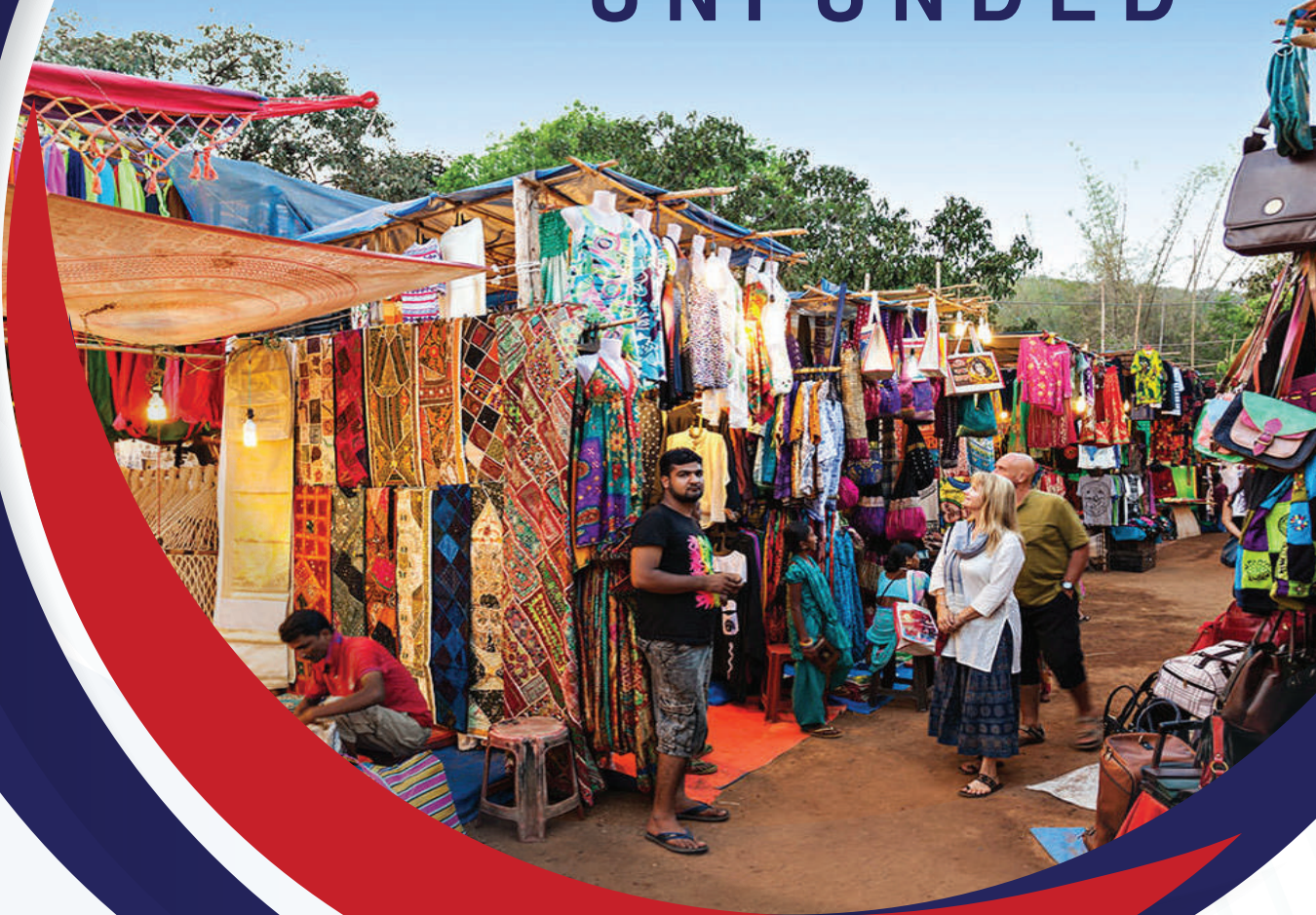


FIVE STAR



Business Finance Limited

FUNDING THE UNFUNDED



ANNUAL REPORT | 2017-2018

Annual Report 2017 - 2018

Five Star Group





1984

Incorporated as a Private Limited company



2002

Mr D Lakshmi pathy joined Five Star as an Executive Director



2006

Small business loans against house properties piloted



2014

First Private Equity investment by Matrix Partners



2016

*Rebranding of Company Name & Logo

Morgan Stanley

2016

Investment by Morgan Stanley



2017

Investment by Norwest Venture Partners & Sequoia Capital



2018

AUM crosses 1000 Crores



2018

Investment by TPG Capital

Corporate Information

Board of Directors

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

Board Observer

Niren Shah - Norwest Venture Partners

Board Committees

Audit Committee

R Anand (Chairman)
A Ramanathan
Bhama Krishnamurthy

Nomination & Remuneration Committee

A Ramanathan
B Haribabu
L R Raviprasad

Business & Resource Committee

D Lakshmipathy
A Ramanathan
B Haribabu
L R Raviprasad

Corporate Social Responsibility Committee

D Lakshmipathy
R Anand
Bhama Krishnamurthy

Statutory Auditors

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

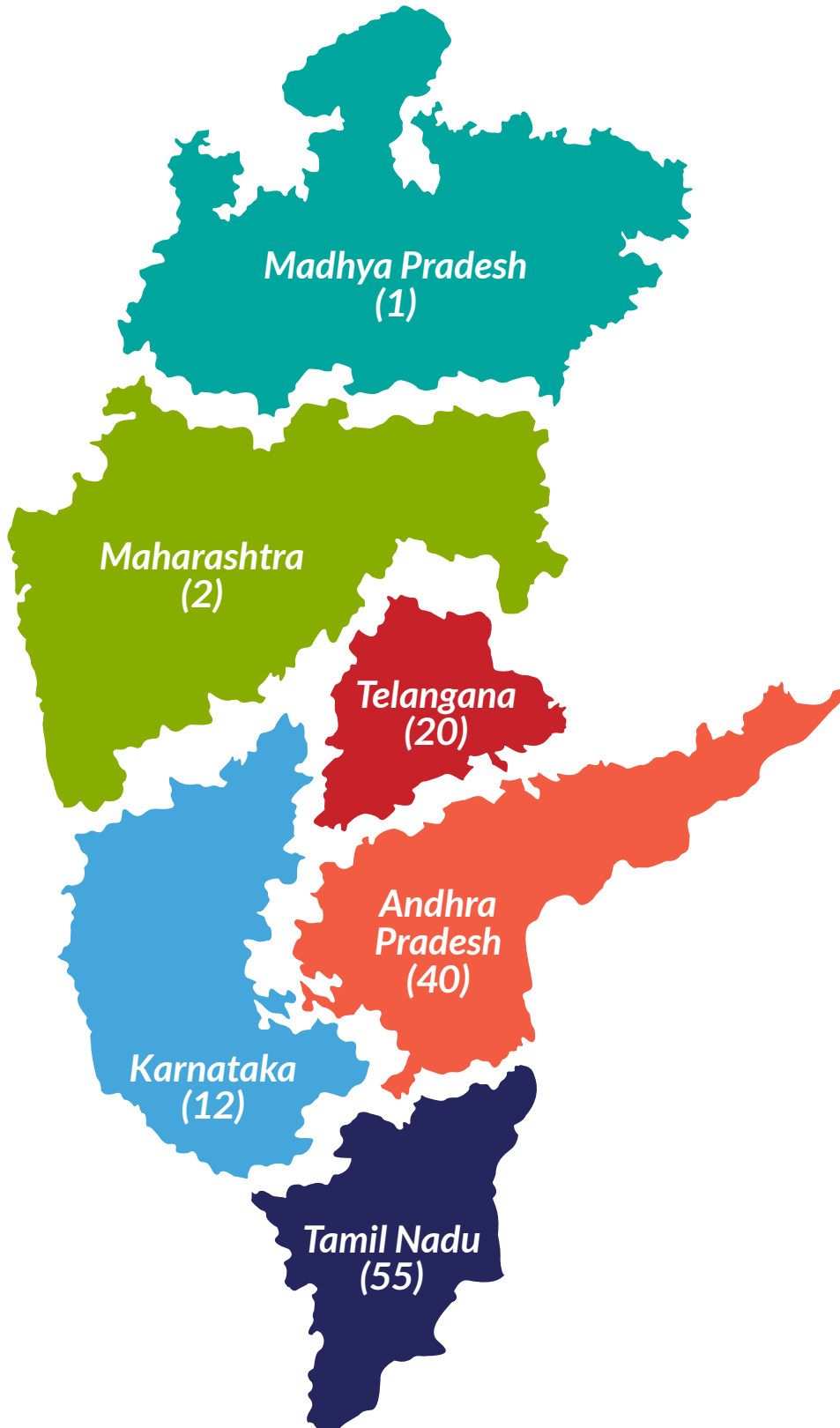
Internal Auditors

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

Secretarial Auditor

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

Branches



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***CHAIRMAN'S
MESSAGE***

Message from The Chairman & Managing Director



Dear Shareholders,

It gives me immense pleasure to connect with you again to share some updates on your company's performance during the financial year 2017-18. Your company has been growing by leaps and bounds over the last couple of years and FY2018 was no different. There were several achievements but what I am really proud of is the way your company is making a difference to the lives of people, whose funding needs hitherto were not met by the banks and the bigger financial institutions. Five Star has developed a business model that is able to evaluate the cash flows of these people, understand their funding requirements, underwrite them and provide credit facilities. Such credit facilities lead to their incomes, help them to expand their businesses and eventually lead to an improvement in their quality of living. And that's the central theme of this year's annual report – "Funding the unfunded".

Some of the highlights of the financial year that just went by:

- Cumulative disbursement of about 700 Crores to about 18,000 borrowers resulting in increase in borrower base from 16,000 to more than 33,000 and the portfolio crossing 1,000 Crores.
- Capital raise to the extent of INR 318 Crores and onboarding of 2 new investors – Norwest Venture Partners and Sequoia Capital.
- Employment to about 1,300 staff across 6 states
- Complete implementation of a new ERP solution Finn One Neo of Nucleus Software.
- Upgrade in ratings from BBB+ to A- from both CARE Ratings and ICRA, which is a testimony of the robustness of your company's business model
- Leased the ground floor of the corporate office as well on account of the significant business expansion.
- Credit facilities obtained from new banks and financial institutions like Kotak Mahindra Bank, Yes Bank, Bajaj Finance and Equitas Small Finance Bank.
- First capital market transaction in the form of NCD issuance to Franklin Templeton Mutual Fund that subscribed to the company's NCDs worth INR 200 Crores. This is the single largest debt cheque written in favour of your company till date.
- Net NPA of less than 1% which is one of the best asset qualities amongst similar companies
- Expansion of operations to Maharashtra and Madhya Pradesh, through setting up of pilot branches in each of these states

I am super thrilled to inform you all that we have completed another round of capital infusion into the company, which has brought in TPG Capital, one of the top 5 private equity firms across the globe, into your company. We have cumulatively raised about INR 619 Cr of capital in August 2018, which has taken the New Worth of your company to more than INR 1,200 Cr. TPG is a leading name in the world of private equity and manages investment funds specializing in growth capital, venture capital, public equity, and debt investments; and has raised more than \$50 bn of investor commitments across 18 private equity funds. It is indeed commendable that your company manages to attract the best of investors, which is a testimony to the strength and capability of your company.

I would also like to place on record my sincere appreciation and thanks to Ms. Kalpana Iyer, who resigned from the Board of Five Star during the current financial year. A Chartered Accountant by profession, she had also served as the Chairperson of the Audit Committee till her resignation. Her thoughtful inputs borne out of years of experience and her expertise have helped Five Star become a better institution. I wish her the very best in all her future endeavours.

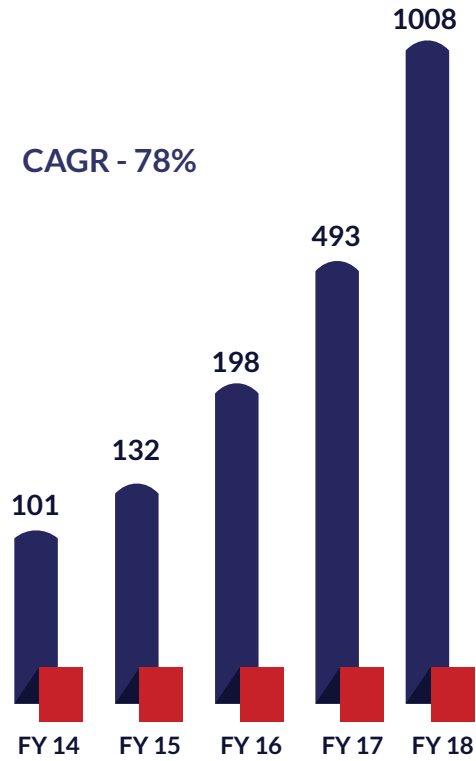
I would be failing in my duty if I don't extend my thanks to every single class of stakeholders that have contributed towards the growth of the company. Be it shareholders, who have been patient enough to see the company through its crests and troughs, or the equity / debt investors, who were able to perceive the company's strength despite the relatively smaller size of operations, be it the directors, who contributed their professional expertise and experience in providing strategic inputs or the employees, who, through their sweat, toil and hard work, have been the pillars of support to the organization, every stakeholder has contributed to making the company what it is today.

