and Loss Account

(Amount in ₹)

Particulars	Gratuity (Unfunded)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest Cost	351,061	109,776
Current Service Cost	9,351,788	1,746,942
Actuarial (gain)/ loss on obligations	68,696	(641,113)
Total expense/ (income) recognised in the Profit and Loss Account	9,771,545	1,215,605

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The principal assumptions used in determining obligations for the Company's plans are shown below:

Assumptions	Gratuity (Unfunded)	
	March 31, 2012	March 31, 2011
Discount rate	8%	8%
Increase in compensation cost	8%	5%
Employee turnover	2%	2%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Since the Company has not funded its gratuity liability there are no returns on the planned assets and hence the details related to changes in fair value of assets have not been given.

There are no material experience adjustments during the year and preceding three years and hence the same have not been disclosed.

### 31. Employee Stock Option Scheme ('ESOS')

Summary of stock options	For the year ended March 31, 2012				For the year ended March 31, 2011			
	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011
Outstanding as at the beginning of the year	459,000	569,500	350,000	-	656,000	740,000	-	-
Granted during the year	-	65,000	-	1,202,000	344,000	670,000	350,000	-
Forfeited/ Cancelled during the year	7,000	40,000	-	5,000	6,000	120,000	-	-
Lapsed during the year	-	-	-	-	-	-	-	-
Exercised/ Allotted during the year	-	15,000	-	-	535,000	720,500	-	-
Outstanding as at the end of the year	452,000	579,500	350,000	1,197,000	459,000	569,500	350,000	-
Exercisable at the end of the year	108,000	66,500	70,000	-	115,000	19,500	-	-
Weighted average remaining contractual life (in years)	3.75	5.07	4.86	5.70	4.25	5.92	5.83	-
Weighted average fair value of options granted	₹ 113.70	₹ 96.63	₹ 141.50	₹ 66.00	₹ 112.11	₹ 101.69	₹ 141.50	-

#### ESOS 2008

During the year, the Company has granted 65,000 options to the eligible employee at weighted average exercise price of ₹ 133.70. Options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. All the options are exercisable within 4 years from the date of vesting.

#### ESOS 2011

The Compensation and Nomination Committee through Resolution passed by circulation dated June 29, 2011, December 26, 2011 and January 12, 2012 has granted options in respect of 835,000, 70,000 and 297,000 equity shares to the eligible employees at an exercise price of ₹ 133.70, ₹ 122.95 and ₹ 120.05 respectively pursuant to ESOS 2011 Scheme. The options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. The same will be exercisable within 4 years from the date of vesting.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The fair value of the stock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOP 2008	ESOP 2011
Exercise Price	₹ 133.70 for 65,000 stock options	₹ 133.70 for 835,000 stock options; ₹ 122.95 for 70,000 stock options; ₹ 120.05 for 297,000 stock options;
Historical Volatility	50.08%-54.89%	48.94% - 54.89%
Life of the options granted (Vesting and exercise period) in years	<u>Vesting schedule:</u> 20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively <u>Exercise Period:</u> Within 4 years from the date of vesting	<u>Vesting schedule:</u> 20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively <u>Exercise Period:</u> Within 4 years from the date of vesting
Dividend yield	0.59%	0.46% - 0.59%
Average risk-free interest rate	8.31%	8.07% - 8.32%

### Performa Accounting

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Net Profit after tax as reported	921,926,787	552,608,240
Less: Employee stock compensation cost under fair value method	85,613,346	32,012,813
<b>Total</b>	<b>836,313,441</b>	<b>520,595,427</b>
Basic earnings per share as reported	14.23	8.60
Proforma Basic earnings per share	<b>12.91</b>	<b>8.10</b>
Diluted earnings per share as reported	14.23	8.08
Proforma Diluted earnings per share	<b>12.91</b>	<b>8.08</b>

32. The Company had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Company had received upfront money as advance from the allottees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 33. Segmental Reporting

The Company has organized its operations into two major business verticals: Retail Financial Services and Wholesale credit services. A description of the types of products and services provided by each reportable segment is as follows:

#### *Retail Financial Services:*

Under the retail financial service category, the Company provides (i) property loans (ii) gold loans (iii) consumption loans (iv) auto loans (v) two wheeler loans (vi) wealth management and (vii) property broking.

#### *Wholesale credit and Treasury:*

The wholesale credit business uses our proprietary balance sheet to build a unique structured credit business that focuses on mezzanine, promoter, project and acquisition financing as well other special situations related financing. The treasury operations ensure liquidity for business and manage investment of surplus funds to optimize returns within the approved risk management framework.

#### Geographical Segments :

The Company has identified geographical segments within India and there is no reportable segment outside India.

For Segment Information - Refer Annexure 1

### 34. Related Party Disclosure:

Names of related parties where control exists irrespective of whether transactions have occurred or not

Relationship	Name of the Party
Holding Company	Pantaloon Retail (India) Limited
Subsidiaries	Kshitij Investment Advisory Company Limited Myra Mall Management Company Limited Future Hospitality Management Limited (up to September 2, 2011) Future Finance Limited Kshitij Property Solutions Private Limited (up to December 1, 2011) Future Capital Securities Limited Future Capital Commodities Limited Anchor Investment and Trading Private Limited Future Capital Home Finance Private Limited Future Capital Investment Advisors Limited FCH Securities & Advisors Limited

Names of other related parties with whom transactions have taken place during the year

Relationship	Name of the Party
Fellow subsidiaries	Future Media (India) Limited Future E-Commerce Infrastructure Limited Future Knowledge Services Limited Future Value Retail Limited Home Solutions Retail India Limited
Key Management Personnel	Mr. V. Vaidyanathan (Vice Chairman and Managing Director)

Refer Annexure 2 and 2A for the transactions with related parties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 35. Operating Leases

The Company's significant leasing arrangements are in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the profit and loss account.

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease payments recognized in the profit and loss account	108,471,014	17,862,320

Details of non-cancellable leases are as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Minimum Lease Payments:</b>		
Not later than one year	43,997,976	38,626,017
Later than one year but not later than five years	65,996,964	102,057,786
Later than five years	Nil	Nil

### 36. Disclosure pursuant to Clause 32 of Listing Agreement

Included in Loans and Advances are:

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Due from subsidiaries</b>		
Myra Mall Management Company Limited (Maximum amount outstanding during the year ₹ 356,027,638 (Previous year ₹ 26,141,777))	301,243,070	-
FCH Securities & Advisors Limited (Maximum amount outstanding during the year ₹ 207,890 (Previous year ₹ Nil))	-	-
Future Capital Investment Advisors Limited (Maximum amount outstanding during the year ₹ 2,416,750 (Previous year ₹ 710,548))	2,400,000	-
Kshitij Investment Advisory Company Limited (Maximum amount outstanding during the year ₹ 1,632,424 (Previous year ₹ 20,851,928))	950,000	-
Future Finance Limited (Maximum amount outstanding during the year ₹ 2,708,069 (Previous year ₹ 1,285,709))	2,400,000	-
Future Capital Home Finance Private Limited (Maximum amount outstanding during the year ₹ 3,500,000 (Previous year ₹ 808,300))	3,500,000	808,300
Future Capital Securities Limited (Maximum amount outstanding during the year ₹ 143,881,750 (Previous year ₹ 10,100,000))	24,587,728	10,000,000
Future Capital Commodities Limited (Maximum amount outstanding during the year ₹ 468,787 (Previous year ₹ Nil))	468,787	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 37. Foreign Currency

(Amount in ₹)

Expenditure in foreign currency (Accrual basis)	For the year ended March 31, 2012	For the year ended March 31, 2011
Travelling	40,539	210,391
Professional fees	524,870	Nil

### 38. Amounts remitted in foreign currencies for dividend

Earnings in foreign currency (Accrual basis)	For the year ended March 31, 2012	For the year ended March 31, 2011
Number of shareholders	1	3
Number of shares held	940,000	940,016
Dividend remitted (in ₹)	1,410,000	940,016
Year related	FY 2010-11	FY 2009-10

### 39. The Company sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
No. of loan assets assigned	4,539	765
Book value of loan assets directly assigned	14,657,451,315	4,594,280,376
Sale consideration received	15,498,041,558	4,861,722,195
Gain on account of direct assignment (net)	581,889,715	147,570,316
Outstanding credit enhancement – Fixed Deposit	1,376,614,000	298,635,000

### 40. Deferment of loan origination cost, processing fees and subvention income

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Total loan origination cost deferred	346,290,705	86,377,680
Cost amortised and charged to profit and loss account during the year	179,736,304	39,027,497
Unamortised cost shown into balance sheet :		
Current	58,465,659	13,617,388
Non-current	155,438,925	33,732,794

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Total unamortised income from processing fees/ subvention income deferred	302,655,427	86,746,101
Income amortised and credited to profit and loss account during the year	181,804,507	379,86,907
Unamortised processing fees/ subvention income shown into balance sheet:		
Current	60,436,508	31,855,328
Non-current	109,173,605	19,029,072



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

41. Additional disclosures as required by circular no DNBS.CC.PD.No.265/03.10.01/2011-2012 dated March 31, 2012 issued by Reserve Bank of India:

(Amount in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Total Gold loan Portfolio	2,290,427,414	73,495,979
Total Assets	46,704,170,438	28,552,466,203
Gold loan portfolio as a % age of total assets	4.90%	0.26%

42. In the previous year, pursuant to the Scheme of Arrangement between Future Capital Financial Services Limited (FCFSL), Future Capital Holdings Limited (FCH) and their respective shareholders (Scheme), inter-alia in terms of which FCFSL had merged with FCH, under the provisions of Section 391 to 394, read with Sections 78, 100 to 103 of the Companies Act, 1956. The said scheme became effective from June 29, 2011 but operative with retrospective effect from March 1, 2011, the appointed date. Pursuant to the accounting treatment as prescribed under the scheme in respect of the difference between the investment value of FCFSL in the books of FCH and the net assets acquired from FCFSL had been adjusted in the Securities Premium of FCH.
43. During the year, the Company has sold its investments in wholly owned subsidiaries, Future Hospitality Management Limited and Kshitij Property Solutions Private Limited vide share purchase agreement dated September 2, 2011 and December 1, 2011 respectively at book value.
44. During the year, the Company has provided ₹ 35,000,000 towards diminution in the value of investments, other than of temporary nature, in Centrum Capital Limited.
45. Pursuant to the Scheme of Arrangement and Amalgamation referred to in note 42 above, FCFSL had been amalgamated with FCH under pooling of interest method. All the assets and liabilities of FCFSL were merged on a line by line basis with the assets and liabilities of FCH.
46. Pursuant to the Scheme of Arrangement and Amalgamation referred to in note 42 above, figures for the current year are not strictly comparable with that of the previous year. Prior year figures have been reclassified/ regrouped to confirm with the current year's presentation, wherever applicable.
47. The Board of Directors of the Company at its meeting held on May 25, 2012 have evaluated various proposals to divest its stake in Myra Mall Management Company Limited and Future Finance Limited, wholly owned subsidiaries of the Company at a price not lower than the book value of respective companies. Hence the same are classified as current investments.
48. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non-Banking Financial (Non-deposit accepting or holding) Systemically Important (NBFC-ND-SI) is given in Annexure 3.