It is a moment of immense pride for me to pen down my thoughts every year to all of you. Each one of you have entrusted me with not just your capital, but also your faith and I feel humbled at having been given the opportunity to lead your company. My team and me shall ensure that we keep up your good faith and build Five Star into an enduring institution that will stand the test of time for years to come. More importantly, our aim is to make your company into a "Market Leader" in the Small Business Finance segment and the day is not far off when we will be able to realize our aim.

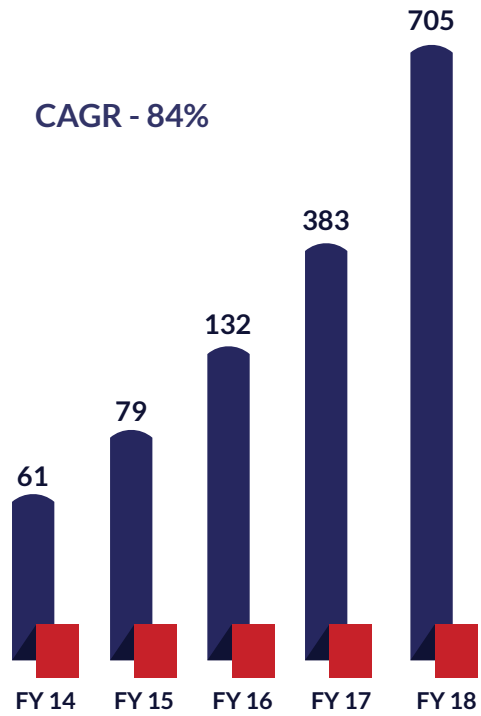
Best Wishes
D Lakshmipathy
Chairman & Managing Director

Business Highlights

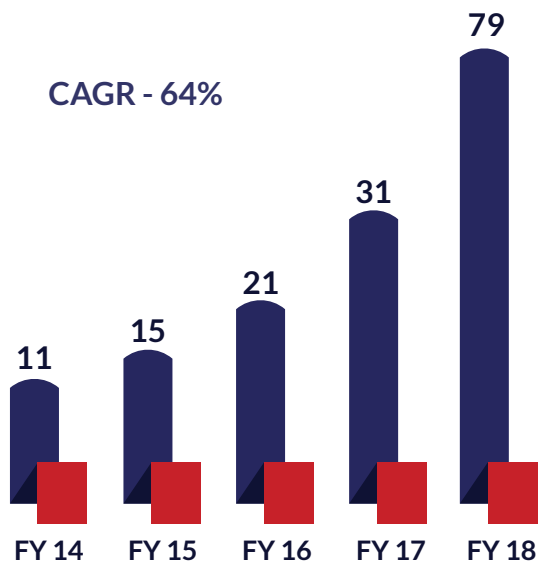
Consolidated AUM



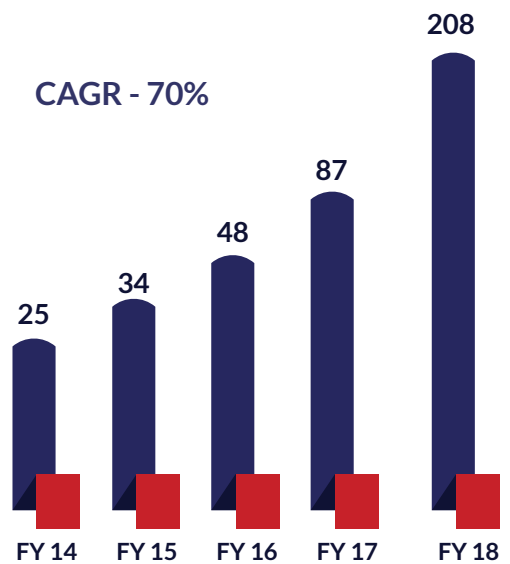
Loan Disbursements



Profit Before Tax (PBT)



Revenues





***BOARD OF
DIRECTORS***

Board of Directors



D Lakshmi pathy – Chairman & Managing Director

He is an Engineering graduate from Madras University and hails from a business family. Before joining Five-Star he was the Executive Director at RKV Finance Limited, which was subsequently amalgamated with Five-Star. In 2002 he joined the Board of Five-Star as Executive Director and his wide exposure in lending to Small Business customers helped him to develop a similar advance portfolio at Five-Star with great success. He is responsible for the more expansive branch presence of the company in the last 9 years, growing from 6 branches in 2009 to more than 150 currently spread across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Maharashtra & Madhya Pradesh and has helped grow the portfolio to over INR 1000 Cr currently.

A Ramanathan – Independent Director



He is a retired Chief General Manager from NABARD. His expertise lies in institutional development, organisational development, organisational behaviour, small business development, training need assessment, training techniques etc. He has more than 35 years of rich experience in the banking industry.



Bhama Krishnamurthy – Independent Director

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

R Anand – Independent Director



He is a Chartered Accountant with over 30 years of industry experience. He worked in Sundaram Finance for over 20 years occupying several positions in Finance and Audit. He also worked as a Partner in Ernst & Young LLP covering Tax and Regulatory aspects of various industries like financial services, real estate, auto and auto components, media and entertainment. His specializations include NBFC regulations, corporate tax and foreign investment and exchange control regulation and corporate restructuring. He is also a Non-official Independent Director in MMTC Limited currently.



B. Haribabu – Independent Director

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

L R Raviprasad – Non-Executive Director



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



Vasan Thirulokchand – Non-Executive Director

He is a Hotel Management graduate with over 17 years of experience in the hospitality business. His areas of expertise include team management, customer satisfaction and process optimisation.

Vikram Vaidyanathan – Investor Director, Matrix Partners



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



Arjun Saigal – Alternate Director to Mr Ling Wei Ong

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

G V Ravishankar – Investor Director, Sequoia Capital



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

Gaurav Trehan – Investor Director, TPG Group



Gaurav Trehan is a Partner at TPG Capital Asia based in Mumbai. Since joining TPG in 2004, Gaurav has spent time in TPG's Hong Kong and Mumbai offices and has evaluated and executed private equity transactions in India and Southeast Asia. Prior to joining TPG, he worked in the Mergers, Acquisitions and Restructurings Department of Morgan Stanley in Menlo Park with a focus on the technology sector. Gaurav received a BS in Mathematics, Applied Science and Economics from UCLA.

Niren Shah – Board Observer, Norwest Venture Partners

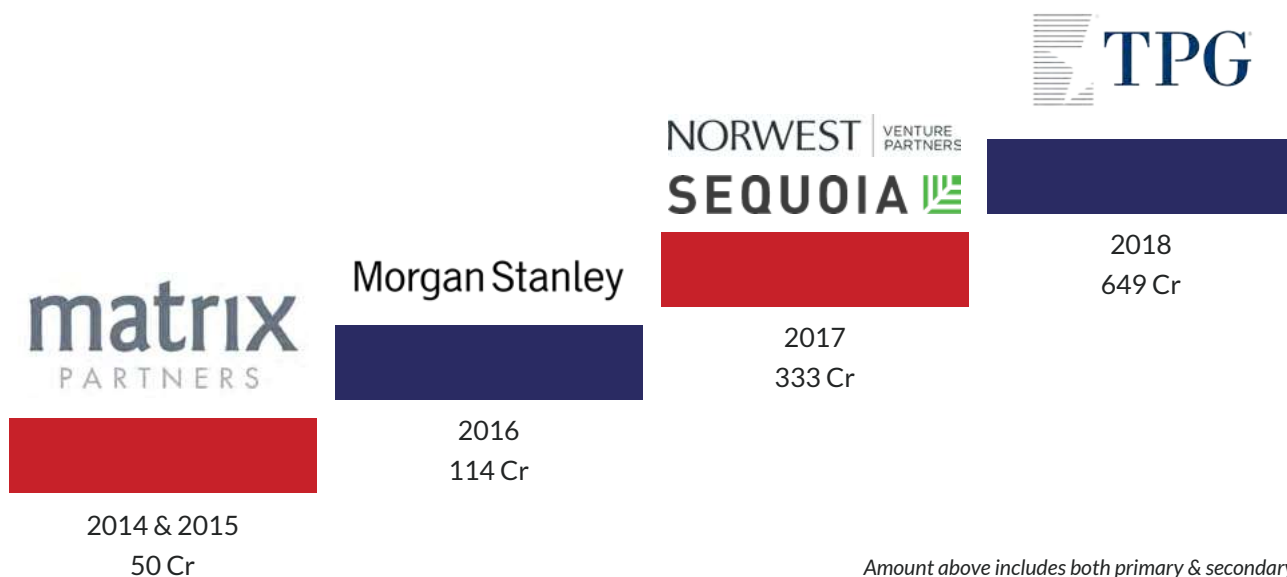


He is a professional with over 20 years of entrepreneurial, finance, operational and investment banking experience with leading consumer oriented companies and global financial institutions. He has advised Norwest's investments in Cholamandalam Finance, Shriram City and many other banks and other institutions.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



***KEY
DEVELOPMENTS***

Equity Raise



Equity capital is an important lifeline for any NBFC. The amount of capital invested into a company is an indicator of the confidence that the investors have in the company. Over the past few years, Five Star has not only managed to attract a significant amount of capital but has also onboarded some of the marquee private equity names as investors in the company. Commencing with Matrix Partners in 2014 and 2015, Morgan Stanley in 2016, Norwest Venture Partners and Sequoia Capital in 2017 and TPG as recently as August 2018, the company had made significant strides in bringing quality capital into the company.

All these investments were done after detailed due diligence by the investors which stood testimony to the strength of the company’s business model and its processes. The multiple rounds of capital infusion also ensured significant value addition to the shareholders and brought in additional benefits like improved credit rating, lower cost of funds, which also ensured reduction in the interest rates being charged by the company.

Each of these investors manage billions of dollars of investment and would add significant financial strength to the company. Additionally, they also bring in their experience and expertise, having seen a plethora of companies, which can be leveraged by the company towards strengthening its processes.

From the CEO's Desk

"It's been a great journey for me at Five Star over the last 3 years. To have contributed to the AUM growth from about 150 Cr to 1,000 Cr, more than tripling of branches, being able to fund more than 30,000 customers at the same time providing job opportunities to about 1,300 people, enhancing the stakeholder value through multiple capital raises, it's been nothing short of phenomenal. The Five Star experience has not just been exciting and challenging but more importantly immensely satisfying. I am privileged to have been made the CEO and I am confident that together, we will be able to take this company to much greater heights."

- Rangarajan K



Rangarajan K, who was hired as the Chief Operating Officer in June 2015, has recently been elevated to the position of Chief Executive Officer of the Company.

Ranga, as he is fondly called, has multiple Management degrees and came to Five Star without any direct experience in NBFCs. He had been a career banker and investment banker prior to joining Five Star. He is a testimony to the fact that dedication, hard work and perseverance can make anything possible. Despite lack of NBFC experience, Ranga managed to carve out a niche for himself through dedicated effort. Not just on the business side of things, he also garnered knowledge and expertise on credit, operations, collections and various other functions and ensured that he became ready to take on a larger mantle.

Ranga has been instrumental in driving the business momentum, leading several process improvements across functions and has facilitated multiple capital raises, which have contributed to the overall growth of the company and stakeholder value.

Five Star is a place where effort never goes unnoticed. In recognition of all his contributions, Ranga has been elevated to the position of the Chief Executive Officer from May 2018. On behalf of the entire Five Star family and all the stakeholders, we wish him all the very best.

Building Stronger Partnerships

Lending Relationships

Banks

AU Small Finance Bank
Bank of Baroda
City Union Bank
DCB Bank
Equitas Small Finance Bank
Federal Bank
HDFC Bank
Karnataka Bank
Kotak Mahindra Bank
RBL Bank
SBM Bank (Mauritius)
South Indian Bank
State Bank of India
YES Bank

NBFC

Bajaj Finance Ltd.
Cholamandalam Investment
& Finance Co. Ltd.
MAS Financial Services
Nabkisan Finance
Sundaram Finance

NCD

AK Capital
AU Small Finance Bank
Franklin Templeton
Hinduja Leyland Finance
Nothern Arc Capital



***DIRECTORS
REPORT***

Directors Report

Your directors have pleasure in presenting the 34th Annual Report together with the audited accounts of the company for the financial year ended March 31, 2018.

1. Financial Results

1.1. Standalone Financial Highlights

Particulars	For the Financial Year ended (₹ in Lakhs)	
	31.03.2018	31.03.2017
Revenue from Operations	18,854.36	8,307.69
Other Income	1,561.70	283.21
Total Expenses	12,513.12	5,512.42
Profit/ (Loss) before Tax	7,902.94	3,078.48
Tax Expenses	2,284.82	1,141.00
Profit/ (Loss) after Tax	5,618.12	1,937.48

1.2. Consolidated Financial Highlights

Particulars	For the Financial Year ended (₹ in Lakhs)	
	31.03.2018	31.03.2017
Revenue from Operations	19,232.79	8,367.73
Other Income	1,585.53	346.06
Total Expenses	12,957.43	5,598.68
Profit/ (Loss) before Tax	7,860.89	3,115.11
Tax Expenses	2,277.43	1,152.78
Profit/ (Loss) after Tax	5,583.46	1,962.33

2. State of Company's Affairs and Future Outlook

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

During the financial year your company disbursed Rs 683.80 Crores towards providing Small Business Loans and Small Housing Loans as against Rs. 372.93 Crores during the FY ended 2016-17.

Prospects

The credit business has large potential in India, particularly from self-employed persons who are the primary customers of your company. The bulk of your company's customers belong to this group. Your directors are confident that with the knowledge/experience gained so far in this segment and with the anticipated additional capital and further funds from institutions your company will continue to pursue good and profitable growth in the years to come.

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

RBI Guidelines / Prudential Norms

Your Company is registered with RBI as a category “B” – Company not accepting deposits from the public. Your Company has complied with all applicable regulations of the Reserve Bank of India.

Credit Rating

As of March 31, 2018, your company’s borrowings enjoy the following ratings from CRISIL, CARE Ratings and ICRA.

Rating Agency	Type	Rating
CARE Ratings	Bank Facilities	CARE A-; Positive
	Non-Convertible Debentures	CARE A-; Positive
	Commercial Paper	CARE A1
ICRA	Bank Facilities	ICRA A-; Stable
	Non-Convertible Debentures	ICRA A-; Stable
CRISIL	Non-Convertible Debentures	CRISIL BBB; Stable

3. Change in Nature of Business

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

4. Dividend

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

5. Transferred to Reserves

Your company has transferred a sum of Rs.1,124 Lakhs to Statutory Reserves as required under the Reserve Bank of India Act, 1934.

6. Changes in Capital Funds

During the financial year 2017-18, your Company has made the following allotments:

a) Equity Shares:

- 188,000 equity shares of Rs 10/- each were issued and allotted at par aggregating to Rs 1,880,000/- on 9th June, 2017, pursuant to the Five-Star Associate Stock Option Scheme, 2015.
- 4,715,302 equity shares of Rs 10/- each were issued and allotted at a premium of Rs 664.40 per share aggregating to Rs 3,179,999,668.80 to the investors of the company on 18th August, 2017, on private placement basis.
- 500 equity shares of Rs 10/- each were issued and allotted at a premium of Rs. 75/- per share aggregating to Rs 42,500/- to Mr. R. M. Veerappan employee of the wholly owned subsidiary of the Company on 25th September, 2017, pursuant to the Five-Star Associate Stock Option Scheme, 2015.

b) Non-Convertible Debentures (NCD's):

- 250 NCD's of Rs 10,00,000/- each aggregating to Rs 250,000,000/- were issued and allotted on 12th April, 2017, to M/s. IFMR Fimpact Long Term Credit Fund on private placement basis and subsequently the same were listed on the Bombay Stock Exchange.

- 50 NCD's of Rs 1,000,000/- each aggregating to Rs 50,000,000/- were issued and allotted on 28th March, 2018, to M/s. Franklin India Short Term Income Plan on private placement basis and subsequently the same were listed on the Bombay Stock Exchange.

Subsequent to these, your Company's capital funds stood at Rs 59,995 lakhs (including premium) at the end of March, 2018, with an additional infusion of Rs 31,800 lakhs (including premium). The capital adequacy ratio as on March 31st 2018 stood at 58.82 %, much higher than the 15% regulatory minimum.

7. Disclosure regarding issue of Employee Stock Options

Your Company has formulated two Employees Stock Option Schemes, namely Five-Star Associate Stock Option Scheme 2015 (ASOP 2015) and Five-Star Associate Stock Option Scheme 2018 (ASOP 2018). The details of these schemes are given in **Annexure A** to this report.

8. Extract of Annual Return

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

9. Board & Audit Committee

The details regarding the number of board meetings held during the financial year and composition of the Audit Committee are furnished in the Corporate Governance Report.

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

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

11. Related Party Transactions

The Company has in place a policy on related party transactions as approved by the Board and the same is enclosed as **Annexure - D** to this report.

During the financial year, the Company has entered into contracts / arrangements with Related Parties as per Section 188 of the Companies Act, 2013, and the Rules framed thereunder, as enclosed in **Annexure - C**.

12. Material Changes Affecting the Financial Position of the Company

There are no material changes and commitments between 31st March 2018 and the date of this report having an adverse bearing on the financial position of the Company.

13. Information as per Section 134 (3) (m) of the Companies Act, 2013

Your Company has no activity relating to consumption of energy or technology absorption. Foreign currency expenditure amounting to Rs. 1.05 Lakhs was incurred during the year under review. The Company does not have foreign currency earnings.

14. Details of Subsidiary

Five-Star Housing Finance Private Limited is a wholly owned subsidiary of the Company, incorporated on 28th September 2015.

The details of investments made in the Wholly Owned Subsidiary are:

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

Your Company has not made any investment in its Subsidiary during the financial year ended 31st March, 2018.

15. Consolidated Financial Statements

The Consolidated Financial Statements are drawn up in accordance with the provisions of section 129 (3) of the Companies Act, 2013, and the applicable accounting standards form part of the Annual Report. A separate statement containing the salient features of the financial statements of the subsidiary in form AOC 1 forms part of the Annual Report.

16. Risk Management Policy

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

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

The asset Liability Committee (ALCO) ensures that the liquidity and interest-rate risks are contained within the limits laid down by the Company. Being dynamic, the risk management framework continues to evolve in line with the emerging risk perceptions.

The ALCO reviews the lending policy, interest rate policy and guides the team towards prudent lending practices. The Company has given high importance to prudent lending practices and has put in place suitable measures for risk mitigation.

17. Human Resource Development

The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in a similar environment were studied to align our staff strength after duly factoring for the differences in the business models of other entities. Accordingly, the staff strength at the regions and branches were streamlined, keeping in mind our acquisition process and market segment, adding people where required.

This is expected to help your company to focus on the right level of productivity and growth. Apart from imparting advanced training to all front line sales and marketing, credit and other staff which included KYC and FPC training, employees were also nominated to various other training programs.

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

18. Directors

During the financial year under review,

- Mr G V Ravishankar, nominated by SCI Investments V, was appointed as Additional Director with effect from 18th August, 2017. He was subsequently appointed as Non-Executive Director liable to retire by rotation at the Annual General Meeting held on 28th September, 2017.
- Mr Vasan Thirulokchand, Non-Executive Director, retires by rotation at the ensuing 34th Annual General Meeting and, being eligible, has offered himself for re-appointment.

19. Key Managerial Personnel

Pursuant to the provisions of section 203 of the Act read with the rules made thereunder, the following employees are the whole-time key managerial personnel of the company:

- a) Mr. D Lakshmiathy, Chairman and Managing Director
- b) Mr. K Rangarajan, Chief Executive Officer
- c) Mr. G Srikanth, Chief Financial Officer
- d) Ms. Shalini Baskaran, Company Secretary

**Mr. K Rangarajan was appointed as the Chief Executive Officer with effect from 22nd May 2018.*

20. Details of Significant & Material Orders passed by Regulators or Courts or Tribunals

During the financial year, there are no significant and material orders passed by regulators or Courts or Tribunals impacting the going concern status and your company's operations in future.

21. Internal Financial Controls

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

This is further strengthened by the Internal Audit done concurrently by the in-house Internal Audit team and the External Internal Auditors of the Company

Besides, the Company has an Audit Committee, which regularly reviews and monitors systems, internal controls, risk management measures, accounting procedures, financial management and operations of the Company and the findings and recommendations presented by the Internal Auditors.

Internal control framework including clear delegation of authority and standard operating procedures are established and laid out across the business and in all the functions. These are reviewed periodically at all levels. The company has a co-sourced model of internal audit. The risk and control matrices are reviewed on a quarterly basis and control measures are tested and documented. These measures have helped in ensuring the adequacy of internal financial controls commensurate with the scale of operations of the company.

22. Deposits

Your Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the financial year.

23. Declaration from Independent Directors

The Company has received declarations from all the Independent Directors to the effect that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

24. Auditors

Statutory Auditors

The Board at its meeting held on 28th February, 2018, had discussed the proposal to change the statutory auditors keeping certain growth plans in mind wherein a more reputed firm would be able to bring in larger benefits to the Company. Accordingly, based on the suggestions of the Audit Committee, KPMG, i.e. B S R & Co LLP have been appointed as the Statutory Auditors from the Financial Year 2018 - 19.

Internal Auditor

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

Secretarial Auditor

M/s S Sandeep & Associates, Practicing Company Secretaries, were appointed to conduct the secretarial audit of the Company for the Financial Year 2017-18, as required under Section 204 of the Companies Act, 2013 and rules made thereunder.

The secretarial audit report for the financial year ended 31st March, 2018, forms part of the Annual Report as **Annexure E**.

25. Corporate Social Responsibility (CSR)

Pursuant to Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, your Company has adopted a Policy on CSR and the Policy has been placed on the website of the Company. A report on CSR is attached as **Annexure F** to this Report.

26. Formal Annual Evaluation

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

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

27. Whistle Blower Policy & Vigil Mechanism

Your Company has established a Vigil Mechanism and has adopted a Whistle Blower Policy for Directors and employees to report their genuine concerns to the Chairman of the Audit Committee. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit Committee of the Company.

28. Corporate Governance Report

A report on Corporate Governance is enclosed and forms a part of this report as **Annexure H**.

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

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

Your Directors further state that during the year under review, no complaints were received.

30. Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, necessary disclosures are provided in the Annual Report as **Annexure I**.

31. Directors' Responsibility Statement

Pursuant to section 134(5) of the companies Act, 2013, the board of directors, confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the annual accounts on a going concern basis;
- the directors have laid down internal financial controls, which are adequate and are operating effectively;
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.
- they have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

Acknowledgement

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

Chennai
22.05.2018

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

Annexure - A

1. FIVE-STAR ASSOCIATE STOCK OPTION SCHEME, 2015

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

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2015 as on 31st March 2018 are :-

1. Options approved to be issued as ESOPs:	563,000
2. Options granted:	550,500
3. Options vested:	196,500
4. Options exercised:	188,500
5. The total number of shares arising as a result of exercise of option:	188,500
6. Options lapsed / Surrendered:	NIL
7. Variation of terms of options:	NIL
8. Total number of options in force:	550,500
9. Money realized by exercise of options:	Rs. 19.23 Lakhs
10. Employee wise details of options granted to:	
• Key managerial personnel: Mr Rangarajan Krishnan - Chief Executive Officer and Mr G Srikanth –Chief Financial Officer	
• Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: NIL	
• Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: NIL	

2. FIVE STAR ASSOCIATE STOCK OPTION SCHEME, 2018

The decision to introduce FIVE STAR Associate Stock Option Scheme, 2018 (hereinafter called “FIVE STAR ASOP, 2018” or “The Scheme”) was taken by the Board of Directors at the meeting held on 28th February 2018, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 26th March 2018.

Pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014, the details of the Five Star Associate Stock Option Scheme, 2018 as on 31st March 2018 are :-

1. Options approved to be issued as ESOPs: 5,00,000
2. Options granted: NIL
3. Options vested: NIL
4. Options exercised: NIL
5. The total number of shares arising as a result of exercise of option: NIL
6. Options lapsed / Surrendered: NIL
7. Variation of terms of options: NIL

8. Total number of options in force: NIL

9. Money realized by exercise of options: NIL

10. Employee wise details of options granted to:

- Key managerial personnel: NIL
- Any other employee who receives a grant of options in any one year of option amounting to 5 per cent or more of options granted during that year: NIL
- Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:
NIL

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

Extract of Annual Return for the financial year ended on 31/03/2018

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

I. REGISTRATION AND OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

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

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

i) Category-wise Share Holding:

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
(a) Individual/HUF	-	4,897,560	4,897,560	34.33%	-	4,685,180	4,685,180	24.44%	-9.89%
(b) Central Govt	-	-	-	-	-	-	-	-	-
(c) State Govt (s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (1)	-	4,897,560	4,897,560	34.33%	-	4,685,180	4,685,180	24.44%	-9.89%
(2) Foreign									
(a) NRI - Individuals	-	-	-	-	-	-	-	-	-
(b) Other - Individuals	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (2)	-	-	-	-	-	-	-	-	-
Total (A)	-	4,897,560	4,897,560	34.33%	-	4,685,180	4,685,180	24.44%	-9.89%
(B) Public Shareholding									
(1) Institutions									
(a) Mutual Funds	-	-	-	-	-	-	-	-	-
(b) Banks/FI	-	-	-	-	-	-	-	-	-
(c) Central Govt	-	-	-	-	-	-	-	-	-
(d) State Govt (s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	-	-	-	-	-	-	-	-	-
(g) FIIs	-	-	-	-	-	-	-	-	-
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (Specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B) (1)	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
(a) Bodies Corporate									
i. Indian	-	425,510	425,510	2.98%	-	426,610	426,610	2.23%	-0.76%
ii. Overseas	-	7,705,292	7,705,292	54.02%	-	12,643,014	12,643,014	65.96%	11.94%
(b) Individuals									
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh									
	-	471,550	471,550	3.31%	-	456,990	456,990	2.38%	-0.92%
ii. Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
	-	765,140	765,140	5.36%	-	957,060	957,060	4.99%	-0.37%
(c) Others (Specify)									
	-	-	-	-	-	-	-	-	-
Sub-Total (B) (2)	-	9,367,492	9,367,492	65.67%	-	14,483,674	14,483,674	75.56%	9.89%
Total (B)	-	9,367,492	9,367,492	65.67%	-	14,483,674	14,483,674	75.56%	9.89%
(C) Shares held by Custodian for GDRs & ADRs									
	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	14,265,052	14,265,052	100%	-	19,168,854	19,168,854	100%	0.00%

(ii) Shareholding of Promoters:

S. No.	Particulars	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change during the Year
		No. of Shares	% of Shares	% of Shares Pledged/encumbered	No. of Shares	% of Shares	% of Shares Pledged/encumbered	
1.	D Lakshmipathy	2,595,830	18.20%	-	2,376,150	12.40%	-	-5.80%
2.	L Hema	2,073,760	14.54%	-	2,081,060	10.86%	-	-3.68%
3.	R Deenathayalan	163,200	1.14%	-	163,200	0.85%	-	-0.29%
4.	D Varalakshmi	44,770	0.31%	-	44,770	0.23%	-	-0.08%
5.	L Sritha	20,000	0.14%	-	20,000	0.10%	-	-0.04%
		4,897,560	34.33%	-	4,685,180	24.44%	-	-9.89%

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

<i>Particulars</i>	<i>Shareholding at the beginning of the year</i>		<i>Cumulative shareholding during the year</i>	
	<i>No. of Shares</i>	<i>% of total Shares</i>	<i>No. of Shares</i>	<i>% of total Shares</i>
D Lakshmipathy				
1. At the beginning of the year	2,595,830	13.54%	-	-
2. Date wise increase/decrease				
28/08/17 - Purchase	300.00	0.00%	2,596,130	13.54%
28/08/17 - Purchase	300.00	0.00%	2,596,430	13.55%
15/09/17 - Purchase	500.00	0.00%	2,596,930	13.55%
15/09/17 - Purchase	1,000.00	0.01%	2,597,930	13.55%
25/09/17 - Purchase	200.00	0.00%	2,598,130	13.55%
25/09/17 - Purchase	240.00	0.00%	2,598,370	13.56%
17/10/17 - Sale	(111,210.00)	(0.58)%	2,487,160	12.98%
17/10/17 - Sale	(111,210.00)	(0.58)%	2,375,950	12.39%
15/11/17 - Purchase	200.00	0.00%	2,376,150	12.40%
L Hema				
1. At the beginning of the year	2,073,760	10.82%	-	-
2. Date wise increase/decrease				
19/04/17 - Purchase	2,000.00	0.01%	2,075,760	10.83%
15/02/18 - Purchase	700.00	0.00%	2,076,460	10.83%
15/02/18 - Purchase	3,000.00	0.02%	2,079,460	10.85%
15/02/18 - Purchase	100.00	0.00%	2,079,560	10.85%
15/02/18 - Purchase	600.00	0.00%	2,080,160	10.85%
15/02/18 - Purchase	900.00	0.00%	2,081,060	10.86%

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	NHPEA Chocolate Holding B.V.	3,565,052	24.99%	4,469,560	23.32%
2.	Matrix Partners India Investment Holding II, LLC	4,080,240	28.60%	4,100,999	21.39%
3.	Lakshmi pathy. D	2,595,830	18.20%	2,376,150	12.40%
4.	Hema. L	2,073,760	14.54%	2,081,060	10.86%
5.	Norwest Venture Partners X-Mauritius	-	0.00%	2,001,779	10.44%
6.	SCI Investments V	-	0.00%	2,001,779	10.44%
7.	ATMA Ram Builders (P) Ltd.	425,510	2.98%	425,510	2.22%
8.	Jayachandran.R	174,780	1.23%	183,780	0.96%
9.	Deenathayalan.R	163,200	1.14%	163,200	0.85%
10.	Rangarajan K	900	0.01%	1,28,900	0.67%

(v) Shareholding of Directors and Key Managerial Personnel

Shareholding of each Directors & Key Managerial Personnel	Shareholding at the beginning of the years		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
D Lakshmi pathy	2,595,830	18.20%	2,376,150	12.40%
B Haribabu	100,000	0.70%	100,000	0.52%
L R Ravi Prasad	85,200	0.60%	85,200	0.44%
G Srikanth	800	0.01%	40,800	0.21%

V. INDEBTEDNESS:

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	42,816.85	2,369.12	-	45,185.97
ii) Interest due but not paid	1.95	0.50	-	2.45
iii) Interest accrued but not due	367.03	3.89	-	370.92
Total (i + ii + iii)	43,185.83	2,373.51	-	45,559.34
Change in Indebtedness during the financial year				
Addition	19,500.00	-	-	19,500.00
Reduction	9,318.50	2,292.32	-	11,610.81
Net Change	10,181.50	2,292.32	-	7,889.19
Indebtedness at the end of the financial year				
i) Principal Amount	52,998.35	76.80	-	53,075.15
ii) Interest due but not paid	1.95	-	-	1.95
iii) Interest accrued but not due	427.89	2.26	-	430.15
Total (i + ii + iii)	53,428.20	79.06	-	53,507.26

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager D Lakshmipathy, CMD	Total Amount
1	Gross Salary		
	(a). Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	14,421,600	14,421,600
	(b). Value of perquisites u/s 17(2) Income-tax Act, 1961	145,210	145,210
	(c). Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- Others, Specify	8,100,000	8,100,000
5	Others, please specify	-	-
	Total (A)	22,666,810	22,666,810
	Ceiling as per the Act (5% of Net Profit)	-	-

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors				Total Amount
1.	Independent Directors	A Ramanathan	R Anand	B Haribabu	Kalpana Iyer	
	Fee for attending board / committee Meetings	115,000	135,000	100,000	115,000	
	Commission	225,000	225,000	225,000	225,000	
	Others, please specify	-	-	-	-	
	Total (1)	340,000	360,000	325,000	340,000	
	Independent Directors	Bhama Krishnamurthy				
	Fee for attending board / committee Meetings	115,000				580,000
	Commission	225,000				1,125,000
	Others, please specify	-				-
	Total (1)	340,000				1,705,000
	Overall Ceiling as per the Act (11% of Net Profit)					
2.	Other Non-Executive Directors	LR Raviparasd	Vasan Thirulokchand			
	Fee for attending board / committee Meetings	50,000	100,000			150,000
	Commission	225,000	225,000			450,000
	Others, please specify	-	-			-
	Total (2)	275,000	325,000			600,000
	Total (B)	-	-			2,305,000
	Total Managerial Remuneration (A) + (B)	-	-			24,971,810
	Overall Ceiling as per the Act (11% of Net Profit)					-

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

S. No.	Particulars of Remuneration	G Srikanth, Chief Financial Officer	B Shalini Company Secretary	Total Amount
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6,793,696	373,740	7,167,436
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	12,410,800	-	12,410,800
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- Others, specify	-	-	-
5.	Performance linked incentive	1,250,000	-	1,250,000
	Total	20,454,496	373,740	20,828,236

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

For and on behalf of the Board of Directors

D Lakshmiopathy

Chairman & Managing Director

DIN: 01723269

Chennai
22.05.2018

Annexure - C
Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis

- Name of the related party and nature of relationship: D Lakshmipathy, Promoter, Chairman & Managing Director
- Nature of contracts/arrangements/transactions: Lease Rentals
- Duration of the contracts/arrangements/transactions: 36 Months (closed on 30th June, 2017)
- Salient terms of the contracts or arrangements or transactions including the value, if any:
 - To use the premises only as registered office and not to put it to any other use.
 - To carry out the internal alterations, partitions and other alterations which may be required for using the premises as an office, at the expenses of the company.
 - Not to sub-let the premises to anyone.
 - Justification for entering into such contracts/ arrangements/ transactions: The premises is owned by the Chairman & Managing Director and it is suitable for smooth functioning of the Registered Office of the Company.
- Date of approval by the Board: 2nd August, 2013
- Amount paid as advance, if any: NIL
- Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188: Not applicable

2. Details of material contracts or arrangement or transactions at arm's length basis

- Name of the related party and nature of relationship: Five-Star Housing Finance Private Limited, subsidiary company.
- Nature of contracts/ arrangements/ transactions: Sharing of premises, resources, etc
- Duration of the contracts/ arrangements/ transactions: Ongoing
- Salient terms of the contracts or arrangements or transactions including the value, if any: Sharing of premises, infrastructure, personnel and other resources.
- Justification for entering into such contracts/ arrangements/ transactions: As per the related party transaction policy, enclosed as **Annexure D**.
- Date of approval by the Board: 4th November, 2016
- Amount paid as advance, if any: NA
- Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188: Not applicable

Chennai
22.05.2018

D Lakshmipathy
Chairman & Managing Director
DIN: 01723269

Annexure - D

Related Party Transaction Policy / Arms Length Policy

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

This policy seeks to address 2 points.

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

Who is a Related Party

Companies Act, 2013 defines Related Parties as follows:

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

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

Related Party Transactions

The following transactions would be disclosed as RPT:

1. Transactions between the company and its directors, who along with their relatives, hold more than 2% of the share capital of the company.

2. Investment by the holding company into the subsidiary.
3. Other transactions between the holding company and subsidiary company.

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

Other Transactions

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

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

- a. **Personnel costs of supervisory layers at the branches**– The subsidiary would have dedicated field officers who would be managing the business and collections. However, the supervisory layers like the Branch Managers, Area Managers, Regional Managers, State Heads, Cashiers, etc would not be hired in the initial years. Such personnel who are part of the holding company rolls would be used to provide supervision to the subsidiary as well. Hence their costs would have to be proportionately passed on to the subsidiary.
- b. **Head Office personnel costs** – There would also be personnel costs of the common functions done out of the Head Office like Operations, Finance & Accounts, HR, Technology etc along with the costs of the senior management personnel like the MD, CEO, CFO which will be proportionately passed on to the subsidiary.
- c. **Operational expenses for shared infrastructure** – In the initial years, the subsidiary would also share the infrastructure of the parent. Hence operational expenses pertaining to such infrastructure viz. rent, electricity, repairs & maintenance, communication expenses, software expenses etc would be shared between the parent and the subsidiary.

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

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

Annexure - E
Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March 2018

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

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

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

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

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The provisions of Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder as applicable to the Company;
- (iii) The provisions of the Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder as applicable to the Company.
- (iv) The provisions of the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder as applicable to the extent of Foreign Direct Investment. The Company does not have any External Commercial Borrowings or other credit facilities or Overseas Direct Investment.

- (v) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act').
 - a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
- (vi) The Company has materially complied with the following and other laws applicable specifically to the Non Banking Financial Company identified by the Company including:
 - a) Reserve Bank of India Act, 1934, and the guidelines carried thereunder;
 - b) The Prevention of Money Laundering Act, 2002

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

The Company has entered into listing agreement(s) with BSE Ltd with respect to the issuance of Non Convertible Debentures on private placement basis.

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

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

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014;
- d) The Securities and Exchange Board of India (Delisting of equity shares) Regulations, 2009
- e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

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

Adequate notice is given to all the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as per the applicable provisions of the Act, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports taken on

record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable general laws.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were taken unanimously and no dissenting views have been recorded.