As per our report of even date

For S.R. Batliboi & Co.  
Firm Registration No. 301003E  
Chartered Accountants

per Shrawan Jalan  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

For and on behalf of the Board of Directors of  
Future Capital Holdings Limited

Kishore Biyani  
Chairman

Ashok Shinkar  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

V. Vaidyanathan  
Vice-Chairman &  
Managing Director

Chetan Gandhi  
Head-Legal &  
Secretarial

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

## Annexure 1 to Note 33 of Notes to Accounts Information about segment

Particulars	Wholesale Credit and Treasury		Retail Financial Services		Unallocated		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>I. Primary Segment-Business</b>								
Revenue								
Income from external operations	4,086,791,615	1,938,483,221	2,932,391,419	446,879,265	8,441,107	251,918,986	7,027,624,141	2,637,281,472
Inter segment revenue	-	-	-	-	-	-	-	-
Total	4,086,791,615	1,938,483,221	2,932,391,419	446,879,265	8,441,107	251,918,986	7,027,624,141	2,637,281,472
Segment result	1,392,659,051	789,731,113	5,057,022	60,225,750	8,441,107	251,918,986	1,406,157,180	1,101,875,849
Unallocated corporate expenses	-	-	-	-	(55,036,866)	(349,984,891)	(55,036,866)	(349,984,891)
Income taxes (Current tax and deferred tax)	-	-	-	-	(429,193,527)	(199,282,718)	(429,193,527)	(199,282,718)
Net Profit after tax							921,926,787	552,608,240
<b>Other Information</b>								
Segment assets	30,672,840,283	24,237,340,337	24,834,503,445	10,757,989,574	-	-	55,507,343,728	34,995,329,911
Other unallocated assets	-	-	-	-	974,085,964	751,474,624	974,085,964	751,474,624
Total Assets	30,672,840,283	24,237,340,337	24,834,503,445	10,757,989,574	974,085,964	751,474,624	56,481,429,692	35,746,804,535
Segment liabilities	26,783,102,060	19,606,791,598	21,480,719,993	8,733,227,084	-	-	48,263,822,053	28,340,018,682
Other unallocated liabilities	-	-	-	-	112,965,627	-	112,965,627	-
Total Liabilities	26,783,102,060	19,606,791,598	21,480,719,993	8,733,227,084	112,965,627	-	48,376,787,680	28,340,018,682
Capital Expenditure	63,471,005	1,998,951	148,099,011	2,797,767	-	-	211,570,016	4,796,718
Depreciation/ amortisation	8,943,893	4,555,033	20,869,082	1,092,237	-	-	29,812,975	5,647,270
Other non-cash expenses	9,400,000	59,208,595	118,092,932	12,792,427	35,000,000	247,938,400	162,492,932	319,939,422
<b>II. Secondary Segment-Geographical</b>								
Revenue								
Domestic	4,086,791,615	1,938,483,221	2,932,391,419	446,879,265	8,441,107	251,918,986	7,027,624,141	2,637,281,472
Exports	-	-	-	-	-	-	-	-
Total	4,086,791,615	1,938,483,221	2,932,391,419	446,879,265	8,441,107	251,918,986	7,027,624,141	2,637,281,472

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Annexure 2 of the Note 34 of Notes to Accounts  
Transactions with Related parties

Relationship	Holding Company		Subsidiaries		Joint Ventures		Fellow Subsidiaries		Key Management Personnel	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Year										
Purchase of goods/services	21,928,030	-	6,371,364	36,039,026	-	-	420,248	-	-	-
Advance Paid for goods/services	113,540	-	-	-	-	-	508,500	-	-	-
Deposit repaid	-	-	16,000,000	18,000,000	-	-	-	-	-	-
Purchase of loans	-	-	-	5,695,766,399	-	-	-	-	-	-
Loans/ Advances given	-	-	513,069,280	10,000,000	-	-	550,000,000	420,000,000	-	-
Loans/ Advances repayment received	-	250,000,000	193,192,783	26,700,000	-	-	550,000,000	500,000,000	-	-
Interest received	-	359,589	35,867,387	21,774,428	-	-	14,706,849	14,128,769	-	-
Interest paid	-	-	-	1,887,600	-	-	-	-	-	-
Rent/ Lease rent paid	-	-	21,044,266	14,107,060	-	-	-	-	-	-
Commission & brokerage income received	-	-	578,211	-	-	-	-	-	-	-
Subvention Income Received	85,204	-	-	-	-	-	31,912,794	-	-	-
Operating expenses paid	-	-	3,603,258	12,517,186	-	19,537	-	66,490	-	-
Fixed assets purchased	-	49,500	-	-	-	-	-	-	-	-
Operating expenses incurred by related parties on behalf of the Company	-	-	-	105,567	-	11,584	1,755,658	27,482	-	-
Purchase of investments	-	-	229,900,000	260,000,000	-	-	-	-	-	-
Sale of investments	-	-	50,000	-	-	-	-	-	-	-
Directors Remuneration	-	-	-	-	-	-	-	-	31,729,613	27,527,661
Closing Balances : Receivable / (Payable)										
Inter corporate deposits granted/ (taken)	-	-	322,500,000	10,000,000	-	-	-	-	-	-
Security Deposits	-	-	-	16,000,000	-	-	-	-	-	-
Advances Recoverable / (Payable )	341,609	(6,267,633)	13,049,585	6,245	-	-	7,536,697	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Transactions with Related parties

#### Annexure 2A of the Note 34 of Notes to Accounts

#### Disclosures of Related party transactions more than 10%

Amount in ₹

Name of the Party	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Purchase of Goods/services</b>		
Pantaloon Retail (India) Limited	21,928,030	-
Future Capital Securities Limited	6,371,364	-
Future Capital Financial Services Limited	-	36,039,026
<b>Advance paid for Good / Services</b>		
Pantaloon Retail (India) Limited	113,540	-
Future E- Commerce Infrastructure Ltd	508,500	-
<b>Deposit repaid</b>		
Myra Mall Management Company Limited	16,000,000	18,000,000
<b>Purchase of loans</b>		
Future Capital Financial Services Limited	-	5,695,766,399
<b>Loans/ Advances Given</b>		
Myra Mall Management Company Limited	359,263,430	-
Future Value Retail Limited	550,000,000	-
Future Capital Securities Limited	138,397,005	10,000,000
<b>Loans/ Advances repayment received</b>		
Future Value Retail Limited	550,000,000	-
Future Capital Securities Limited	130,897,005	-
Myra Mall Management Company Limited	18,101,633	
FCH Securities & Advisors Limited	-	26,700,000
Pantaloon Retail (India) Limited	-	250,000,000
<b>Interest received</b>		
Myra Mall Management Company Limited	26,349,558	-
Future Value Retail Limited	14,706,849	-
Future Capital Securities Limited	9,517,829	-
FCH Securities & Advisors Limited	-	3,656,072
Future Capital Financial Services Limited	-	18,118,356
Pantaloon Retail (India) Limited	-	359,589
<b>Interest paid</b>		
Future Capital Financial Services Limited	-	1,887,600
<b>Rent/ Lease Rent paid</b>		
Myra Mall Management Company Limited	5,900,000	-
Future Finance Limited	-	1,127,866
Kshitij Investment Advisory Company Limited	14,639,676	12,979,194

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Transactions with Related parties (Contd.)

#### Annexure 2A of the Note 34 of Notes to Accounts

#### Disclosures of Related party transactions more than 10%

Amount in ₹

Name of the Party	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Operating expenses paid</b>		
Myra Mall Management Company Limited	900,000	-
Kshitij Investment Advisory Company Limited	900,000	-
Future Capital Home Finance Private Limited	903,258	-
Future Capital Financial Services Limited	-	11,143,578
Future Finance Limited	900,000	1,224,258
<b>Operating expenses incurred by related parties on behalf of the Company</b>		
Future Capital Financial Services Limited	-	33,487
Myra Mall Management Company Limited	-	19,203
Future Finance Limited	-	51,551
<b>Commission &amp; Brokerage Income received</b>		
Future Capital Securities Limited	578,211	-
<b>Subvention Income Received</b>		
Future Value Retail Limited	31,719,106	-
<b>Purchase of investments</b>		
Future Capital Securities Limited	130,000,000	260,000,000
Future Capital Home Finance Private Limited	99,900,000	-
<b>Sale of investments</b>		
Future Capital Securities Limited	50,000	-
<b>Managerial Remuneration</b>		
Mr. V. Vaidyanathan	31,729,613	27,527,661
<b>Closing Balances:</b>		
<b>Loans/ Inter corporate deposits granted</b>		
Myra Mall Management Company Limited	305,000,000	-
<b>Security deposits</b>		
Myra Mall Management Company Limited	-	16,000,000
<b>Advances recoverable in cash or kind/ (Sundry creditors) (net)</b>		
Future Value Retail Limited	6,410,752	-
Future Capital Securities Limited	7,087,728	-
Future Capital Home Finance Private Limited	3,500,000	-
Future Capital Investment Advisors Limited	2,400,000	-
Future Finance Limited	2,400,000	-
Pantaloon Retail (India) Limited	-	(6,267,633)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Annexure 3 of the Note 48 to the Notes to Accounts to the Balance Sheet of a Non Banking Financial Company

### A. Capital to Risk Assets Ratio (CRAR)

Items	Current Year	Previous Year
i) CRAR (%)	18.63%	23.47%
ii) CRAR - Tier I capital (%)	14.23%	23.23%
iii) CRAR - Tier II Capital (%)	4.40%	0.24%

### B. Exposures to real estate sector, both direct and indirect

Amount in ₹

Items	Current Year	Previous Year
a) Direct exposure		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	11,335,574,446	8,630,475,254
(ii) Commercial Real Estate – 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 (NFB) limits;	14,838,724,855	7,602,869,546
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential,	-	-
b. Commercial Real Estate.	2,415,011,414	-
b) Indirect Exposure	-	-
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

### C. Maturity pattern of assets and liabilities

Amount in ₹

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year
<b>Liabilities</b>					
Borrowings from banks	-	-	387,500,000	2,833,333,333	9,889,502,302
	(217,923,438)	(48,611,111)	(352,777,778)	(416,666,667)	(6,669,154,539)
Market borrowings	671,415,249	-	2,035,319,126	472,680,004	370,101,241
	(1,242,186,538)	(1,336,729,577)	(781,484,304)	(1,442,184,854)	(1,707,665,071)
<b>Assets</b>					
Advances *	3,355,207,821	1,520,906,245	1,575,627,676	4,646,865,477	8,146,408,808
	(840,619,137)	(1,999,488,185)	(1,001,097,152)	(1,300,489,012)	(3,567,295,492)
Investments	-	-	-	132,437,061	474,400,000
	(1,576,679,178)	(-)	(-)	(-)	(750,000,000)

	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>				
Borrowings from banks	11,416,666,666	8,595,694,130	2,050,000,000	35,172,696,431
	(5,118,055,551)	(955,283,935)	(200,000,000)	(13,978,473,019)
Market borrowings	2,209,000,000	2,932,000,000	-	8,690,515,620
	(1,561,000,000)	(3,580,000,000)	(-)	(11,651,250,344)
<b>Assets</b>				
Advances *	13,332,762,804	5,049,008,484	6,730,623,753	44,357,411,070
	(11,420,460,702)	(1,633,320,464)	(6,357,903,012)	(28,120,673,156)
Investments	1,940,611,414	-	702,064,685	3,249,513,160
	(-)	(-)	(519,814,058)	(2,846,493,236)

\* Represents interest bearing loans and inter corporate deposits.  
Figures in bracket relate to previous year.

[Schedule to the Balance Sheet of a Non Banking Financial Company as required in terms of paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

Amount in ₹

LIABILITIES SIDE			
1	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:	Amount Outstanding	Amount Overdue
a.	Debentures (other than falling within the meaning of public deposits)		
	- Secured	5,141,000,000	-
	- Unsecured	-	-
b.	Deferred Credits	-	-
c.	Term Loans	27,418,122,307	-
d.	Inter-corporate loans and borrowings	-	-
e.	Commercial Paper	3,549,515,620	-
f.	Public Deposits (Refer note 1 below)	-	-
g.	Other Loans-Cash credit	7,972,835,635	-
2	Break up of 1(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	Amount Outstanding	Amount Overdue
a.	In the form of unsecured debentures	-	-
b.	In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
c.	Other public deposits	-	-
ASSET SIDE			
3	Break up of Loans and Advances including bills receivables [other than those included in(4) below]:		Amount Outstanding
a.	Secured		43,310,681,743
b.	Unsecured		1,046,729,327
4	Break up of Leased Assets and stocks on hire and other assets counting towards AFC activities		Amount Outstanding
i.	Lease Assets including lease rentals under sundry debtors:		
a.	Finance Lease		-
b.	Operating Lease		-
ii.	Stocks 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		-



Amount in ₹

5	Break up of Investments:			Amount	
	Current Investments				
	1.	Quoted			
	i.	Shares	- Equity	-	
		- Preference		-	
	ii.	Debentures and Bonds			
	iii.	Units of mutual funds			
	iv.	Government Securities		-	
	v.	Others		-	
	2.	Unquoted			
	i.	Shares	- Equity	132,437,061	
		- Preference		-	
	ii.	Debentures and Bonds		474,400,000	
	iii.	Units of mutual funds		-	
	iv.	Government Securities		-	
	v.	Others		-	
	Long Term Investments				
	1.	Quoted			
	i.	Shares	- Equity	115,000,294	
		- Preference		-	
	ii.	Debentures and Bonds		-	
	iii.	Units of mutual funds		-	
	iv.	Government Securities		-	
	v.	Others		-	
	2.	Unquoted			
	i.	Shares	- Equity	206,689,391	
		- Preference		380,375,000	
	ii.	Debentures and Bonds		1,940,611,414	
	iii.	Units of mutual funds		-	
	iv.	Government Securities		-	
	v.	Others		-	
6	Borrower group-wise classification of all leased assets, stock on hire and loans and advances (Refer note 2 below):				
	Category		Amount net of provision		
			Secured	Unsecured	Total
	1	Related Parties**			
	a.	Subsidiaries	-	335,917,280	335,917,280
	b.	Companies in the same group	550,000,000	5,339,453	555,339,453
	c.	Other than related parties	42,760,681,743	705,472,594	43,466,154,337
	Total		43,310,681,743	1,046,729,327	44,357,411,070

Amount in ₹

<b>7</b>	<b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted); (Refer note 3 below)</b>		
	Category	Market Value/ Break up of fair value or NAV	Book Value (Net of Provisions)
	1 Related Parties**		
	a. Subsidiaries	741,655,073	719,501,452
	b. Companies in the same group	-	-
	c. Other than related parties	2,530,011,718	2,530,011,718
	<b>Total</b>	<b>3,271,666,791</b>	<b>3,249,513,160</b>
	** As per Accounting Standard issued by the Institute of Chartered Accountants of India ('ICAI').		
<b>8</b>	<b>Other information</b>		<b>Amount</b>
	i. Gross Non-Performing Assets		
	a. Related Parties		-
	b. Other than related parties		36,421,292
	ii. Net Non-Performing Assets		
	a. Related Parties		-
	b. Other than related parties		-
	iii. Assets acquired in satisfaction of debt		-

**Notes:**

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India ('ICAI') are applicable including for calculation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break up/ fair value/ NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in category 5 above.