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

We further report that, during the audit period :

- a. 250 Secured, Listed, Rated, Redeemable, Taxable, Non-Convertible Debentures of Rs 10,00,000/- each aggregating to Rs 25,00,00,000/- were issued and allotted on private placement basis to IFMR Fimpact Long Term Credit Fund on 12th April 2017, and subsequently the same were listed in the Bombay Stock Exchange.
- b. The Company has allotted 1,88,000 Equity Shares of Rs.10/- each at par aggregating to Rs 18,80,000/- to certain employees of the Company on 9th June 2017 pursuant to the Five-Star Associate Stock Option Scheme, 2015.
- c. The Company has amended its Articles of Association by adopting a full set of restated Articles of Association in substitution of the existing Articles at its extraordinary general meeting held on 7th August 2017.
- d. 47,15,302 Equity shares of Rs.10/- each were issued and allotted at a premium of Rs.664.40/-per share aggregating to Rs. 317,99,99,668.80/- to the investors of the company on 18th August 2017 on private placement basis.
- e. The Company has allotted 500 Equity Shares of Rs.10/- each at a premium of Rs. 75/- per share aggregating to Rs 42,500/- to Mr. R. M. Veerappan, employee of the wholly owned subsidiary Company on 25th September 2017 pursuant to the Five-Star Associate Stock Option Scheme, 2015.
- f. 50 Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-convertible debentures (NCDs) of Rs 10,00,000/- each aggregating to Rs. 5,00,00,000/- were issued and allotted on 28th March, 2018 to Franklin India Short Term Income Plan on private placement basis and subsequently the same were listed in the Bombay Stock Exchange.

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

Chennai
14.05.2018

For S Sandeep & Associates
S Sandeep
Managing Partner
FCS No. 5853
COP: 5987

Annexure - F
CORPORATE SOCIAL RESPONSIBILITY REPORT

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

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

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

The Company's CSR policy has been uploaded in the website of the Company and the web link to CSR policy is www.fivestargroup.com/CSR_Policy.pdf

2. Composition of the CSR Committee

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

The Committee met once during the year on 28th February 2018.

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

Average net profit: Rs 2210.03 lakhs

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

The Company during the financial year 2017-18 is required to spend Rs. 44.20 lakhs towards CSR.

5. Details of CSR spent during the financial year:

- a) Total amount spent for the financial year; Rs. 5 lakhs
- b) Amount unspent, if any; Rs. 39.20 lakhs
- c) Manner in which the amount spent during the financial year is detailed below:

<i>CSR Project or activity identified</i>	<i>Sector in which the project is covered</i>	<i>Project programs (1) Local area or other (2) Specify the state and district where the projects or programs were undertaken</i>	<i>Amount outlay (budget) project or program wise</i>	<i>Cumulative expenditure upto the reporting period</i>	<i>Amount spent directly or through implementing agency</i>
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Setting up old age homes, day care centres and such other facilities for senior citizens	Old Age Homes	Tamil Nadu, Tiruvallur	Rs. 5 lakhs	Rs. 5 lakhs	Directly
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6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any thereof, the company shall provide the reasons for not spending the amount in its Board's Report
 There was a shortfall in incurring of the CSR expenditure during the year 2017-18 as the management is in the process of identifying suitable projects and programme which can be identified and which would complement the businesses of the Company.

7.A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the company

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the company.

Annexure - G

DIRECTORS APPOINTMENT, REMUNERATION & EVALUATION POLICY

1. Purpose of this Policy:

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

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

- To evaluate the performance of the members of the Board.
- To ensure remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Company should ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

2. Definitions:

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

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

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

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

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

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

3. Composition of the Nomination & Remuneration Committee:

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

4. Role of the Committee:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships.
- To assess the independence of Independent Non-Executive Directors.
- To review the result of the performance evaluation process that relates to the composition of the Board.
- To make recommendation to the Board regarding the appointment and re- appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.
- To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.
- Annual appraisal of the performance of Managing Director and fixing his terms of remuneration.
- Annual appraisal of the Senior Management Team reporting to the Managing Director.
- Administration and superintendence in connection with the Scheme under the broad policy and framework laid down by the Company and/or by the Board of Directors.
- Formulate from time to time specific parameters relating to the Scheme, including,
 1. The quantum of Options to be granted under the Scheme to a particular Eligible employee or to a category or group of Eligible employees and in aggregate;
 2. Determination of eligibility conditions and selection of Eligible employees to whom Options may from time to time be granted hereunder;
 3. The Vesting Period and the Exercise Period within which the eligible employee should exercise the Options and that Options would lapse on failure to exercise the Options within the exercise period;
 4. The conditions under which Options vested in Eligible employee may lapse in case of termination of employment for misconduct;
 5. The specified time period within which the Eligible employee shall exercise the vested Options in the event of termination or resignation of an Eligible employee;
 6. The right of an Eligible employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period;
 7. The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, etc;
 8. Make rules by which all options including non-vested options vest immediately in case of sale, transfer or takeover of the company or amalgamation of the Company with any other company, etc. and provide for rules related to exercise period under such circumstances.
 9. Make rules related to performance based vesting of such part of the options granted to eligible employees as the Committee may decide.
 10. To prescribe, amend and rescind rules and regulations relating to the Scheme;
 11. To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;

- Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees

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

5.1 Appointment criteria and qualification

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

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

Further, for administrative convenience, the appointment of KMP (other than Managing Director) or Senior Management, the Managing Director is authorised to identify and appoint a suitable person for such position. However, if the need be, the Managing Director may consult the Committee / Board for further directions / guidance.

5.2 Term

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

5.3 Evaluation

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

5.4 Removal

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

5.5 Policy Review

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

6. Remuneration of Managing Director, KMP and Senior Management

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

7. Remuneration to Non-executive / Independent Director

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

Framework for performance evaluation of Directors, Board & committees Board of Directors and Evaluation

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

Nomination & Remuneration Committee and Evaluation

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

Role and functions of Independent Directors in relation to evaluation

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

Annexure I

Familiarisation Programme for Independent Directors

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

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

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

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

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

Annexure II

CRITERIA FOR EVALUATION

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

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

Criteria for evaluation of Chairman & Managing Director:

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

Criteria for evaluation of Independent Directors:

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

Criteria for evaluation of the Committees:

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



***CORPORATE
GOVERNANCE
REPORT***

Annexure - H

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

Company Philosophy

Five-Star Business Finance Limited’s (Five-Star) philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders. Your Company has adopted a set of internal guidelines on Corporate Governance in line with its policy.

Board of Directors

As on the date of this report, your Board of Directors currently consists of Eleven (11) members including the Chairman cum Managing Director. Of these, four (4) are Independent Directors two (2) are Non-Executive Directors, three (3) are Nominee Directors and one (1) Alternative Director.

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

During the financial year ended 31st March 2018, six (6) Board Meetings were held on 26th April 2017, 23rd May 2017, 12th July 2017, 23rd August 2017, 14th November 2017 and 28th February 2018 respectively and not more than 120 days elapsed between any two meetings.

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

Name	Name of Directorship	Attendance		Other Directorship
		Board	Committee	
D. Lakshmipathy	Chairman & Managing Director	6	23	1
B. Haribabu	Independent Director	6	24	1
Ramanathan Annamalai	Independent Director	5	27	10
Bhama Krishnamurthy	Independent Director	5	5	8
R. Anand	Independent Director	6	5	6
Kalpana Iyer*	Independent Director	5	5	6
L. R. Raviprasad	Non Executive Director	3	23	1
Vasan Thirulokchand	Non Executive Director	6	-	-
Vikram Vaidyanathan	Nominee Director	2	-	5
Arjun Saigal	Alternate Director to Ling Wei Ong	4	-	2
Ling Wei Ong	Nominee Director	-	-	1
G V Ravishankar*	Nominee Director	2	-	14

* Mr G V Ravishankar, was appointed as Nominee Director of M/s SCI Investments V with effect from 18th August 2017.

* Ms Kalpana Iyer, Independent Director, resigned with effect from 30th April 2018

Changes in Board of Directors

Mr G V Ravishankar was appointed as Nominee Director with effect from 18th August 2017.

Mr Vasan Thirulokchand, Non-Executive Director, retires by rotation at the ensuing 34th Annual General Meeting and, being eligible, has offered himself for re-appointment.

Independent Directors

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

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

The Company had issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed on the website of the Company.

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

Code of Conduct

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

Committees of the Board

1. Audit Committee Composition and Meetings

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

1. Mr R Anand, Independent Director (Chairman)
2. Mr A Ramanathan, Independent Director
3. Ms Bhama Krishnamurthy, Independent Director

The Audit Committee of the Board met four (4) times during the year on 23rd May 2017, 23rd August 2017, 14th November 2017 and 28th February 2018 respectively.

Terms of reference:

1. Oversight of the Company's financial reporting process and the disclosure of its financial interest to ensure that the financial statements are correct, sufficient and credible.
2. The recommendation for appointment, remuneration and terms of appointment of statutory, secretarial and internal auditors of the company.
3. Reviewing with the management the quarterly, half yearly and annual financial statements before submission to the Board, with particular reference to:
 - Matters required to be included in Directors' Responsibility Statement which to be included in the Board's report to members.

- Changes, if any in accounting policies and practices and reasons for the same.
 - Major Accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with accounting and other legal requirements relating to financial statements.
 - Disclosure of any Related Party Transactions.
 - Qualifications in draft Auditors Report.
4. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 5. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure and frequency of internal audit.
 6. Discussion with internal auditors, any significant findings and follow up thereon.
 7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 8. Discussion with statutory auditors before the audit commences, about the nature & scope of audit as well as post audit discussion to ascertain any area of concern.
 9. Review on quarterly basis the securitization/bilateral assignment transactions and investment activities of the Company.
 10. Annual Review of Company's policies framed pursuant to RBI and other regulatory guidelines and suggest changes if any, required to the Board for adoption.
 11. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
 12. Examination of the financial statement and the auditors' report thereon;
 13. Approval or any subsequent modification of transactions of the company with related parties;
 14. Scrutiny of inter-corporate loans and investments;
 15. Valuation of undertakings or assets of the company, wherever it is necessary;
 16. Monitoring the end use of funds raised through public offers and related matters

The Committee shall mandatorily review the following information:

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

2. Nomination & Remuneration Committee Composition and Meetings

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

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

The Nomination & Remuneration Committee of the Board met Two (2) times during the year on 23rd May 2017 and 28th February 2018.

Terms of Reference

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board atleast annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.
2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships.
3. Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
4. To access the independence of Independent Non-Executive Directors.
5. Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
6. To review the result of the performance evaluation process that relates to the composition of the Board.
7. To make recommendation to the Board regarding the appointment and re-appointment of Directors and succession planning for Directors in particular for Chairman & Chief Executive.
8. To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.
9. Annual appraisal of the performance of Managing Director and fixing his terms of remuneration.
10. Annual appraisal of the Senior Management Team reporting to the Managing Director.
11. Administration and superintendence of ESOP scheme of the Company and/ or by the Board of Directors

3. Business & Resource Committee Composition and Meetings

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

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

The Business & Resource Committee of the Board met Twenty-Two (22) times during the year on 12th April 2017, 28th April 2017, 9th June 2017, 12th June 2017, 23rd June 2017, 29th June 2017, 7th July 2017, 8th August 2017, 10th August 2017, 18th August 2017, 28th August 2017, 15th September 2017, 25th September 2017, 17th October 2017, 6th November 2017, 15th November 2017, 12th December 2017, 30th January 2018, 15th February 2018, 26th February 2018, 19th March 2018 and 28th March 2018.

Terms of Reference

1. Borrowing such sum or sums of moneys, availing all kinds and types of loans and credit facilities including debentures and other debt instruments, commercial paper, temporary loans from the company's bankers, from time to time, upto such sum / limit as may be fixed by the Board of Directors / Shareholders, for and on behalf of the Company, from its directors, shareholders, banks, NBFCs, financial institutions, companies, firms, bodies corporate, Co-operative Banks, investment institutions and their subsidiaries, or from any other person as may be permitted under applicable laws, whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and/or properties, whether movable including stocks, fixed assets, book debts and to create security over the assets and / or properties of the Company in relation to such borrowings and loan/ credit facilities, modification or satisfaction of the charge/ security created on the assets and/or properties of the Company from time to time.

2. To mortgage / charge/ hypothecate all or any of the movable properties and assets of the Company both present and future and the whole or substantially the whole of the undertaking or the undertakings of the Company on such terms and conditions, as may be agreed to with the Lender(s), Debenture holders and providers of credit and debt facilities to secure the loans / borrowings / credit / debt facilities obtained or as may be obtained, or Debentures/Bonds and other instruments issued or to issued by the Company to or in favour of the financial institutions, Non-Banking Financial Companies, Co-operative Banks, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate or trustees for the holders of debentures/ bonds and/or other instruments.
3. To establish current and other banking accounts with various banks upon such terms and conditions as may be agreed upon with the said bank and various other entities; to specify and change the authorized signatories and their transaction limits to the said banking accounts; to close current and other banking accounts.
4. To consider and approve securitization arrangements and to authorize carrying out of all actions connected therewith.
5. Issuance of Share/Debenture and other security certificates
 - Issuance of fresh Share/Debenture and other security certificates
 - Issuance of duplicate Share/Debenture and other security certificates
 - Issuance of certificates upon request of the Company on split/consolidation/replacement of old and duplicate certificates, transfer or transmission requests.
6. To review, modify and approve investment policy of the company from time to time.
7. To authorize affixing the common seal of the Company in accordance with the manner laid down in the Articles of Association and to authorize taking the Common Seal out of the registered office of the Company.

4. Asset Liability Committee Composition and Meetings

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

1. Mr. D Lakshmi pathy, Chairman and Managing Director
2. Mr. G Srikanth, CFO
3. Mr. Rangarajan Krishnan, CEO
4. Mr. Arunkumar, Head Accounts
5. Mr. Prashanth S, Head - Treasury

Terms of Reference

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

5. Corporate Social Responsibility Committee Composition and Meetings

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

1. Mr D Lakshmi pathy, Chairman & Managing Director
2. Ms Bham a Krishnamurthy, Independent Director
3. Mr R Anand, Independent Director

The Corporate Social Responsibility Committee of the Board met one (1) time during the year on 28th February 2018.

Terms of Reference

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

6. Risk Management Committee Composition and Meetings

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

1. Mr D Lakshmi pathy, Chairman & Managing Director
2. Mr G Srikanth, Chief Financial Officer
3. Mr K Rangarajan, Chief Executive Officer
4. Mr. S. Parthasarathy, Chief Credit Officer
5. Mr S M Seshathri, Head-Credit
6. Mr K Arun Kumar, Head-Accounts

Terms of Reference

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

Remuneration of Directors Sitting Fees

All directors except the CMD and Nominee Directors are paid a sitting fee for attending every meeting of the Board and the Audit Committee.

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

Name	Sitting Fees (₹)	
	Board	Committee
Mr. L.R. Raviprasad	50,000	-
Ms Kalpana Iyer	80,000	35,000
Mr B Haribabu	100,000	-
Mr. Ramanathan Annamalai	80,000	35,000
Mr. R Anand	100,000	35,000
Ms. Bham a Krishnamurthy	80,000	35,000
Mr Vasan Thirulokchand	100,000	-

Commission to Non-Executive Directors:

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

The details of commission paid to Non-executive Directors during the financial year ended 31st March 2018 are as follows:

Director	Commission (₹)
Mr. L.R. Raviprasad	225,000
Ms Kalpana Iyer	225,000
Mr B Haribabu	225,000
Mr. Ramanathan Annamalai	225,000
Mr. R Anand	225,000
Ms. Bhama Krishnamurthy	225,000
Mr Vasan Thirulokchand	225,000
Total	1,575,000

Remuneration to Chairman & Managing Director

The details of remuneration paid for the financial year ended 31st March 2018 are as follows:

Particulars	Amount (₹ in Lakhs)
Salary	14,566,810
Commission	8,100,000
Total	22,666,810

CMD/CFO Certification

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

General Body Meetings

During the financial year ended 31st March 2018, one (1) Annual General Meeting was held on 28th September 2017 and one (2) Extra Ordinary General Meeting was held on 7th August 2017 and 26th March 2018.

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

General Shareholder Information

Particulars	Details
Financial Year	April 1 st , 2017 - March 31 st , 2018
34 th Annual General Meeting	
Day, Date and Time	Saturday, 22 nd September 2018, 10:30 AM
Venue	Old No: 4, New No: 27, Taylor's Road, Kilpauk, Chennai - 600 010

Particulars	Details
Registrar and Transfer Agents	NSDL Database Management Limited 4 th Floor, Trade World, 'A' Wing, Kamala Mills Compound, Lower Panel, Mumbai - 400013
Trustee	IDBI Trusteeship Services Limited Ground Floor, Asian Building, 17, R Kanmani Road, Ballard Estate, Fort, Mumbai, Maharashtra - 400 001 Axis Trustee Services Limited 2nd Floor 'E', Axis House Bombay Dyeing Mills Compound, Pandurang Budhkar Marg, Mumbai, Maharashtra - 400 025 Catalyst Trusteeship Limited No: 83 - 87, 8 th Floor, Mittal Towers, B - Wing, Nariman Point, Mumbai - 400021
DEMAT ISIN Number in NSDL	INE128S01013 (Shares of the Company can be held in Electronic Form)

Shareholding Pattern as on 31st March, 2018

Name of the Shareholder	No. of Shares	Percentage (%) of Share Holding
Category		
(A) Promoters & His Relatives	4,685,180	24.44%
(B) Directors & His Relatives		
B. Haribabu	100,000	0.52
L.R. Raviprasad	85,200	0.44
(C) Investor		
Matrix Partners India Investment Holdings II, LLC	4,100,999	21.39
NHPEA Chocolate Holdings B.V.	4,469,560	23.32
Matrix Partners India Investments II Extension, LLC	68,897	0.36
Norwest Venture Partners X - Mauritius	2,001,779	10.44
SCI Investments V	2,001,779	10.44
(D) Public	1,655,460	8.64
Total	19,168,854	100.00

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

Chennai
22.05.2018

Annexure - I

PARTICULARS OF EMPLOYEES

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

1. Remuneration to Whole Time Director(s):

Name of the Director	Title	Remuneration in FY 2017 - 18	% increase of remuneration in FY 2017 - 18 as Compared to FY 2016 - 17	Ratio of remuneration to Median Remuneration of Employees
D Lakshmipathy	CMD	14,566,810*	51	-

*Excluding commission

2. Remuneration to other Directors: NIL

3. Remuneration to Key Managerial Personnel (KMP):

Name of the KMP	Title	Remuneration in FY 2017 - 18	Remuneration in FY 2016 - 17	% increase of remuneration in FY 2017 - 18 as Compared to FY 2016 - 17
G. Srikanth	CFO	6,793,696*	4,423,602*	54%
Shalini B	Company Secretary	373,740	-	-

*Excluding performance linked incentive

4. The number of employees on the rolls of the Company as of 31st March, 2018, and 31st March, 2017, was 1242 and 691 respectively.

5. The median remuneration of employees was Rs.198,326 and Rs. 215,587 for FY 2017-18 and FY 2016-17 respectively.

6. The aggregate remuneration of employees for the FY 2017-18 was Rs. 367,755,170. The aggregate remuneration of whole time director and key managerial personnel (Excluding commission/ performance linked incentive) was Rs. 21,734,246.

7. The key parameters of remuneration availed by the directors are considered by the Board of Directors.

8. It is hereby affirmed that the remuneration paid is as per the as per the Policy for Directors, Key Managerial Personnel and other Employees.

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

1. Remuneration to Employee(s) in excess of Rs. 1.02 Crores:

(i) Name of the Employee:	K. Rangarajan
(ii) Designation of the employee:	Chief Executive Officer
(iii) Remuneration received:	Rs. 1,12,71,600
(iv) Nature of employment, whether contractual or otherwise:	Permanent
(v) Qualification and experience:	MBA and About 15 years
(vi) Date of commencement of employment:	6th August 2015
(vii) The age of such employee:	39
(viii) The last employment held by such employee before joining the Company:	Spark Capital Advisors (India) Pvt Ltd
(ix) The percentage of equity shares held by the employee in the Company within the meaning of clause (iii) of sub-rule (2); and	0.67%
(x) Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager:	No



***MANAGEMENT
DISCUSSION &
ANALYSIS***

Management Discussion & Analysis

Introduction

The last couple of years have been a period of volatility on the macro-economic front. If FY2017 was witness to demonetization, whose effects are still being felt across sectors and companies, FY2018 saw the introduction of GST, a unified tax regime, which has replaced many of the indirect taxes that prevailed in the country. While it is expected to bring in benefits in the long term, there were quite a lot of challenges especially in its understanding and implementation.

Amidst all this volatility, which rendered the industrial climate really challenging, it is a matter of pride that Five Star had another landmark year in FY18. Another year of more than 100% portfolio growth resulting in the portfolio touching the 4-figure mark has definitely been a significant achievement. External challenges aside, the company also had an internal challenge in the form of a new ERP implementation, which brought about its own difficulties. This ERP implementation was the first of its kind for Five Star and it was necessary to train the hundreds of field staff, branch managers and cashiers across the 4 states of operations. However, the commitment of the management towards a successful implementation was unwavering since we firmly believed that this is a very essential step in our journey towards building a sustainable, transparent and data-rich organization.

The Company continued to maintain its focus on the Small Business Loans segment, where the loans were given on the basis of a robust cashflow assessment and supported by the properties mortgaged as collateral. The twin comfort of strong cashflows along with mortgage over the property of the borrowers has time and again proved to be the value differentiator for Five Star. While the cash flows act as the catalyst during the good times, the mortgage over the property ensures that the borrowers continue to be disciplined towards their repayments even during difficult times.

During the year, the company invested significantly in people and technology as we feel that these are the 2 drivers that will help the company achieve its objectives. Not only the business teams, even the credit and operations teams were significantly spruced up so that they would be able to maintain the quality of underwriting and bring in the required checks and balances in the process. Further, the ERP implementation meant that a lot of processes had to be done at the Head Office resulting in increased operations workforce. However, all these actions brought about a lot of additional controls, which strengthened the quality of processes being carried out.

Financial Year 2017-18

If FY2017 was a landmark year for Five Star, FY2018 was a watershed moment in the history of the company. Several milestones were achieved and several of the targets that we had set for ourselves were overachieved.

- The portfolio of the company crossed the 4-digit mark of Rs 1,000 Cr for the first time in FY2018.
- The Company on-boarded 2 more quality investors in Norwest Venture Partners and Sequoia Capital, whose investments coupled with the incremental investments by the existing investors and the internal accruals, shored up the Net Worth to more than 600 Cr.
- The geographical diversification efforts of the company achieved significant traction with the TN portfolio coming down to 55% in the current year as compared to about 70% last year. With the disbursements picking up in the other states, the portfolio will continue to remain diversified thereby mitigating the concentration risk.

Some of the operational and financial highlights (on a consolidated basis) are given below.

<i>Parameter</i>	<i>FY 2018</i>	<i>FY 2017</i>	<i>Growth</i>
Assets under Management (INR Cr)	1,008	493	104%
Amount disbursed (INR Cr)	705	383	89%
Branches (#)	130	103	26%
Number of customers	33,157	15,803	110%
Number of employees	1,290	737	75%
Profit after Tax (INR Cr)	55.8	19.6	185%

While the aforementioned statistics talk volumes about the business of the company, what is of greater pride to Five Star is the strong asset quality that the company has managed to achieve. RBI had issued directions to NBFCs mandating them to gradually move to a 3 month NPA recognition norm by FY 2018. However, Five Star, of its own volition, had moved to a 3 month NPA recognition norm in FY2017, from a 6 month recognition norm during the previous year. The significant focus on collections coupled with the strong business model and underwriting of the company ensured that the company achieved one of its best NPA numbers during the current financial year with the Gross NPA at 1.45% and Net NPA at 0.96%. It would not be an overstatement to say that not only was this one of the best NPAs for Five Star, but this would also count to be one of the best NPA numbers amongst the companies operating in similar borrower profiles.

Five Star also received fresh equity funds amounting to Rs 318 Crores from its investors during the current financial year. While well renowned private equity players, Norwest Venture Partners and Sequoia Capital invested for the first time, the existing investors also infused more funds, which stood as a testimony to their confidence in the company. Having some of the significant private equity players as its investors helps the company in terms of getting strategic and competitive inputs, insights into the industry functioning and is bound to augur well for the company's prospects. This also resulted in the capital adequacy of the company at 58.8% as against the regulatory norm of 15%. Further, during the financial year 2018-19, fresh capital amounting to INR 619 Cr has been raised by the company, which will give significant support to the growth plans of the company, in addition to having world class investors who can support the company in the event of any downturns.

The stellar performance of the company coupled with the capital infusion made both CARE and ICRA upgrade their ratings from BBB+ to A- (A Minus) during the financial year. The upgrade clearly reflects management experience and bandwidth, strong governance structure, well-managed credit policy with stringent norms, healthy profitability levels, and comfortable capital adequacy levels supported by periodical equity infusion. Notwithstanding the general stress in the economy, the fact that the company has managed to get regular rating upgrades speaks volumes about the performance of the company and the sustainable nature of the growth that it has been able to achieve.