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# AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

## To the Members of Future Capital Holdings Limited

1. We have audited the attached consolidated balance sheet of Future Capital Holdings Limited as at 31st March 2012, the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Future Capital Holdings Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹ 179,200,470 as at 31st March 2012, the total revenue of ₹ 151,963,284 and cash inflow amounting to ₹ 141,114,105 for the year then ended. The financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Future Capital Holdings Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Future Capital Holdings Limited as at 31st March 2012;
  - (b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.

Firm registration number: 301003E

Chartered Accountants

per Shrawan Jalan

Partner

Membership No.: 102102

Place: Mumbai

Date: May 29, 2012

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

Particulars	Notes	As at March 31, 2012	As at March 31, 2011
Amounts in ₹			
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	644,984,840	647,834,840
Reserves and Surplus	4	7,670,734,399	6,228,895,322
Money received against share warrants		-	592,500,000
		8,315,719,239	7,469,230,162
Share application money pending allotment		-	1,530,000
Non - current liabilities			
Long term borrowings	5	27,203,360,796	11,414,339,485
Other long term liabilities	6	133,685,342	430,725,759
Long term provisions	7	940,998,180	75,756,043
		28,278,044,318	11,920,821,287
Current Liabilities			
Short term borrowings	8	11,522,351,255	12,295,983,577
Trade payables	9	421,093,213	322,039,291
Other current liabilities	10	7,948,729,079	3,873,916,798
Short term provisions	11	365,094,004	511,916,430
		20,257,267,551	17,003,856,096
TOTAL		56,851,031,108	36,395,437,545
ASSETS			
Non - current assets			
Fixed Assets			
- Tangible assets	12	247,155,080	86,318,192
- Intangible assets	12	38,320,448	25,061,749
- Capital work in process		20,100,832	-
- Intangible assets under development		14,037,500	-
- Goodwill on Consolidation		79,866,437	86,723,243
		399,480,297	198,103,184
Non - current investments	13	2,754,653,553	768,097,620
Deferred tax assets (Net)	14	69,192,836	60,473,072
Long term loans and advances	15	26,752,530,825	19,380,003,531
Other non current assets	16	2,231,320,947	364,612,010
		32,207,178,458	20,771,289,417
Current Assets			
Current Investments	17	576,530,041	2,530,480,365
Trade receivables	18	563,870,371	166,076,338
Cash and bank balance	19	5,091,967,447	3,494,094,771
Short term loans and advances	20	17,713,102,506	9,173,613,847
Other current assets	21	698,382,285	259,882,807
		24,643,852,650	15,624,148,128
TOTAL		56,851,031,108	36,395,437,545
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			
As per our report of even date			

For S.R. Batliboi & Co.  
Firm Registration No. 301003E  
Chartered Accountants

per Shrawan Jalan  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

For and on behalf of the Board of Directors of  
Future Capital Holdings Limited

Kishore Biyani  
Chairman

Ashok Shinkar  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

V. Vaidyanathan  
Vice-Chairman &  
Managing Director

Chetan Gandhi  
Head-Legal &  
Secretarial

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	Notes	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Income</b>			
Revenue from Operations	22	7,401,462,454	3,728,196,918
Other Income	23	35,983,238	286,944,849
<b>Total revenue</b>		<b>7,437,445,692</b>	<b>4,015,141,767</b>
<b>Expenses</b>			
Employee benefits expense	24	868,414,619	478,750,712
Finance costs	25	3,976,974,890	1,887,478,374
Depreciation and amortization expense	26	54,862,286	42,402,339
Other expenses	27	1,021,255,815	767,937,809
<b>Total Expenses</b>		<b>5,921,507,610</b>	<b>3,176,569,234</b>
<b>Profit before tax</b>		<b>1,515,938,082</b>	<b>838,572,533</b>
<b>Tax expense:</b>			
- Current tax		465,918,358	315,113,005
- Deferred tax		(8,719,764)	32,250,774
- Tax for earlier years		431,310	-
		<b>457,629,904</b>	<b>347,363,779</b>
<b>Profit for the year</b>		<b>1,058,308,178</b>	<b>491,208,754</b>
<b>Earning per equity share:</b>	28		
- Basic		16.33	7.64
- Diluted		16.33	7.63
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the Financial Statements			

As per our report of even date

**For S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

**For and on behalf of the Board of Directors of  
Future Capital Holdings Limited**

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Cash Flow From Operating Activities</b>		
Profit/(Loss) before tax	1,515,938,082	838,572,533
Adjustments for :		
Depreciation/ amortisation	54,862,286	42,402,339
Preliminary expenses written off	161,676	161,600
Bad loans and trade receivables written off	70,702,762	28,546,730
Provision for doubtful loans and advances	10,526,241	23,233,832
Provision for diminution in value of investments	95,000,000	-
Provision for standard assets	49,051,000	74,101,000
Goodwill written off	6,856,806	-
Loss on sale of fixed assets	5,485,133	1,564,365
Provision for gratuity and leave encashment	14,598,871	3,358,516
Fixed Assets written off	602,883	-
Profit on sale of investments	-	(250,136,882)
Write back of provision	-	(20,550,558)
Profit and Loss Account balance on inclusion of subsidiary in consolidation	-	(121,641,023)
Exchange fluctuation	-	(874,010)
	307,847,658	(219,834,091)
<b>Operating Profit Before Working Capital Changes</b>	<b>1,823,785,740</b>	<b>618,738,442</b>
<b>Adjustment for changes in working capital:</b>		
(Increase)/ Decrease in Trade Receivables	(397,794,033)	232,519,152
(Increase)/ Decrease in Loans and Advances	(2,301,620,090)	(197,581,847)
(Increase)/ Decrease in Other Assets	(16,082,832,515)	(14,395,026,392)
Increase/ (Decrease) in Trade payables and other liabilities	4,498,748,617	1,444,495,715
Cash used in operations	(12,459,712,281)	(12,296,854,930)
Preliminary expenses incurred	-	(808,000)
Direct taxes paid (net of refund)	(484,144,942)	(319,580,319)
<b>Net Cash used in Operating Activities</b>	<b>(12,943,857,223)</b>	<b>(12,617,243,249)</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets including intangible assets and Capital work in progress	(224,168,873)	(67,305,897)
Sale proceeds from fixed assets	4,855,814	245,011
Sale proceeds from investments	2,522,650,324	3,100,108,346
Purchase of investments	(2,660,306,880)	(2,358,665,245)
<b>Net Cash generated from/ (used in) Investing Activities</b>	<b>(356,969,615)</b>	<b>674,382,215</b>



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (CONTD.)**

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Share Capital	-	12,555,000
Proceeds from Securities Premium on issue of Equity Share Capital	-	156,166,000
Proceeds from issue of Share Warrants	-	592,500,000
Payment of share issue expenses	-	(55,645,000)
Payment of dividend	(97,175,226)	(63,307,806)
Payment of dividend tax	(15,764,251)	(10,796,581)
Proceeds from borrowings	20,222,386,955	16,775,306,073
Repayment of borrowings	(5,206,997,965)	(2,291,259,646)
<b>Net Cash From Financing Activities</b>	<b>14,902,449,513</b>	<b>15,115,518,040</b>
<b>Net increase in Cash and Cash Equivalents during the year</b>	<b>1,601,622,675</b>	<b>3,172,657,006</b>
Cash and Cash equivalents at beginning of the year	3,454,344,772	281,687,766
<b>Cash and Cash equivalents at the end of the year</b>	<b>5,055,967,447</b>	<b>3,454,344,772</b>
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Cash and Cash equivalents comprises of :</b>		
Cash in Hand	103,061,770	16,596,076
Balance with Banks		
- in unpaid dividend accounts	597,958	220,178
- in unpaid share application money	2,311,621	2,311,621
- on current account	4,949,996,098	3,435,216,897
<b>Total</b>	<b>5,055,967,447</b>	<b>3,454,344,772</b>

**Note:**

Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturity of three months or less.

As per our report of even date

**For S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

**For and on behalf of the Board of Directors of  
Future Capital Holdings Limited**

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 1. NATURE OF OPERATIONS

- a) The consolidated financial statements of Future Capital Holdings Limited (the 'Company' or 'FCH') and its subsidiary companies (hereinafter collectively referred to as (the 'Group')) are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956 (the 'Act').

b) **Basis of preparation**

The Consolidated Financial Statements ('CFS') are prepared in accordance with Accounting Standard ('AS') 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI).

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 except for the accounting of the effects of the Scheme, which has been done in accordance with the terms of the Scheme as approved by the High Court and the relevant provisions of the Companies Act, 1956 ('the Act'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis except for dividend from mutual fund units and valuation of unquoted units of mutual funds, which is in accordance with Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction 2007 ('NBFC Regulation'). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the change in Accounting Policy explained in Point No 2.1 (a).

c) **Principles of consolidation**

- i. The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealized profits/losses have been fully eliminated.
- ii. The subsidiary companies considered in the presentation of the consolidated financial statements are:

Particulars	Country of incorporation	Proportion of ownership interest as at March 31, 2012	Proportion of ownership interest as at March 31, 2011	Financial year ends on
<b>a) Subsidiaries :</b>				
Kshitij Investment Advisory Company Limited	India	100%	100%	March 31
Future Capital Investment Advisors Limited	India	100%	100%	March 31
Myra Mall Management Company Limited	India	100%	100%	March 31
FCH Securities and Investment Limited	India	100%	100%	March 31
Future Hospitality Management Limited #	India	NA	100%	March 31
Future Finance Limited	India	100%	100%	March 31
Kshitij Property Solutions Private Limited #	India	NA	100%	March 31
Future Capital Commodities Limited (formerly Axon Development Solutions Limited)	India	100%	100%	March 31
Anchor Trading and Investments Private Limited	Mauritius	100%	100%	December 31
Future Capital Home Finance Private Limited	India	100%	100%	March 31
Future Capital Securities Limited (formerly FCH Centrum Wealth Managers Limited)	India	100%	100%	March 31

For the purpose of consolidated financial statements, the results of FCH and its subsidiaries for the year ended March 31, 2012 have been derived from the respective Company's audited financials of the year ended March 31, 2012

# Subsidiary sold during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 2. Goodwill on consolidation

The excess of cost to the holding Company of its investment in subsidiaries over the holding Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Change in Accounting Policy

Presentation and Disclosure of Financial Statements:

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per the Guidance Note issued by the Chartered Accounts of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly during the year, the Group has reduced the Share Capital by ₹ 3,000,000 and Securities Premium by ₹ 109,635,000 in respect of 300,000 shares held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

#### b) Current/ Non Current classification of assets and liabilities

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as up to twelve months for the purpose of current – Non Current classification of assets and liabilities.

#### c) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

Leasehold improvements are depreciated on straight line basis over primary period of lease agreements.

#### e) Intangible fixed assets

Intangible assets include domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives ranging from 5-10 years.

#### f) Depreciation

Depreciation is provided using Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

Tangible assets and intangible assets costing ₹ 5,000 or less individually are fully depreciated / amortized in the year of purchase.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### g) Leases

#### Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease period.

#### Finance Lease

##### *Where the Group is the lessee*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

##### *Where the Group is the lessor*

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

### h) Loans

Loans are stated at the amount advanced, as reduced by the amounts received up to the balance sheet date and loans assigned.

### i) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Unquoted investments in units of mutual funds are stated at net assets value.

#### Investment Property

An investment in land or buildings, which is not intended to be occupied substantially for use, or in the operations of, the Company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any.

The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the investment property to its working condition for the intended use.

Depreciation on building component of investment property is calculated on straight line basis at the rates prescribed under the Schedule VI of the Companies Act, 1956.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

On disposal of an investment, the difference between its carrying cost amount and net disposal proceeds is charged or credited to the statement of profit and loss.

### k) Commercial Papers

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

### l) Foreign currency transactions

#### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

#### (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

### m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### Interest income

Interest income from loans is accounted for by applying interest rate implicit in the contract.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

#### Income on discounted instruments

Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

#### Fee income

Fee income on wholesale loans is recognised as and when they are due.

Fee income on retail loans and subvention income is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed / transferred through assignment, balance of processing fees and subvention income is recognised as income at the time of such foreclosure / transfer through assignment.

#### Commission and brokerage income

Commission and brokerage income is recognised as and when they are due.

#### Income from distribution of products

Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trail fees

#### Income from Assignment of loans and receivables

In case of assignment of loans, the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration received as reduced by the estimated provision for loss/ expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

### Lease Rental and Amenities

Lease rentals are recognized as an income in the profit and loss account on a straight line basis over the primary lease period, net of service tax.

Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

### Profit/ Loss on sale of investments

Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

### n) Preliminary Expenses

Preliminary expenses are charged to profit and loss account over a period of five year from the year in which it is incurred.

### o) Retirement and other employee benefits

#### Gratuity

The Group provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

In case of funded liability the Group makes contribution to a scheme administered by the Life Insurance Corporation of India ("LIC") and Future Generali India Life Insurance Company Limited to discharge the gratuity liability to employees.

#### Leave Encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

### p) Borrowing costs

Borrowing costs consists of interest and other cost that an entity incurs in connection with borrowing of funds. Borrowing costs are recognized as an expense in the period in which these are incurred.

### q) Loan origination cost

Loan origination costs such as credit verification, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the contractual tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. The unamortized balance is being disclosed as part of loans and advances. However, if the case is foreclosed or transferred through assignment, the unamortised portion of the loan acquisition costs is recognised as charge to the Statement of Profit and Loss at the time of such foreclosure.

### r) Income taxes

Income tax comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Group has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

### s) Provisioning / write-off of assets

Non performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. Delinquencies on assets securitized / assigned are provided for based on management estimates of the historical data.

Provision on standard assets is made as per the notification DNBS.PD.CC.No.207/ 03.02.002 /2010-11 issued by Reserve Bank of India.

The Group accounts for provision for doubtful assets after taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security, following provisions and write off are made against overdue retail loans as under:

Particulars	2011- 12	2010-11
<b><i>All Retail loans other than loan against property</i></b>		
90 days overdue	10% provision	10% provision
120 days overdue	33% provision cumulative	33% provision cumulative
150 days overdue	66% provision cumulative	66% provision cumulative
180 days overdue	100% write off	100% write off
Loss Assets	100% write off	100% write off
<b><i>Loans against Property</i></b>		
90 days overdue	10% provision	10% provision
180 days overdue	33% provision cumulative	33% provision cumulative
360 days overdue	66% provision cumulative	66% provision cumulative
720 days overdue	100% write off	100% write off
Loss Assets	100% write off	100% write off



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### *Provision on other than Retail loans*

Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

### t) **Employee Stock Option Scheme ('ESOS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

### u) **Segment Reporting Policies**

#### *Identification of segments*

The Group has organized its operations into four major businesses: Investment Advisory Services, Wholesale credit & Treasury services, Retail Financial Services and Others. The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

#### *Unallocated items*

It includes income and expense items which are not allocated to any business segment.

#### *Segment Policies*

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

### v) **Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### w) **Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that 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 its present value and are determined based on 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.

### x) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

### y) **Cash and Cash Equivalent**

Cash and Cash Equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank including fixed deposit with original maturity period of three months and short term highly liquid investments with an original maturity of three months or less.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 3. Share Capital:

Particulars	Amounts in ₹	
	As at March 31, 2012	As at March 31, 2011
<b>Authorized:</b>		
113,000,000 (Previous Year: 113,000,000) Equity shares of ₹ 10/- each	1,130,000,000	1,130,000,000
	<u>1,130,000,000</u>	<u>1,130,000,000</u>
<b>Issued, subscribed and fully paid up:</b>		
64,798,484 (Previous Year: 64,783,484) Equity shares of ₹ 10/- each	647,984,840	647,834,840
Less: 300,000 shares issued to FCH Employee Welfare Trust but not allotted to Employees (Refer Note 2.1 (a))	(3,000,000)	-
	<u>644,984,840</u>	<u>647,834,840</u>

a. Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

	As at March 31, 2012		As at March 31, 2011	
	Number	₹	Number	₹
At the beginning of the reporting period	64,783,484	647,834,840	63,527,984	635,279,840
Issued during the reporting period-Employees Stock Option Scheme (Refer Note 31)	15,000	150,000	1,255,500	12,555,000
Bought back during the reporting period	-	-	-	-
At the close of the reporting period	<u>64,798,484</u>	<u>647,984,840</u>	<u>64,783,484</u>	<u>647,834,840</u>

b. Terms / Rights attached to Equity Shares:

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any is proposed by the Board of Directors and is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by the holding company:

	As at March 31, 2012		As at March 31, 2011	
	Number	₹	Number	₹
Pantaloon Retail (India) Limited	34,779,999	347,799,990	34,779,999	347,799,990

d. Particulars of equity share holders holding more than 5% of the total number of equity share capital:

	As at March 31, 2012		As at March 31, 2011	
	Number	%	Number	%
Pantaloon Retail (India) Limited	34,779,999	53.67%	34,779,999	53.67%
Kishore Biyani	1,700,000	2.62%	4,773,795	7.37%

	Amounts in ₹	
	As at March 31, 2012	As at March March 31, 2011
e. Securities convertible into equity shares:		
<u>Share Warrants</u>		
Earliest date of conversion (Refer Note 39)	NA	March 29, 2012
f. Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment (Refer Note 31)	2,578,500	1,378,500
g. Aggregate number of shares issued for a consideration other than cash during the period of five years immediately preceeding the reporting date.	Nil	Nil

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March March 31, 2012	As at March March 31, 2011	
<b>4. Reserves and Surplus:</b>			
<b>Capital Reserve</b>			
Balance as last Balance Sheet	-	-	
Add : Transferred during the year (Refer Note 39)	592,500,000	-	
	<b>592,500,000</b>	-	
<b>Statutory Reserve under Section 45-IC of the RBI Act</b>			
Balance as last Balance Sheet	244,354,789	124,712,830	
Add : Transferred from profit and loss account	186,338,803	119,641,959	
	<b>430,693,592</b>	<b>244,354,789</b>	
<b>Securities Premium Account</b>			
Balance as per last Balance Sheet	6,315,984,827	6,617,435,895	
Add : Received during the year (Refer Note 31)	1,380,000	156,166,000	
Less : Debenture issue expenses	-	(55,645,000)	
Less : Amalgamation adjustments (Refer Note 42)	-	(401,972,068)	
Less: 300,000 shares issued to FCH Employee Welfare Trust but not allotted to Employees (Refer Note 2.1 (a))	(109,635,000)	-	
	<b>6,207,729,827</b>	<b>6,315,984,827</b>	
<b>Foreign Exchange Fluctuation Reserve</b>	<b>12,251,526</b>	-	
<b>General Reserve</b>			
Balance as per last Balance Sheet	27,630,412	-	
Add : Transferred from profit and loss account	46,096,339	27,630,412	
	<b>73,726,751</b>	<b>27,630,412</b>	
<b>Surplus/ (Deficit) in the Statement of Profit and Loss</b>			
Balance as per last Balance Sheet	(359,074,706)	(468,430,589)	
Adjustment on account of joint venture/ subsidiary included in consolidation	-	(121,641,023)	
	<b>(359,074,706)</b>	<b>(590,071,612)</b>	
Add: Profit for the year	1,058,308,178	491,208,754	
<b>Less: Appropriations:</b>			
Transfer to statutory reserve under section 45-IC of the Reserve Bank of India ('RBI') Act, 1934	(186,338,803)	(119,641,959)	
Proposed dividend	(97,197,726)	(97,175,226)	
Dividend tax thereon	(15,767,901)	(15,764,251)	
Transfer to general reserve	(46,096,339)	(27,630,412)	
	<b>353,832,702</b>	<b>(359,074,706)</b>	
	<b>7,670,734,399</b>	<b>6,228,895,322</b>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 5. Long term Borrowings:

	Non Current Portion		Current Maturities*	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>Secured</b>				
Redeemable Non Convertible Debentures	5,141,000,000	5,141,000,000	-	-
Term Loans				
- from Banks	20,062,360,796	6,273,339,485	5,137,500,000	2,525,000,000
<b>Unsecured</b>				
Term Loans				
- from Banks (Subordinated debt)	2,000,000,000	-	-	-
	<u>27,203,360,796</u>	<u>11,414,339,485</u>	<u>5,137,500,000</u>	<u>2,525,000,000</u>

\* Amount disclosed under the head other current liabilities (Refer Note 10)

#### Additional Information:

##### a. Debentures

Debentures are secured by first pari passu charge on fixed assets, first exclusive charge on certain receivables of Retail and Corporate loans.

##### b. Particulars of redemption of debentures

Particulars	Face Value	Quantity	Date of Redemption	As at March 31, 2012	As at March 31, 2011
11.25%,Tranche 2	1,000,000	1,250	December 1, 2015	1,250,000,000	1,250,000,000
11.25%,Tranche 1	1,000,000	1,250	October 1, 2015	1,250,000,000	1,250,000,000
10.25%,Tranche 2-A	1,000,000	60	August 31, 2015	60,000,000	60,000,000
11.00%,Tranche 2-B3	1,000,000	4	August 31, 2015	4,000,000	4,000,000
10.25%,Tranche 1-A	1,000,000	1,251	August 16, 2015	1,251,000,000	1,251,000,000
11.00%,Tranche 1-B3	1,000,000	428	August 16, 2015	428,000,000	428,000,000
11.00%,Tranche 2-B2	1,000,000	3	February 28, 2015	3,000,000	3,000,000
11.00%,Tranche 1-B2	1,000,000	321	February 16, 2015	321,000,000	321,000,000
11.00%,Tranche 2-B1	1,000,000	3	August 31, 2014	3,000,000	3,000,000
11.00%,Tranche 1-B1	1,000,000	321	August 16, 2014	321,000,000	321,000,000
10.35%,Tranche 1	1,000,000	250	December 30, 2013	250,000,000	250,000,000
				<u>5,141,000,000</u>	<u>5,141,000,000</u>

##### c. Security Details for Term loans

- Term loans of ₹ 6,500,275,390 (Previous year: ₹ 3,291,666,665) is secured by way of first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary Company and corporate guarantee of the subsidiary Company to the extent of the realisable value of the collateral security.
- Term loans of ₹ 16,699,603,132 (Previous year: ₹ 2,805,283,936) is secured by way of first pari passu charge on receivables of the Company.
- Term loans of ₹ 1,999,982,274 (Previous period: ₹ 2,000,000,000) is secured by way of first exclusive charge on priority sector lending receivables of the Company.
- Term loan of ₹ Nil (Previous year: ₹ 701,388,884) is secured by way of hypothecation of underlying assets financed by the Company and receivables on first pari passu basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 5. Long Term Borrowings: (Contd.)