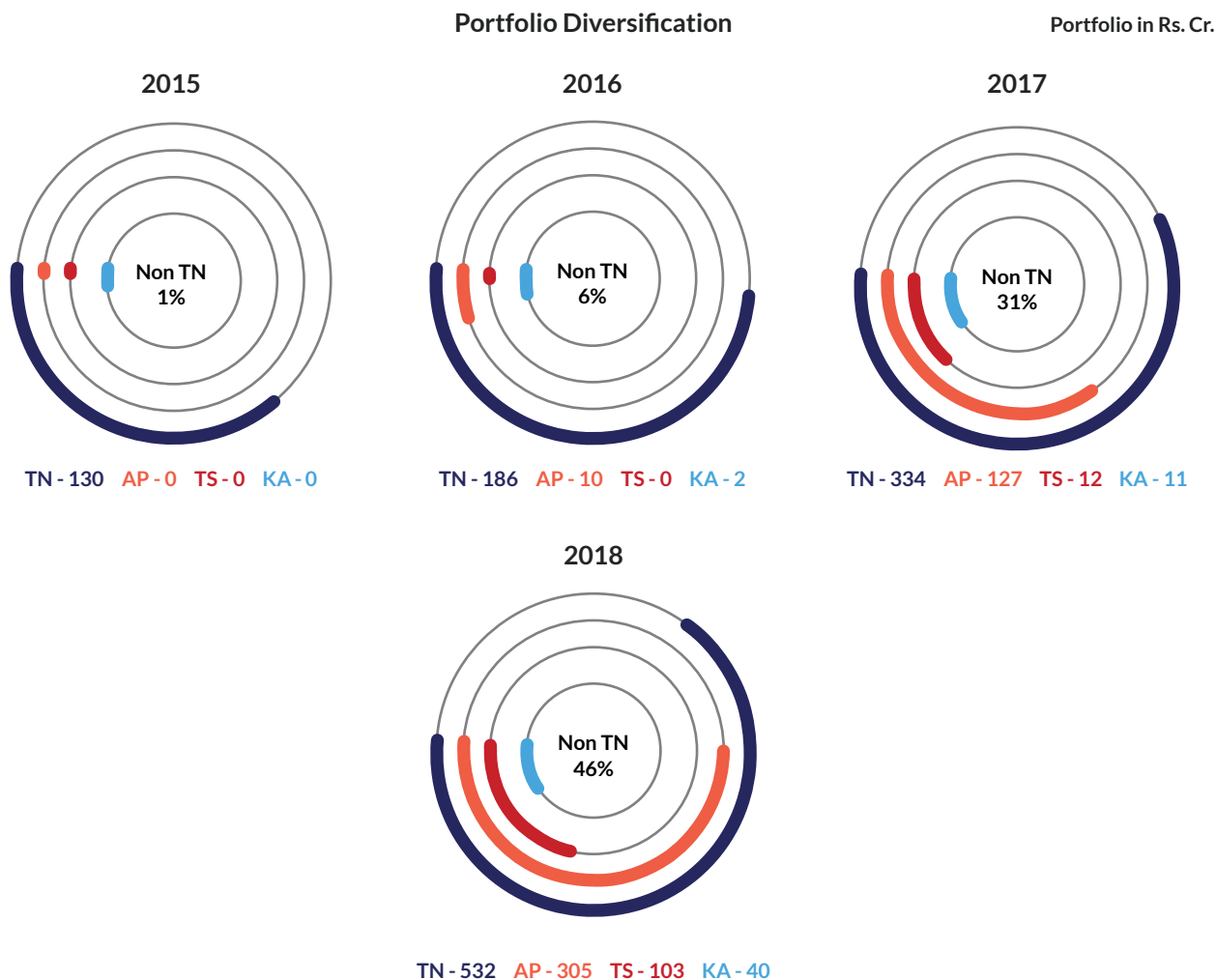
FY2018 was another great year from the funding front as well. While the equity infusion that came in the month of August 2017 provided liquidity till the end of the calendar year 2017, the company also managed to bring down the incremental cost of funds towards the later part of the year. Newer banks and financial institutions like Kotak Mahindra Bank, Yes Bank, Equitas Small Finance Bank and Bajaj Finance lent to the company for the first time at fairly low rates. Further, the NCDs of the company were subscribed to for the first time by an AMC

Franklin Templeton Mutual Fund, who subscribed to Rs 200 Cr of NCDs issued by the company. This is the single largest borrowing cheque that the company has received at any time. Moreover, to have an AMC subscribe to the NCDs of the company is a testimony to the amount of confidence that even the market players were able to repose in the business model and processes of the company. As a result of all these facilities, the company was able to bring down its cost of funds, the effect of which was also passed on to the borrowers in the form of reduced lending rates. Five Star was able to bring down its lending rates by about 100-125 bps towards the second half of the year.

Operational Highlights

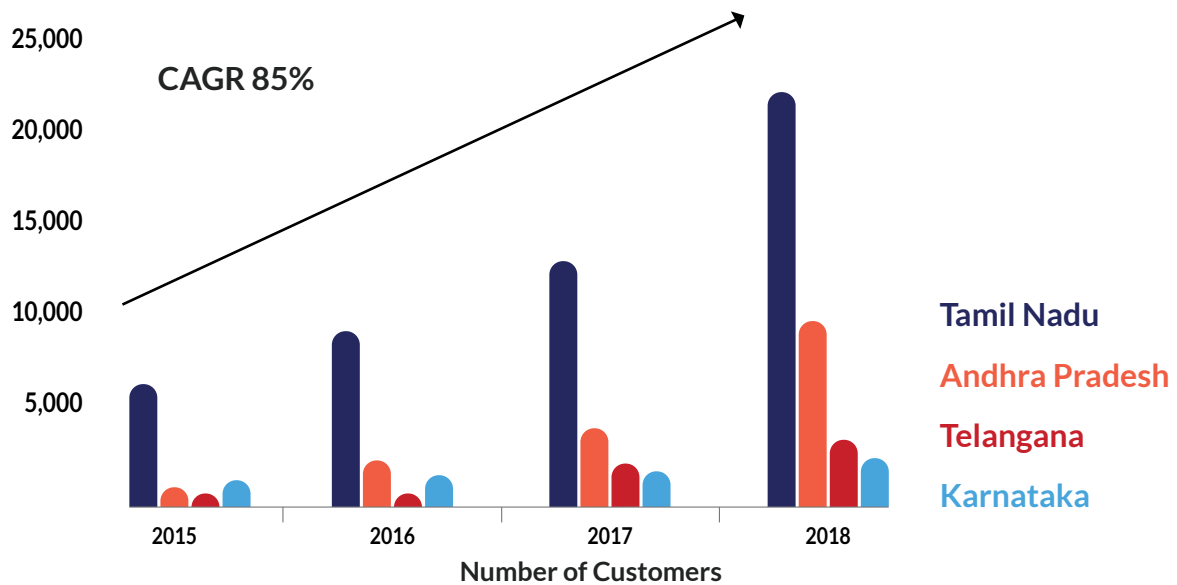
On the operational front, the company made great strides in terms of opening new branches along with augmenting its field force in the existing branches, which has helped the company reap great benefits.

The company has been growing at a CAGR of close to 100% over the last few years. This has been achieved by fine-tuning of strategies to ensure robust growth of its portfolio, given the significant market potential. While the company was keen to exploit the market potential, it consciously made efforts to expand its reach in its existing and newer geographies. The Andhra Pradesh and Telangana operations, which were at a nascent stage till FY 2017, took off in real earnest during the current financial year. While the overall number of branches increased by ~26% (from 103 to 130), the number of branches in Telangana almost doubled during the current year from 12 to 20. The Company also put up its first branches in Maharashtra and Madhya Pradesh towards the end of FY 2018.



The share of incremental disbursements in non-TN states has also gone up resulting in a diversified portfolio for the company. Despite the growth in the Tamil Nadu portfolio from 130 Cr to 532 Cr, the portfolio concentration has reduced from 99% to 54%.

Funding the Unfunded



Customers are a very important stakeholder group for Five Star. The company not only exists for the customers but we also exist because of the customers. In fact, the company keeps evaluating its processes so that they can be strengthened to be of greater benefit to the customers. During the year under review, the company more than doubled its customer base from about 16,000 to 33,000, thereby catering to a much larger base of customers. Rather than increasing ticket size as a means of portfolio expansion, this is a much safer approach since it spreads the risk across a much larger client base. Moreover, this also helps bring a lot more customers into the lending channel, which eventually can be used by them to get into the banking channels as well.



The implementation of ERP has had a meaningful impact on the turnaround time and the company has been able to bring down the TAT for the benefit of the customers, without compromising any of its processes. It is also important to note that the company believes in technology as a significant enabler to improve its process efficiencies in the years to come thereby benefiting the end customer.

Not just on the processes, the company also reduced its lending rates by about 125 bps during the financial year. The company believes in passing on the benefit derived on the cost of funds to the customers and as such all the loans disbursed during the second half of the year were at lower interest rates. Further, the methodology of communicating the interest rate to the customer was also changed from a flat rate to a diminishing rate, which brings even more transparency in dealings with customers.

Employee Benefit Initiatives

During the year under review, the employee base of the company grew by over 75%, from 737 in FY2017 to 1,290 in FY2018. What attracts employees to Five Star are the exciting and challenging yet achievable work targets, ability of the employees to determine their incentives through their performance, transparency in communication right from the top and the generally prevailing employee friendly work conditions. Five Star continues to have a low attrition amongst similar players, which is a testimony to the confidence of the employees in the company and its management.

Increasing the field force alone is insufficient; it is also necessary to increase the support staff so that they can lend able and efficient assistance to the field staffs. During the year, the company undertook significant hiring in the departments of Credit and Operations, who lend significant support to the business team. In fact, dedicated field credit officials and operations officers were provided to specific identified branches to reduce TAT.

Not just hiring people at the field and support staff levels, the company also hired certain key resources at the Management level. During the year under review, the company hired a Chief Credit Officer, Head of Technology, Head of Financial Reporting and Head of HR who will ensure that the company does not lose any controls as it proceeds on the path of expansion. Technology is one of the key levers identified by the company and as such needed not just a competent but a dedicated resource, who can manage the current software and hardware framework of the company and also look at ways and means by which technology can be leveraged for future benefits.

Very recently, the company has also hired a Training Manager who would be responsible for providing periodic trainings to the employees in order to make them perform better in their current roles and also equip them for higher roles in the future. Such trainings would be a mix of classroom and on the job trainings. Five Star accords high priority to the all-round development of its employees, for we fully believe that a satisfied employee will ensure a satisfied customer.

Leveraging the power of technology

As stated above, effective and robust technology has become a key ingredient to the success of any organization. Not just using technology for the current scale of operations, a successful company should be able to envisage the kind of technology that it would need, given its growth plans. Technology has substituted a lot of activities today in the financial services space, as can be seen from the spate of fintech companies that have been mushrooming in the recent past.

Five Star believes in a judicious partnership between technology and human intervention. Technology can be a great enabler and can be used to complement the business model and processes. But using technology as a substitute for human intervention can prove to be counter-productive. In this regard, Five Star took the first step of signing with Nucleus Software for their ERP platform, which has been successfully implemented during the Financial year.

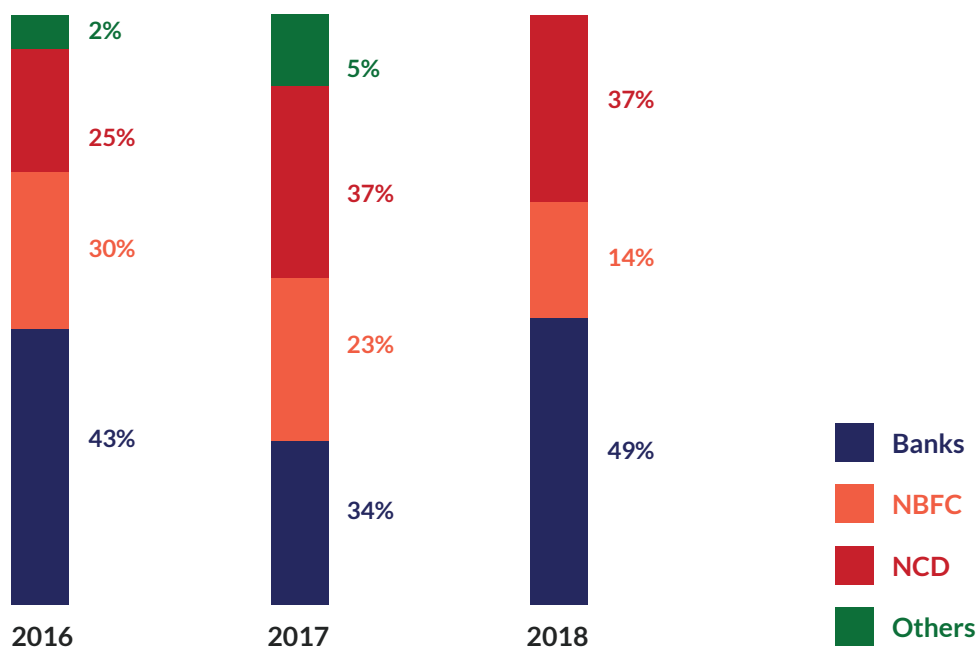
With the way technological changes keep cropping up, it would be fatal for any organization to ignore such developments and be satisfied with the level of technology currently used. In this regard, in order to look out for alternate technologies that can help complement business processes and human intervention, the company has hired a Head of Technology with significant experience and expertise to manage the technology function.