#### d. Terms of repayment

##### Term loans from Banks -Secured

As at March 31, 2012

				Amount in ₹
Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 Months	11.75% to 12.25%	Bullet and Quarterly Instalments	2,949,860,796	750,000,000
48-60 months	10.75% to 12.25%	Monthly and Quarterly Instalments	15,112,500,000	1,387,500,000
36-48 months	11.15% to 12.15%	Bullet, Monthly and Quarterly Instalments	1,500,000,000	500,000,000
12-24 months	11.25%	Bullet, Monthly and Quarterly Instalments	500,000,000	500,000,000
Upto 12 months	11.65%	Bullet Payment on Maturity	-	2,000,000,000
<b>Grand Total</b>			<b>20,062,360,796</b>	<b>5,137,500,000</b>

As at March 31, 2011

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 months	10.00%	20 Quarterly Instalments	1,000,000,000	-
48-60 months	11.00%	16 Quarterly Instalments	1,000,000,000	-
36-48 months	9.75%	Monthly and Quarterly Instalments	555,283,936	250,000,000
24-36 months	10.00% to 13.00%	Bullet, Yearly, Monthly and Quarterly Instalments	1,600,000,000	400,000,000
12-24 months	13.75% to 14.50%	Bullet, Monthly and Quarterly Instalments	2,118,055,549	1,083,333,333
Upto 12 months	13.75% to 14.00%	Quarterly Instalments	-	791,666,667
<b>Grand Total</b>			<b>6,273,339,485</b>	<b>2,525,000,000</b>

##### Term Loan from bank- Unsecured

As at March 31, 2012

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
More than 60 months	12.20%	Bullet	2,000,000,000	-
<b>Grand Total</b>			<b>2,000,000,000</b>	<b>-</b>

As at March 31, 2011

Tenor	Rate of interest	Repayment Details	Non-Current portion	Current Maturities
Not Applicable			-	-
<b>Grand Total</b>			<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March 31, 2012	As at March 31, 2011	
<b>6. Other Long term liabilities:</b>			
Trade Payables (Refer below for dues to micro and small enterprises)	-	-	
Others:			
Cash collateral against retail loans	119,859	387,775,843	
Unamortised processing fees/ subvention income (Refer Note 36)	109,173,605	19,029,072	
Security Deposits	21,962,133	21,962,133	
Others	2,429,745	1,958,710	
	<b>133,685,342</b>	<b>430,725,759</b>	
<b>Micro and Small Scale Business Entities</b>			
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.			
<b>7. Long term Provisions:</b>			
For standard assets (Refer Note 2.1 (s))	76,632,000	41,622,027	
Loan loss provision	28,000,000	-	
For foreclosure/ credit loss on assignment	826,590,312	29,673,049	
Provisions for employee benefits			
- Gratuity	9,775,868	4,460,967	
	<b>940,998,180</b>	<b>75,756,043</b>	
<b>8. Short term Borrowings:</b>			
<b>Secured</b>			
Loans repayable on demand			
- from banks	7,972,835,635	5,177,487,930	
Term loans			
- from others	-	500,000,000	
<b>Unsecured</b>			
Commercial papers	3,549,515,620	6,009,976,371	
Loans repayable on demand			
- from banks	-	603,819,276	
- from others	-	4,700,000	
<b>Total</b>	<b>11,522,351,255</b>	<b>12,295,983,577</b>	

### Additional Information:

- Cash credit of ₹ 1,497,230,909 (Previous Year: ₹ 4,677,186,559) is secured by pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.
- Cash credit of ₹ 6,475,604,726 (Previous year: ₹ 500,301,370) is secured by way of first passu charge on receivables of the Company.
- Term loans from others of ₹ Nil (Previous year: ₹ 500,000,000) is repayable within 1 year and secured by way of first exclusive charge on retail receivables of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

		Amounts in ₹	
Particulars	As at March 31, 2012	As at March 31, 2011	
<b>9. Trade Payables:</b>			
To Micro, Small and Medium Enterprises (Refer below for dues to micro and small enterprises)	-	-	
Others	421,093,213	322,039,291	
	<b>421,093,213</b>	<b>322,039,291</b>	
<b>Micro and Small Scale Business Entities</b>			
There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. The information as required to be disclosed under Micro, Small and Medium Enterprises Development Act 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.			
<b>10. Other current liabilities:</b>			
Current maturities of long term debt	5,137,500,000	2,525,000,000	
Interest accrued but not due on borrowings	167,119,234	241,732,325	
Interest accrued and due on borrowings	51,142,276	2,919,578	
Income received in advance	9,700,355	-	
Advance received from Customers	92,637,576	3,211,268	
Overdrawn Book balance	2,025,615,606	811,511,316	
Unamortised processing fees/ subvention income (Refer Note 36)	60,436,508	31,855,328	
Unpaid dividends	597,958	220,178	
Unpaid Share Application Money	2,311,621	2,311,621	
Security Deposits	3,904,611	888,300	
Other liabilities	397,763,334	254,266,884	
	<b>7,948,729,079</b>	<b>3,873,916,798</b>	
<b>11. Short term provisions:</b>			
Provision for employee benefits			
- Gratuity	2,573,347	457,994	
- Leave encashment and availment	11,319,608	4,150,991	
Proposed dividend	97,197,726	97,175,226	
Dividend tax thereon	15,767,901	15,764,251	
For standard assets	46,520,000	32,478,973	
For foreclosure/ credit loss on assignment	186,894,564	361,888,995	
For income tax (net of advance taxes)	4,820,858	-	
	<b>365,094,004</b>	<b>511,916,430</b>	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

## 12. Fixed Assets:

Amounts in ₹

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK		
	Balance as on April 1, 2011	Adjustment on account of inclusion / (exclusion) of subsidiary	Additions during the year	Deletions/ Adjustments during year	Balance as on March 31, 2012	Balance as on April 1, 2011	Adjustment on account of inclusion / (exclusion) of subsidiary	For the year	Deletions/ Adjustments during year	Balance as on March 31, 2012	Balance as on March 31, 2011
<b>Tangible Assets</b>											
Land	625,000	-	-	-	625,000	-	-	-	-	625,000	625,000
Computers and printers	102,799,974	(3,590,890)	58,848,038	4,861,014	153,196,108	74,955,316	(2,321,758)	13,155,117	2,253,913	69,661,346	27,844,658
Office equipment	30,714,484	(186,422)	40,145,275	166,269	70,507,068	17,777,182	(39,440)	2,583,343	5,585	50,191,568	12,937,302
Furniture and fixtures	49,050,969	-	33,980,994	9,248,699	73,783,264	24,922,138	-	3,782,959	2,756,725	47,834,892	24,128,831
Electrical installation	6,991,662	-	17,475,857	-	24,467,519	1,438,803	-	678,662	-	22,350,054	5,552,859
Air conditioners	10,321,380	-	672,021	105,563	10,887,838	57,39,059	-	168,379	37,708	5,018,108	4,582,321
Leasehold improvements	79,978,292	-	53,097,941	334,639	132,741,594	72,178,295	-	10,548,625	270,422	50,285,096	7,799,997
Vehicles	2,937,582	-	-	874,419	2,063,163	1,398,298	-	956,179	291,314	-	1,539,284
Hard furnishings	185,998	(185,998)	-	-	-	141,412	(141,412)	-	-	-	44,586
Generator set	1,564,974	-	-	-	1,564,974	301,620	-	74,338	-	1,189,016	1,263,354
Sub-Total (A)	285,170,315	(3,963,310)	204,220,126	15,590,603	469,836,528	498,852,123	(2,502,610)	31,947,602	5,615,667	222,681,448	86,318,192
<b>Intangible Assets</b>											
Domain and Trade Names	1,587,542	-	6,364	-	1,593,906	943,712	-	249,166	-	1,192,878	643,830
Data Processing Software	43,967,948	-	23,905,694	-	67,873,642	19,550,029	-	10,404,193	-	29,954,222	24,417,919
Sub-Total (B)	45,555,490	-	23,912,058	-	69,467,548	20,493,741	-	10,653,359	-	31,147,100	38,326,448
Total (A+B)	330,725,805	(3,963,310)	228,132,184	15,590,603	539,304,076	219,345,864	(2,502,610)	42,600,961	5,615,667	253,828,548	111,379,941

## Previous Year

Amounts in ₹

Particulars	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK				
	Balance as on April 1, 2010	Adjustment on account of inclusion / (exclusion) of subsidiary	Additions during the year	Deletions/ Adjustments during year	Balance as on March 31, 2011	Balance as on April 1, 2010	Adjustment on account of inclusion / (exclusion) of subsidiary	For the year	Deletions/ Adjustments during year	Balance as on March 31, 2011	Balance as on March 31, 2010
<b>Tangible Assets</b>											
Land	-	-	625,000	-	625,000	-	-	-	-	625,000	-
Computers and printers	85,692,838	14,448,345	3,007,512	348,721	102,799,974	60,446,552	4,833,217	9,824,249	148,702	74,955,316	25,246,286
Office equipment	27,443,012	584,721	2,686,751	-	30,714,484	16,696,810	42,031	1,038,341	-	17,777,182	10,746,201
Furniture and fixtures	43,487,253	2,367,503	3,527,751	331,538	49,050,969	21,422,505	274,147	3,278,376	52,890	24,922,138	22,064,748
Electrical installation	6,991,662	-	-	-	6,991,662	1,089,329	-	349,474	-	1,438,803	5,552,859
Air conditioners	9,194,135	1,414,393	10,859	298,007	10,321,380	5,256,839	146,546	371,176	35,482	5,739,059	3,937,316
Leasehold improvements	76,310,395	5,825,148	1,965,331	2,303,795	81,797,079	64,229,392	3,496,081	7,511,467	1,239,858	73,997,082	12,081,003
Vehicles	2,063,164	874,418	-	-	2,937,582	976,319	187,191	234,788	-	1,398,298	1,086,845
Hard furnishings	274,053	-	-	88,055	185,998	144,771	-	80,450	83,809	141,412	129,282
Generator set	1,564,974	-	-	-	1,564,974	227,285	-	74,335	-	301,620	1,337,689
Share in fixed assets of joint venture	1,969,462	(1,969,462)	-	-	-	424,738	(424,738)	-	-	-	1,544,724
<b>Sub-Total (A)</b>	<b>254,990,948</b>	<b>23,545,066</b>	<b>11,823,204</b>	<b>3,370,116</b>	<b>286,989,102</b>	<b>170,914,520</b>	<b>8,554,475</b>	<b>22,762,656</b>	<b>1,560,741</b>	<b>200,670,910</b>	<b>84,076,427</b>
<b>Intangible Assets</b>											
Domain and Trade Names	1,570,042	-	17,500	-	1,587,542	683,999	-	259,713	-	943,712	886,043
Data Processing Software	20,548,811	22,536,637	882,274	-	43,967,722	8,549,559	3,874,017	7,126,227	-	19,549,803	11,999,252
<b>Sub-Total (B)</b>	<b>22,118,853</b>	<b>22,536,637</b>	<b>899,774</b>	<b>-</b>	<b>45,555,264</b>	<b>9,233,558</b>	<b>3,874,017</b>	<b>7,385,940</b>	<b>-</b>	<b>20,493,515</b>	<b>12,885,295</b>
<b>Total (A+B)</b>	<b>277,109,801</b>	<b>46,081,703</b>	<b>12,722,978</b>	<b>3,370,116</b>	<b>332,544,366</b>	<b>180,148,078</b>	<b>12,428,492</b>	<b>30,148,596</b>	<b>1,560,741</b>	<b>221,164,425</b>	<b>96,961,722</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 13. Non Current Investments: (Non-Trade)

Amounts in ₹

Name of the Company	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Investment property</b>				
Building				
Gross Block		755,792,532		751,763,459
Less: Accumulated Depreciation		(67,840,837)		(53,760,816)
Net Block		<u>687,951,695</u>		<u>698,002,643</u>
<b>Investments in Equity Instruments (Unquoted):</b>				
In fully paid up equity shares of ₹ 10 each				
Ayati Investment Advisors Limited	600,000	60,000,000	600,000	60,000,000
IndoSpace Rohan Industrial Park Private Limited (formerly known as Rohan Realty Private Limited)	7,146	2,194,608	5,377	1,651,330
IndoSpace Rohan Industrial Park Mahalunge Private Limited (formerly known as Rohan Brothers Builders Private Limited)	105	2,001,735	97	1,849,221
IndoSpace Rohan Industrial Park Khed Private Limited (formerly known as Rohan Buildwell Private Limited)	166	2,433,583	156	2,286,982
IndoSpace Rohan Industrial Park Pune Private Limited (formerly known as Rohan Erectors Private Limited)	105	2,005,232	97	1,852,452
Indospace SKCL Industrial Park Orgadem Private Limited (formerly known as IndoSpace Logistics Parks Private Limited)	12,025	1,656,444	12,025	1,656,444
Indospace FWS Industrial Park Private Limited (Formerly known as Future Warehouse Management Services Private Limited)	3,957	779,648	3,957	779,648
		<u>71,071,250</u>		<u>70,076,077</u>
Less: Provision for diminution in value of investments (Refer Note 43)		<u>60,000,000</u>		<u>-</u>
		<u>11,071,250</u>		<u>70,076,077</u>
<b>Investments in Equity Instruments (Quoted):</b>				
In fully paid up equity shares of ₹ 10 each				
Centrum Capital Limited	105,783	150,000,294	-	-
Less: Provision for diminution in investments (Refer Note 43)		<u>35,000,000</u>		<u>-</u>
		<u>115,000,294</u>		<u>-</u>
		<u>126,071,544</u>		<u>70,076,077</u>
<b>Investments in debentures (Unquoted):</b>				
18.75%, Secured redeemable non-convertible debentures of Kanakia Bhumi Construction Private Limited, fully paid up of ₹ 10,000,000 each*	90	750,000,002	-	-
18.75%, Secured redeemable non-convertible debentures of Kanakia Spaces Private Limited, fully paid up of ₹ 10,000,000 each*	40	333,400,000	-	-
16%, Secured redeemable non-convertible debentures of Keystone Realtors Private Limited, fully paid up of ₹ 10,000,000 each*	12	857,211,412	-	-
		<u>1,940,611,414</u>		<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Amounts in ₹

Name of the Company	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Investments in Bonds (Unquoted):</b>				
In fully paid up bonds of ₹ 100 each				
Government Bonds	189	18,900	189	18,900
		<u>18,900</u>		<u>18,900</u>
		<u>2,754,653,553</u>		<u>768,097,620</u>
<b>Additional Information:</b>				
Aggregate value of quoted investments:		150,000,294		-
Aggregate value of unquoted investments:		1,940,630,314		70,094,977
Aggregate provision for diminution in value of investments:		95,000,000		-

\* Current maturities of ₹ 474,400,000 is shown under Note No. 17

Amounts in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
<b>14. Deferred tax assets / (liabilities) (Net)</b>		
<b>Deferred tax liability:</b>		
On account of depreciation on fixed assets	-	(556,455)
	-	<u>(556,455)</u>
<b>Deferred tax asset:</b>		
On account of depreciation on fixed assets	44,519,798	34,055,038
On account of provision for gratuity and leave encashment	7,412,952	3,366,261
On other disallowances under Income Tax Act	17,260,086	23,608,228
	<u>69,192,836</u>	<u>61,029,527</u>
<b>Net Deferred tax assets</b>	<u>69,192,836</u>	<u>60,473,072</u>
<b>15. Long term loans and advances:</b>		
<i>Secured, considered good</i>		
Loans and advances relating to financing activity	26,265,284,430	18,894,283,468
Vehicles on finance lease	5,839,050	17,201,569
<i>Secured, considered doubtful</i>		
Loans and advances relating to financing activity	35,269,590	28,067,366
Less: Provision for doubtful advances	(13,959,562)	(28,067,366)
	<u>21,310,028</u>	-
<i>Unsecured, considered good</i>		
Capital advances	16,603,740	21,687,600
Security Deposits	99,528,259	66,026,319
Loans and advances relating to financing activity	52,214,214	38,591,554
Advances to staff	10,000,000	10,000,000
Advances recoverable in cash or in kind or for value to be received	39,760,000	113,195,000
Advance taxes (net of provision for tax)	240,219,239	217,171,798
VAT Refund receivable	1,771,865	1,846,223
	<u>460,097,317</u>	<u>468,518,494</u>
<i>Unsecured, considered doubtful</i>		
Loans and advances to others	10,150,006	5,150,704
Less: Provision for doubtful advances	(10,150,006)	(5,150,704)
	-	-
	<u>26,752,530,825</u>	<u>19,380,003,531</u>
<b>Additional Information:</b>		
Debts due by directors or other officers of the company	10,000,000	10,000,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	As at March 31, 2012	As at March 31, 2011
<b>16. Other non current assets:</b>		
Security Deposits	61,750	1,746,700
MAT credit entitlement	16,250,000	16,250,000
Receivables under loans assigned	584,337,780	-
Unamortised loan origination cost (Refer note 36)	155,438,925	33,732,794
Balances with banks		
- in deposit accounts exceeding 12 months maturity	1,473,603,848	298,835,000
Others	1,628,644	14,047,516
	<b>2,231,320,947</b>	<b>364,612,010</b>

### 17. Current Investments:

Amounts in ₹

Name of the Company	Quantity	As at March 31, 2012	Quantity	As at March 31, 2011
<b>Investments in Mutual funds (Unquoted):</b>				
Reliance Liquidity Fund-Growth	-	-	8,114,584	119,833,743
HDFC Liquid Fund - Premium Plan - Growth	-	-	21,855,943	429,547,958
Birla Sunlife Cash Plus Institutional Premium -Growth	-	-	17,536,671	275,243,320
SBI Ultra Short Term Fund-Institutional Plan Growth	-	-	58,586,427	750,000,000
ICICI Prudential Liquid Super Institutional Plan. Growth	-	-	274,271	116,616,222
HDFC Cash Management Fund-Savings Plan-Growth	-	-	-	71,404,086
Reliance Liquid Fund - Treasury Plan-Institutional Option- Growth Option	213,004	2,130,041	-	10,080,880
Peerless Liquid Fund-Super Institutional Growth	4,280,932	50,000,000	-	5,700,000
Pramerica Liquid Fund - Growth Option	43,833	50,000,000	-	-
		<b>102,130,041</b>		<b>1,778,426,209</b>
<b>Investments in debentures (Unquoted):</b>				
12.50%, Secured redeemable non-convertible debentures of Era Housing & Developers (India) Limited, fully paid up of ₹ 10,000,000 each	-	-	75	750,000,000
		-		<b>750,000,000</b>
<b>Other investments (Unquoted):</b>				
Pass Through Certificates	-	-	27	2,054,156
		-		<b>2,054,156</b>
Current maturities of long term investments		<b>474,400,000</b>		-
		<b>576,530,041</b>		<b>2,530,480,365</b>

### Additional Information:

- Aggregate value of unquoted investments:
 

- Cost	576,530,041	2,530,480,365
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- The Company has valued unquoted mutual funds at net assets value based on the Prudential norms issued by the Reserve Bank of India.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	As at March 31, 2012	As at March 31, 2011
<b>18. Trade receivables:</b>		
Trade receivables exceeding six months		
- Secured, considered good	850,390	1,550,472
- Secured, considered doubtful	1,475,147	6,759,253
- Unsecured, considered doubtful	13,352,687	23,947,316
Less: Provision for doubtful debts	(13,863,432)	(24,925,889)
	<b>1,814,792</b>	<b>7,331,152</b>
Other debts		
- Secured, considered good	471,126,282	27,436,066
- Secured, considered doubtful	14,698,471	15,448
- Unsecured, considered good	90,929,297	131,309,120
- Unsecured, considered doubtful	4,111,149	9,649,026
Less: Provision for doubtful debts	(18,809,620)	(9,664,474)
	<b>562,055,579</b>	<b>158,745,186</b>
	<b>563,870,371</b>	<b>166,076,338</b>
<b>19. Cash and bank balance:</b>		
<b>Cash and Cash Equivalents:</b>		
Balances with banks		
- in unpaid dividend accounts	597,958	220,178
- in unpaid share application money	2,311,621	2,311,621
- in other accounts	4,949,996,098	3,435,216,907
Cash on hand	103,061,770	16,596,066
	<b>5,055,967,447</b>	<b>3,454,344,771</b>
<b>Other Bank Balances:</b>		
Deposit with original maturity for more than 3months but less than 12 months		
- in fixed deposit accounts	5,000,000	-
- in fixed deposit accounts lien against Bank Guarantee	30,000,000	38,750,000
- in fixed deposit account earmarked against Trade Guarantee Fund	1,000,000	1,000,000
	<b>5,091,967,447</b>	<b>3,494,094,771</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	As at March 31, 2012	As at March 31, 2011
<b>20. Short term loans and advances:</b>		
<i>Secured, considered good</i>		
Current maturities of long term loans and advances	16,987,239,596	7,537,086,875
Current maturity of finance lease	7,871,474	9,388,464
<i>Secured, considered doubtful</i>		
Current maturities of long term loans and advances	1,263,416	1,241,990
Less: Provision for doubtful advances	(1,263,416)	(1,241,990)
	-	-
<i>Unsecured, considered good</i>		
Current maturities of long term loans and advances	545,321,611	1,392,257,380
Advances recoverable in cash or in kind or for value to be received	169,137,442	224,533,558
Security Deposits	3,532,383	9,971,818
<i>Unsecured, considered doubtful</i>		
Loans and advances to related parties	21,148	-
Current maturities of long term loans and advances	2,286,248	9,750,643
Advances recoverable in cash or in kind or for value to be received	3,637,177	4,034,077
Less: Provision for doubtful advances	(5,944,573)	(13,408,968)
	-	375,752
	<b>17,713,102,506</b>	<b>9,173,613,847</b>
<b>21. Other Current Assets:</b>		
Interest accrued but not due	329,298,023	148,677,051
Interest accrued and due	151,534,293	85,946,583
Unamortised loan origination cost (Refer note 36)	58,465,659	13,617,388
Unbilled Subvention Income	15,662,934	5,857,993
Receivables under loans assigned	142,198,771	3,841,912
Others	1,222,605	1,941,880
	<b>698,382,285</b>	<b>259,882,807</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>22. Revenue from operations:</b>		
Interest income	5,542,317,978	2,703,530,616
<b>Other financial services</b>		
Fee income	786,900,111	438,054,469
Rental income	65,424,017	130,650,362
Income from assignment of loans	705,268,745	298,203,186
Dividend from mutual fund units	-	33,519,931
Profit on sale of investments	32,087,502	50,983,654
Profit on sale of Leased Assets	782,727	267,520
Management fees	159,301,785	27,298,009
Commission and brokerage Income	109,379,589	10,986,547
Share in other income from operations of joint ventures	-	34,702,624
	<b>7,401,462,454</b>	<b>3,728,196,918</b>
<b>23. Other Income:</b>		
Net gain on sale of non current investments	-	250,136,882
Foreign exchange gain (net)	-	874,010
Interest on income tax refund	7,937,474	2,089,482
Other non operating income	28,045,764	31,318,900
Share in income from operations of joint ventures	-	2,525,575
	<b>35,983,238</b>	<b>286,944,849</b>
<b>24. Employee Benefit Expenses:</b>		
Salaries and wages	790,193,226	391,301,361
Contribution to provident and other funds	29,055,538	10,883,799
Remuneration to whole time directors	35,387,858	25,527,661
Staff welfare expenses	13,777,997	5,087,846
Share in personnel expenses of joint ventures	-	45,950,045
	<b>868,414,619</b>	<b>478,750,712</b>
<b>25. Finance Costs:</b>		
Interest expense	2,926,016,582	1,592,455,561
Other borrowing costs	1,050,958,308	289,916,798
Share in financial costs of joint ventures	-	5,106,015
	<b>3,976,974,890</b>	<b>1,887,478,374</b>
<b>26. Depreciation and amortization:</b>		
Depreciation on Fixed Assets	31,947,602	22,762,656
Depreciation on Investment Property	12,261,325	12,253,743
Amortization of intangible assets	10,653,359	7,385,940
	<b>54,862,286</b>	<b>42,402,339</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Amounts in ₹	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>27. Other expenses:</b>		
Rent	125,317,289	52,661,608
Repairs to buildings	165,375	3,923,651
Repairs others	31,743,773	19,018,035
Insurance	3,991,631	1,422,911
Rates and taxes	15,055,414	7,496,727
Payment to the auditors		
- as auditor	4,500,000	3,739,313
- for other services	100,000	100,662
- for reimbursement of expenses	376,830	188,091
Business promotion expenses	11,117,788	2,326,810
Commission and brokerage	10,073,467	229,792
Traveling expenses	43,014,693	12,766,134
Communication expenses	35,904,862	15,623,134
Printing and stationery	20,690,472	10,614,970
Software and computer expenses	-	3,404,087
Recruitment expenses	24,471,155	12,923,416
Membership and subscription	3,010,066	2,479,263
Advertisement, publicity and sales promotion expenses	19,813,419	5,105,423
Electricity charges	16,398,450	3,353,685
Amortised loan origination cost (Refer Note 36)	179,736,304	114,218,373
Collection expenses	34,801,600	43,141,147
Provision for doubtful loans and advances	10,526,241	23,233,832
Provision for diminution in value of investments		
- Others	95,000,000	-
Provision for standard assets	49,051,000	74,101,000
Bad trade receivables written off	70,702,762	28,546,730
Loss on sale of fixed asset (net)	5,485,133	1,564,365
Fixed Assets Written Off	602,883	-
Donations	951,500	500,000
Legal and professional charges	163,401,986	51,862,989
Directors sitting fees	1,189,925	1,193,185
Remuneration to non whole time directors		
- Commission	5,000,000	2,417,446
Miscellaneous expenses	39,061,797	7,127,017
Provision for impairment of assets (Refer Note 41)	-	220,613,517
Share in other expenses of joint ventures	-	42,040,496
	<b>1,021,255,815</b>	<b>767,937,809</b>
<b>28. Earnings per share:</b>		
Profit for the year after tax expense	1,058,308,178	491,208,754
Weighted average number of equity shares	64,798,484	64,260,148
Nominal value per share	10	10
<b>Earning per share-Basic</b>	<b>16.33</b>	<b>7.64</b>
Profit for the year after tax expense	1,058,308,178	491,208,754
Weighted average number of equity shares	64,798,484	64,260,148
Add: Weighted number of equity shares under options	7,433	142,807
Weighted average number of diluted equity shares	64,805,917	64,402,955
Nominal value per share	10	10
<b>Earning per share-Diluted</b>	<b>16.33</b>	<b>7.63</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 29. Contingent liabilities and commitments

#### a. Contingent Liabilities not provided for in respect of:

(Amounts in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Guarantees given by Bank on behalf of the Group	60,000,000	77,000,000
Corporate Guarantee given by Company to Banks	90,000,000	-
Liability on account of retail trades	1,775,000	1,579,240
Income-tax matters under dispute	23,147,837	10,383,352

#### b. Commitments:

(Amounts in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for	29,193,215	56,671,960
Commitments relating to granting of loan	2,820,182,882	-

### 30. Post-employment benefit plans:

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses

The following table summaries the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

(Amounts in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	4,726,647	4,353,799	2,397,853	-
Adjustment on account of exclusion of joint venture/ subsidiary	(338,390)	(333,557)	-	1,116,042
Interest Cost	351,061	321,619	191,828	69,055
Current Service Cost	9,351,788	3,086,264	540,499	802,112
Benefit Paid	(1,810,587)	(1,118,691)	(119,495)	(523,078)
Actuarial (gain)/ loss on obligations	68,696	(1,582,787)	(2,148,163)	933,722
Present Value of the Obligation as at the end of the year	12,349,215	4,726,647	862,522	2,397,853

#### A. Fair Value of Plan Assets

(Amounts in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Fair Value of the Plan Assets as on April 1,	-	-	2,334,487	1,637,756
Expected return on Plan Assets	-	-	250,476	98,265
Contributions	-	-	210,000	1,122,658
Benefits paid	-	-	(119,495)	(523,078)
Actuarial gain/ (loss) on Plan Assets	-	-	-	(1,114)
Fair Value of the Plan Assets as on March 31,	-	-	2,675,468	2,334,487

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### B. Actual return on Plan Assets

(Amounts in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Expected return on Plan Assets	-	-	250,476	98,265
Actuarial gain/ (loss) on Plan Assets	-	-	-	(1,114)
Actual return on Plan Assets	-	-	250,476	97,151

### C. Amount recognised in the Profit and Loss Account

(Amounts in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Interest Cost	351,061	321,619	191,828	69,055
Current Service Cost	9,351,788	3,086,264	540,499	448,142
Expected return on Plan Assets	-	-	(250,476)	(98,265)
Actuarial (gain)/ loss on obligations	68,696	(1,582,787)	(2,148,163)	1,353,768
Total expense recognised in the Profit and Loss Account	9,771,545	1,825,096	(1,666,312)	934,836

### D. Reconciliation of Balance Sheet

(Amounts in ₹)

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	4,726,647	4,353,799	2,397,853	1,116,042
Adjustment on account of exclusion of joint venture	(338,390)	(333,557)	-	353,970
Total expense recognised in the Profit and Loss Account	9,771,545	1,825,096	(1,666,312)	1,450,919
Employer's Contribution/ Benefits paid	(1,810,587)	(1,118,691)	(210,000)	(523,078)
Present Value of the Obligation as at the end of the year	12,349,215	4,726,647	862,522	2,397,853

The principal assumptions used in determining obligations for the Group's plans are shown below:

Assumptions	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
	Gratuity (Unfunded)		Gratuity (Funded)	
Discount rate	8%	8%	8%	7.50%
Increase in compensation cost	8%	5%	5%	6%
Employee turnover	2%	2%	1%	2%
Rate of Return on Plan Assets	NA	NA	9.36%	8%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 31. Employee Stock Option Scheme ('ESOS')

Summary of stock options	For the year ended March 31, 2012				For the year ended March 31, 2011			
	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011	ESOP 2007	ESOP 2008	ESOP 2009	ESOP 2011
Outstanding as at the beginning of the year	459,000	569,500	350,000	-	656,000	740,000	-	-
Granted during the year	-	65,000	-	1,202,000	344,000	670,000	350,000	-
Forfeited/ Cancelled during the year	7,000	40,000	-	5,000	6,000	120,000	-	-
Lapsed during the year	-	-	-	-	-	-	-	-
Exercised/ Allotted during the year	-	15,000	-	-	535,000	720,500	-	-
Outstanding as at the end of the year	452,000	579,500	350,000	1,197,000	459,000	569,500	350,000	-
Exercisable at the end of the year	108,000	66,500	70,000	-	115,000	19,500	-	-
Weighted average remaining contractual life (in years)	3.75	5.07	4.86	5.70	4.25	5.92	5.83	-
Weighted average fair value of options granted	₹ 113.70	₹ 96.63	₹ 141.50	₹ 66.00	₹ 112.11	₹ 101.69	₹ 141.50	-

#### ESOS 2008

During the year, the Company has granted 65,000 options to the eligible employee at weighted average exercise price of ₹ 133.70. Options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. All the options are exercisable within 4 years from the date of vesting.

#### ESOS 2011

The Compensation and Nomination Committee through Resolution passed by circulation dated June 29, 2011, December 26, 2011 and January 12, 2012 has granted options in respect of 835,000, 70,000 and 297,000 equity shares to the eligible employees at an exercise price of ₹ 133.70, ₹ 122.95 and ₹ 120.05 respectively pursuant to ESOS 2011 Scheme. The options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. The same will be exercisable within 4 years from the date of vesting.

The fair value of the sock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOP 2008	ESOP 2011
Exercise Price	₹ 133.70 for 65,000 stock options	₹ 133.70 for 835,000 stock options;
		₹ 122.95 for 70,000 stock options;
		₹ 120.05 for 297,000 stock options;
Historical Volatility	50.08%-54.89%	48.94% - 55.24%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	ESOP 2008	ESOP 2011
Life of the options granted (Vesting and exercise period) in years	<u>Vesting schedule:</u> 20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively  <u>Exercise Period:</u> Within 4 years from the date of vesting	<u>Vesting schedule:</u> 20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively  <u>Exercise Period:</u> Within 4 years from the date of vesting
Dividend yield	0.59%	0.46% - 0.59%
Average risk-free interest rate	8.31%	8.07% - 8.32%

### Performa Accounting

Since the Group used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amounts in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Net Profit after tax as reported	1,058,308,178	491,208,754
Less: Employee stock compensation cost under fair value method	85,613,346	32,012,813
<b>Total</b>	<b>972,694,832</b>	<b>459,195,941</b>
Basic earnings per share as reported	16.33	7.64
Proforma Basic earnings per share	<b>15.01</b>	<b>7.15</b>
Diluted earnings per share as reported	16.33	7.63
Proforma Diluted earnings per share	<b>15.01</b>	<b>7.13</b>

### 32. Segmental Reporting

The Group has organized its operations into four major businesses: Retail Financial Services, Wholesale credit and Treasury, Investment Advisory Services and Others. A description of the types of products and services provided by each reportable segment is as follows:

#### Retail Financial Services:

Under the retail financial service category, the Group provides (i) property loans (ii) gold loans (iii) consumption loans (iv) auto loans (v) two wheeler loans (vi) wealth management and (vii) property broking.

#### Wholesale credit and Treasury:

The wholesale credit business uses our proprietary balance sheet to build a unique structured credit business that focuses on mezzanine, promoter, project and acquisition financing as well other special situations related financing. The treasury operations ensure liquidity for business and manage investment of surplus funds to optimize returns within the approved risk management framework.

#### Investment Advisory Services:

The Group provides investment advisory services to its clients. These investment advisory services include investment analysis, research and investment recommendations.

#### Others:

This includes property leasing and management services, vehicle leasing & financing and mall management activities.

#### Geographical Segments:

The Group has identified geographical segments as within India and outside India.

For Segment Information - Refer Annexure 1

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 33. Related Party Disclosure:

Names of related parties where control exists irrespective of whether transactions have occurred or not.

Relationship	Name of the Party
Holding Company	Pantaloon Retail (India) Limited
Fellow subsidiaries	Future Media (India) Limited
	Future E-Commerce Infrastructure Limited
	Future Knowledge Services Limited
	Future Value Retail Limited
	Home Solutions Retail (India) Limited
Key Management Personnel	Mr. V. Vaidyanathan, Vice Chairman and Managing Director

Refer Annexure 2 and 2A for the transactions with related parties.

### 34. Finance Leases

In accordance with Accounting Standard – AS 19 – Leases, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) receivables as on March 31, 2011 and March 31, 2012 is as under:

Particulars	As at March 31, 2012	As at March 31, 2011
Gross investment in lease	1,60,42,168	3,66,12,113
Less: Unearned finance income	23,31,664	62,11,368
MLP Receivables	1,37,10,524	30,400,745

Maturity Pattern of the Gross Investments in lease/ Present Value of MLP Receivables:

Particulars	As at March 31, 2012	As at March 31, 2011
Gross investment for each of the following years:		
<input type="checkbox"/> Not later than one year	95,43,948	1,27,47,846
<input type="checkbox"/> Later than one year and not later than five years	64,98,220	2,38,64,267
	1,60,42,168	3,66,12,113
Present value of minimum lease payment for each of the following years:		
<input type="checkbox"/> Not later than one year	78,71,474	93,88,464
<input type="checkbox"/> Later than one year and not later than five years	58,39,050	2,10,12,281
	1,37,10,524	3,04,00,745
Un matured finance charges	Nil	Nil
Un guaranteed residual value accruing to the benefit of lessor	Nil	Nil
Accumulated provision for minimum lease payment receivable	Nil	Nil

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 35. Operating Leases

#### a. Payments

The Group's significant leasing arrangements in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the profit and loss account.

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease payments recognised in the profit and loss account	125,317,289	32,450,545

Details of non-cancellable leases are as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Minimum Lease Payments:</b>		
Not later than one year	47,611,347	57,931,017
Later than one year but not later than five years	67,369,174	117,024,224
Later than five years	-	-

#### b. Receipts

The Group owns immovable property at Mumbai, which has been given to various lessees on a leave and license basis. Primary lease in respect of these arrangements is of 60 months, subject to mutual agreement between the Lessor and the Company.

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease income recognised in the profit and loss account	49,974,766	87,183,158
<b>Minimum Lease Payments:</b>		
Not later than one year	-	57,931,017
Later than one year but not later than five years	-	64,697,072
Later than five years	-	103,312,512

#### c. Sub-lease

The Group's sub leasing arrangements in respect of operating leases for office premises which are renewable on mutual consent at agreed terms. The aggregate lease rental income recognized in the profit and loss account is as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease income recognised in the profit and loss account	60,000	360,000



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### 36. Deferment of loan origination cost, processing fees and subvention income

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Total loan origination cost deferred	346,290,705	86,377,680
Cost amortised and charged to profit and loss account during the year	179,736,304	114,218,373
Unamortised cost shown into balance sheet :		
Current	58,465,659	13,617,388
Non-current	155,438,925	33,732,794

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Total unamortised income from processing fees/ subvention income deferred	302,655,427	86,746,101
Income amortised and credited to profit and loss account during the year	181,804,507	37,986,907
Unamortised processing fees/ subvention income shown into balance sheet:		
Current	60,436,508	31,855,328
Non-current	109,173,605	19,029,072

### 37. The Group sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
No. of loan assets assigned	4,539	507
Book value of loan assets directly assigned	14,657,451,315	2,986,340,614
Sale consideration received	15,498,041,558	3,846,203,424
Gain on account of direct assignment (net)	705,268,745	298,203,186
Outstanding credit enhancement – Fixed Deposit	1,376,614,000	298,635,000

### 38. Additional disclosures as required by circular no DNBS.CC.PD.No.265/03.10.01/2011-2012 dated March 31, 2012 issued by Reserve Bank of India:

Particulars	As at March 31, 2012	As at March 31, 2011
Total Gold loan Portfolio	2,290,427,414	73,495,979
Total Assets	46,704,170,438	28,552,466,203
Gold loan portfolio as a % age of total assets	4.90%	0.26%

### 39. The Group had allotted 10,000,000 share warrants pursuant to the approval of Members at the Extra Ordinary General Meeting held on August 27, 2010. These share warrants were convertible into equal number of equity shares at the option of the holder within 18 months from the date of allotment. As per SEBI (ICDR) guidelines, the Group had received upfront money as advance from the allottees. Since the holders of the option did not exercise the option to convert the share warrants into equity shares, the entire share warrant application money has been transferred to Capital Reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

40. The Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities are as follows:

In the previous year Future Capital Securities Limited (*formerly FCH Centrum Wealth Managers Limited*) was joint venture upto March 28, 2011. Thereafter it became a wholly owned subsidiary of the Company. Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities is as follows:

(Amounts in ₹)

Particulars	As at March 31, 2012	As at March 31, 2011
Assets	-	-
Liabilities	-	-
Revenue	-	37,228,200
Depreciation/ amortization	-	6,173,269
Other expenses	-	113,140,918
Profit/ (Loss) before tax	-	(82,085,986)
Contingent Liabilities	-	-

41. In the previous year, the Group had reviewed the carrying amount and impaired certain fixed assets pertaining to a subsidiary aggregating ₹ 220,613,517.

42. In the previous year, pursuant to the Scheme of Arrangement between Future Capital Financial Services Limited (FCFSL), Future Capital Holdings Limited (FCH) and their respective shareholders (Scheme), inter-alia in terms of which FCFSL had merged with FCH, under the provisions of Section 391 to 394, read with Sections 78,100 to 103 of the Companies Act, 1956. The said scheme became effective from June 29, 2011 but operative with retrospective effect from March 1, 2011, the appointed date. Pursuant to the accounting treatment as prescribed under the scheme in respect of the difference between the investment value of FCFSL in the books of FCH and the net assets acquired from FCFSL had been adjusted in the Securities Premium of FCH.

43. During the year, the Group has provided ₹ 60,000,000 and ₹ 35,000,000 towards diminution in the value of investments, other than of temporary nature, in Ayati Investment Advisors Limited and Centrum Capital Limited respectively.

#### 44. Previous Year Figures

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

**For S.R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Shrawan Jalan**  
Partner  
Membership No. 102102

Place: Mumbai  
Date: May 29, 2012

**For and on behalf of the Board of Directors of  
Future Capital Holdings Limited**

**Kishore Biyani**  
Chairman

**Ashok Shinkar**  
Head-Corporate Center &  
Chief Financial Officer

Place: Mumbai  
Date: May 29, 2012

**V. Vaidyanathan**  
Vice-Chairman &  
Managing Director

**Chetan Gandhi**  
Head-Legal &  
Secretarial

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

## Annexure 1 to Note 32 of Notes to the Financial Statements

(Amount in ₹)

Particulars	Investment Advisory Services		Wholesale Credit and Treasury		Retail Financial Services		Others		Unallocated		Eliminations		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
I. Primary Segment-Business														
Revenue														
External revenue	159,301,785	16,792,242	4,071,882,306	2,064,359,067	3,124,108,484	1,505,621,959	66,206,744	141,423,650	15,946,374	286,944,849	-	-	7,437,445,692	4,015,141,767
Inter segment revenue	-	-	34,946,175	21,774,427	-	164,016,278	17,116,808	6,480,450	-	-	52,062,983	192,271,156	52,062,983	192,271,156
Total Revenue	159,301,785	16,792,242	4,106,828,481	2,086,133,494	3,124,108,484	1,669,638,236	83,323,552	147,904,100	15,946,374	286,944,849	52,062,983	192,271,156	7,489,508,675	4,207,412,921
Segment result	155,955,565	16,529,633	1,380,099,811	632,443,287	60,395,895	161,855,660	26,104,091	56,520,591	15,946,374	286,944,849	-	-	1,641,504,736	1,154,395,021
Interest	-	-	-	-	-	-	-	-	(11,605,254)	(5,114,568)	-	-	(11,605,254)	(5,114,567)
Unallocated expense (net)	-	-	-	-	-	-	-	-	(113,961,400)	-	-	-	(113,961,400)	(310,707,921)
Income taxes (Current tax and deferred tax)	-	-	-	-	-	-	-	-	(457,629,904)	(347,363,779)	-	-	(457,629,904)	(347,363,779)
Net Profit/(Loss) after tax	-	-	-	-	-	-	-	-	-	-	-	-	1,058,308,178	491,208,754
Other Information														
Segment assets	211,186,847	103,377,724	30,313,200,303	24,194,219,270	25,119,337,331	10,705,775,437	734,479,501	758,148,805	-	-	-	-	56,378,203,982	35,761,521,236
Other unallocated assets	-	-	-	-	-	-	-	-	472,827,128	633,935,499	-	-	472,827,128	633,935,499
Total Assets	211,186,847	103,377,724	30,313,200,303	24,194,219,270	25,119,337,331	10,705,775,437	734,479,501	758,148,805	472,827,128	633,935,499	-	-	56,851,031,108	36,395,456,735
Segment liabilities	12,642,364	14,039,114	26,783,102,060	19,606,791,598	21,604,219,322	8,676,866,430	22,382,095	628,529,431	-	-	-	-	48,422,346,241	28,926,226,573
Other unallocated liabilities	-	-	-	-	-	-	-	-	112,965,628	-	-	-	112,965,628	-
Total Liabilities	12,642,364	14,039,114	26,783,102,060	19,606,791,598	21,604,219,322	8,676,866,430	22,382,095	628,529,431	112,965,628	-	-	-	48,535,311,869	28,926,226,573
Capital Expenditure	-	2,219,694	63,471,005	-	164,331,154	7,303,957	-	44,553	-	-	-	-	227,802,159	9,568,204
Depreciation/ amortisation	-	6,402,930	8,943,893	4,555,033	28,242,901	16,691,686	17,675,093	14,914,291	-	-	-	-	54,862,286	42,563,939
Other non-cash expenses	-	-	9,400,000	71,998,801	120,701,216	73,927,123	351,000	-	-	200,569,155	-	-	130,452,216	346,495,079
II. Secondary Segment-Geographical														
Domestic	7,444,365	1,932,588	4,106,828,481	2,086,133,494	3,124,108,484	1,669,638,237	83,323,552	147,904,100	15,946,374	286,944,849	-	-	7,337,651,255	4,192,553,268
Export	151,857,420	14,859,654	-	-	-	-	-	-	-	-	-	-	151,857,420	14,859,654
Total	159,301,785	16,792,242	4,106,828,481	2,086,133,494	3,124,108,484	1,669,638,236	83,323,552	147,904,100	15,946,374	286,944,849	-	-	7,489,508,675	4,207,412,921

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Transactions with Related parties

#### Annexure 2 to Note 33 of Notes to the Consolidated Financial Statements

Amount in ₹

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel	
	2011-12	2010-2011	2011-12	2010-2011	2011-12	2010-2011
Purchase of Goods/services	21,928,030	-	420,248	-	-	-
Advance Paid for Purchase of Goods/services	113,540	-	508,500	-	-	-
Marketing and Advertising	-	-	-	299,744	-	-
Deposit Given	-	892,500	-	420,000,000	-	-
Loans Given	-	-	550,000,000	-	-	-
Loan Repaid	-	250,000,000	550,000,000	500,000,000	-	-
Interest received	-	359,589	14,706,849	14,128,769	-	-
Rent Paid	-	9,565,842	-	-	-	-
Subvention Income Received	85,204	-	31,912,794	-	-	-
Operating expenses incurred by the Company on behalf of the related party	-	-	1,755,658	-	-	-
Fixed assets / Intangible assets Purchased	-	49,500	-	-	-	-
Directors Remuneration	-	-	-	-	31,729,613	27,527,661
<b>Closing Balances</b>						
Loan Account	5,069,076	-	-	-	-	-
Receivables/ (Payables) (net)	341,609	4,578,810	7,536,697	19,562,537	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

### Annexure 2A to Note 33 of Notes to the Consolidated Financial Statements

#### Disclosure of related party transactions more than 10%

Amount in ₹

Particulars	Transaction Value 2011-2012	Transaction Value 2010-2011
<b>Purchase of Goods/services</b>		
Pantaloon Retail (India) Limited	21,928,030	-
<b>Advance for Purchase of Goods /Services</b>		
Pantaloon Retail (India) Limited	113,540	-
Future E- Commerce Infrastructure Ltd	508,500	-
<b>Marketing &amp; Advertising</b>		
Future E- Commerce Infrastructure Limited	-	299,744
<b>Deposit Given</b>		
Pantaloon Retail (India) Limited	-	892,500
<b>Loans Given</b>		
Future Value Retail Limited	550,000,000	
Home Solutions Retail (India) Limited	-	420,000,000
<b>Loan Repaid</b>		
Future Value Retail Limited	550,000,000	
Pantaloon Retail (India) Limited	-	250,000,000
Home Solutions Retail (India) Limited	-	500,000,000
<b>Interest received</b>		
Future Value Retail Limited	14,706,849	-
Home Solutions Retail (India) Limited	-	14,128,769
Pantaloon Retail (India) Limited	-	359,589
<b>Rent Paid</b>		
Pantaloon Retail (India) Limited	-	9,565,842
Home Solutions Retail (India) Limited	-	4,200,000
<b>Subvention Income Received</b>		
Home Solutions Retail (India) Limited	-	6,985,506
Future Value Retail Limited	31,719,106	12,948,264
<b>Operating expenses incurred by the Company on behalf of the Party</b>		
Future Ventures India Limited	-	66,490
<b>Fixed assets / Intangible assets Purchased</b>		
Pantaloon Retail (India) Limited	117,865	49,500
<b>Operating expenses incurred by the Party on behalf of the Company</b>		
Home Solutions Retail (India) Limited	1,755,658	27,482
<b>Director's Remuneration</b>		
Mr. V. Vaidyanathan, Vice Chairman & Managing Director	31,729,613	27,527,661
<b>Receivables/ (Payables) (net)</b>		
Home Solutions Retail (India) Limited	-	11,867,938
Pantaloon Retail (India) Limited	1,004,946	4,578,810
Future Value Retail Limited	6,410,752	7,694,599

## Summary of Financial Information of Subsidiary Company's pursuant to Section 212 of the Companies Act' 1956

Name of the Subsidiary Company	(Amount in ₹)									
	FCH Securities & Advisors Limited	Myra Mail Management Company Limited	Kshitij Investment Advisory Company Limited	Future Capital Investment Advisors Limited	Future Finance Limited	Future Capital Commodities Limited	Future Capital Home Finance Private Limited	Future Capital Securities Limited	Anchor Trading & Investment Private Limited	
The financial year of subsidiary ended on	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	December 31, 2011	
Capital	22,500,000	10,000,000	30,000,000	22,500,000	107,500,000	20,500,000	100,000,000	278,056,000	774,608	
Reserves	(5,849,653)	(32,745,567)	130,979,003	101,045,186	33,684,245	(886,865)	(1,346,984)	(244,411,000)	171,316,502	
Total assets	16,739,237	730,538,197	166,688,633	132,197,061	144,494,307	80,015,505	102,273,466	276,985,857	179,200,470	
Total liabilities	88,890	753,283,763	5,709,630	8,651,875	3,310,061	60,402,370	3,620,450	113,340,857	7,109,360	
Investments (except in case of investment in subsidiaries)	-	687,951,695	11,071,250	-	18,900	2,130,041	100,000,000	-	-	
Turnover	1,707,575	68,410,742	20,994,574	12,887,157	16,439,050	5,480,681	-	83,333,006	151,963,283	
Profit/ (Loss) before tax	1,611,830	(90,999,177)	11,499,358	10,372,804	14,875,263	(316,624)	(1,114,934)	(70,416,691)	150,717,782	
Provision for tax	228,654	8,499,837	5,437,909	3,492,580	6,259,039	-	-	-	4,518,358	
Profit/ (Loss) after tax	1,383,176	(99,499,014)	6,061,449	6,880,224	8,616,224	(316,624)	(1,114,934)	(70,416,691)	146,199,424	
Proposed dividend	-	-	-	-	-	-	-	-	-	

## Notes:

1. In terms of the General Circular No. 2/2011 of the Ministry of Corporate affairs (MCA), dated 8th and 21st February, 2011 respectively, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of directors and auditors of the Company have not been attach with the Balance Sheet of the Company.
2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company

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**Registered & Corporate Office**

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