Fund Raising

While liquidity was available throughout the year on account of the equity infusion during the year, the focus of the Treasury function in FY2018 was to bring down the cost of funds. The company was keen to bring down its financial cost so that some of the benefits can also be passed on to its customers. This was achieved during the year with incremental sanctions coming in around the 9.5% - 10.5% levels. The weighted average incremental cost of borrowing decreased from 11.4% in FY2017 to 10.2% in FY2018.

The reduction in cost of borrowing was also on account of the rating upgrade that the company achieved both from ICRA and CARE Ratings. The rating agencies were impressed with the conservative and entrenched business model of the company, the significant experience of the promoter and the senior management team, conservative lending practices, and the comfortable capital adequacy coupled with the ability to bring in capital at frequent intervals of time. The company is hopeful of achieving further upgrades on the back of stellar performance during the financial year.

Funding Mix



The company also managed to diversify its sources of funding, which will serve its objectives well in the future. There was a judicious mix of bank borrowings, borrowings from NBFCs, and Non-convertible debentures availed during the year.

The first capital market transaction was done during the year with Franklin Templeton subscribing to the NCDs of the company for INR 200 Cr. This is a landmark transaction both for it being the first capital market transaction and also for the significant quantum of exposure that a single lender was willing to take on the company.

Asset Quality

Portfolio growth and expansion have never been a big challenge for banks and financial institutions in the past. Companies not too old have taken the aggressive path towards portfolio growth by expanding rapidly and setting up huge number of branches. The more the branches, the more would be the disbursements leading to a sizeable portfolio. But where most of these institutions have faltered is in building an efficient collections engine that can keep pace with the growth of the portfolio.

Banks and NBFCs have been withering under asset quality issues over the last few years. Along with stringent NPA recognition norms that have been imposed by the regulator, the profitability of these institutions has taken a beating. At Five Star, we believe in the power of collections, for lending can be done easily but the challenge lies in collecting every single rupee of principal and interest lent.

During FY2017, the company voluntarily moved to a 3 month NPA recognition norm, though it was not required to do so. This move stemmed from the confidence that the management had in the quality of the company's portfolio. During the current year, the NPA has seen a sharp fall from 2.52% in FY2017 to 1.45% in the current year. It would not be an overstatement to mention that this would probably be one of the strongest asset qualities across companies operating in a similar profile of borrowers.

The business model of Five Star has been tuned more towards collections than business. The business model is dependent on the twin factors of the customer cash flows coupled with the hard collateral being mortgaged by the borrower. We believe that the cash flows would help during good times while the collateral will ensure repayments during bad times. This model proved its worth even during the demonetization time when the customers accorded higher priority towards their dues to Five Star than loans from other institutions.

In order to facilitate good collections and superior asset quality, the company has also been augmenting its field force at each of the branches, so that every field officer has a manageable number of accounts. Increasing the cases per officer may seem efficient and profitable but would prove counterproductive once the portfolio behavior starts to deteriorate. It is essential to find the right number of cases that an officer can manage which ensures that the officer focuses adequately on the new business and also collections on the portfolio. Over the last decade and more, Five Star has been able to arrive at this number empirically and this is paying dividends now as borne out in the robust asset quality that the company has managed to achieve.

Risk Management

Lending business is fraught with risks and unless an organization has an efficient risk management framework, success will only be a distant dream. Building a good risk management framework starts with identification and acceptance of risks within the business. If an organization is going to be oblivious to the risks it may face, it is very unlikely that such an organization would be able to contain and mitigate the risks when they actually occur.

Five Star has developed a comprehensive risk management policy, which lays down the steps by which the various risks can be addressed. The key risk management practices at Five Star include those relating to risk assessment, measurement, mitigation, monitoring, reporting and integration with strategy and business planning. In this manner, there is a very structured approach to the entire risk management exercise which ensures that the risks are contained and don't pose significant threat to the business.

Credit risk

The key risk for NBFC or any other institutions involved in lending business is Credit risk. According to RBI, credit risk is defined as the possibility of losses associated with decline in the credit quality of borrowers or counterparties, the default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions and the loss from reduction in portfolio value (actual or perceived). The objective of risk management at Five Star is to minimize the risk and maximize company's risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.

The 4 components of Credit risk – Concentration risk, Complexity of exposures risk, Default risk and Recovery risk – are mitigated through various proactive actions taken by the company. Fixing of exposure limits, simplification of product norms, multiple and independent verifications to assess the borrowers' creditworthiness and robust collection mechanism are followed to mitigate the credit risk.

Operational risk

Another risk that is prevalent to many institutions is the inadequacy of processes to maintain checks and balances in its operations. Necessary controls are essential to ensure that there are no intentional or unintentional errors that creep into the process.

In this regard, the company has set up a dedicated operations department, which is responsible for maintaining the necessary controls over the various processes. The operations staff shall independently carry out or check the various processes like data entry, preparation and verification of MODs, necessary checks before disbursements, scrutiny of documents at each stage as required, maintain safe custody of the property documents and the like. With such independent checks, the company has managed to keep the errors at a very minimal level.

Liquidity & Interest rate risk

The second risk that is very specific to NBFCs or other institutions involved in the activity of lending is liquidity risk or the risk of inadequate liquidity to further the business. NBFCs depend on banks, financial institutions and other NBFCs for their funding needs. In addition, NBFCs also resort to issue of Non-convertible debentures, Commercial papers and Securitization transactions for meeting their funding requirements. Lack of adequate liquidity or non-availability of liquidity on time would seriously hamper the business prospects of NBFCs.

Five-Star is also dependent on banks and financial institutions and other funding structures for its funding and hence the liquidity risk needs to be managed efficiently in order to ensure smooth functioning. Availability of liquidity alone is not sufficient but managing the cost of funds is a very important indicator to ensure company profitability. The cost of funds charged by the banks and financial institutions to a NBFC depends on a multitude of factors and it is the responsibility of the Risk Management Committee to keep a track of these factors and ensure that they stay in favour of the Company at all times.

Another aspect to the liquidity risk is matching the asset-liability profile such that there is no negative asset-liability mismatch. In the event of the assets having a longer tenor as compared to the liabilities, the Company would have a negative ALM resulting in cash flow issues. While this risk needs to be monitored and managed by the Risk Management Committee, given the sophisticated nature of the risk, an ALCO (Asset-Liability Committee) is constituted to monitor and manage this ALM. The aspects of ALM are clearly documented in the ALM policy.

Governance risk

Five Star prides upon its governance framework and takes concerted actions on a regular basis to enhance its governance practices. The Board comprises of eminent professionals with abundant experience and expertise across a wide range of functional areas. Not just independent directors, the investors also have their representatives on the Board and their involvement with the sector augurs well for the company. The Board is a participative Board and detailed discussions take place before any decisions are taken. The Board is also assisted by various sub-committees and the deliberations of the committees are also placed before the Board for ratification. As we embark on a phase of growth, we need strategic and operational inputs, which will make us tread the path of controlled aggression.

Every year in the recent past has been a milestone year for us. We have been able to scale newer peaks without diluting the essence of our business model. We believe that the company is well positioned to take advantage of the industry potential and is poised to become a market leader in the segment it operates.

Chennai
22.05.2018

D Lakshmipathy
Chairman & Managing Director



***STANDALONE
FINANCIAL
STATEMENTS***

Auditor's Report

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

1. Report on the Financial Statements

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

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

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

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

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

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

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

4. Opinion

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

5. Report on Other Legal and Regulatory Requirements

(i). As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the "**Annexure - A**" a statement on the matters specified in paragraph 3 and 4 of the Order.

(ii). As required by Section 143 (3) of the Act, we report that:

(a). We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b). In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c). The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d). In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended.

(e). On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f). With respect to the internal financial controls with reference to financial statements of the Company and the Operating Effectiveness of such controls, refer to our separate report in "**Annexure - B**"

(g). With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i). the Company has disclosed the effect of the pending legal proceedings against it in its financial statements as mentioned in Note 28.5 of the Notes to the Accounts;
- ii). based on the current assessment of the long term contracts, in the ordinary course of business, the company has made adequate provision for losses, where required, as explained in Note 28.6 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.
- iii). during the year, there has been no major delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

Chennai
22.05.2018

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
P. Babu
Partner
Membership No. 203358

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

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

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

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

2. In our opinion and according to the information and explanations given to us, the Company has not granted any loans secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, clauses (iii)(a), (b) and (c) of paragraph 3 of the Order are not applicable to the Company for the year.

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

4. The company has not accepted deposits from public.

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

6. i) In our opinion and according to the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, sales tax, Service tax, value added tax, cess and other material statutory dues have been generally deposited during the year with the appropriate authorities with in due date. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2018 for a period of more than six months from the date they became payable.

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

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

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

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

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

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

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

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

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

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

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

Chennai
22.05.2018

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
P. Babu
Partner
Membership No. 203358

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

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

We have audited the internal financial controls over financial reporting of Five-Star Business Finance Limited (“the Company”) as of 31st March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Chennai
22.05.2018

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No. 000511S
P. Babu
Partner
Membership No. 203358

Balance Sheet as at 31st March, 2018

₹ in Lakhs

Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
EQUITY AND LIABILITIES			
Shareholder's funds			
Share Capital	3	1,916.89	1,426.50
Reserves and surplus	4	58,077.76	21,022.60
		59,994.65	22,449.10
Non-current liabilities			
Long Term Borrowings	5	37,346.98	33,442.98
Other Long Term Liabilities	6	0.84	0.67
Long Term Provisions	7	718.58	256.97
		38,066.40	33,700.62
Current liabilities			
Short Term Borrowings	8	4,979.68	4,687.75
Trade Payables			
i). Dues to Micro and Small Enterprises		-	-
ii). Other Trade Payables	9	475.18	328.59
Other Current Liabilities	10	11,357.37	7,486.63
Short Term Provisions	11	419.42	374.54
		17,231.65	12,877.51
	Total	1,15,292.70	69,027.23
ASSETS			
Non Current Assets			
Fixed Assets			
- Tangible Assets	12	454.24	449.94
- Intangible Assets		181.09	35.98
- Capital Work in Progress		14.13	-
- Software Under Development		-	158.11
Non Current Investments	13	1,500.00	1,500.00
Deferred Tax Assets	14	364.03	244.47
Long Term Receivables Under Financing Activities	15	80,344.28	38,483.55
Long Term Loans and Advances	16	417.95	157.82
Other Non Current Assets	17	23.04	21.87
		83,298.76	41,051.74
Current assets			
Cash and Bank Balances	18	12,651.08	18,043.33
Short Term Receivables Under Financing Activities	19	17,649.41	9,412.56
Short Term Loans and Advances	20	64.98	52.27
Other Current Assets	21	1,628.47	467.33
		31,993.94	27,975.49
	Total	1,15,292.70	69,027.23

Significant Accounting Policies and Notes to the Accounts 2 to 35

Per our report of event date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

P. Babu

Partner

Membership No. 203358

For and on behalf of Board of Directors

D Lakshmipathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Statement of Profit & Loss for the Year ended 31st March, 2018

₹ in Lakhs

Particulars	Note No.	2017 - 2018	2016 - 2017
REVENUE			
Revenue from Operations	22	18,854.36	8,307.69
Other income	23	1,561.70	283.21
Total Revenue		20,416.06	8,590.90
EXPENSES			
Finance Costs	24	5,554.58	2,373.25
Employee Benefits	25	4,293.18	1,858.21
Administrative and Other Expenses	26	1,487.50	909.12
Provisions, Loan Losses and Other Charges	27	918.55	279.54
Depreciation	12	259.31	92.30
Total Expenses		12,513.12	5,512.42
Profit Before Tax		7,902.94	3,078.48
Tax expenses			
Current Tax		2,404.37	1,284.59
Deferred Tax		(119.55)	(143.59)
		2,284.82	1,141.00
Profit for the Year		5,618.12	1,937.48
Earnings per equity share of Rs.10/- each	30.5		
- Basic (Rs.)		32.40	14.47
- Diluted (Rs.)		31.79	14.47

Significant Accounting Policies and Notes to the Accounts 2 to 35

Per our report of event date attached**For Brahmayya & Co.**

Chartered Accountants, Firm Registration Number 000511S

For and on behalf of Board of Directors**P. Babu**

Partner

Membership No. 203358

D Lakshmiopathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Cash Flow Statement for the Year ended 31st March, 2018

₹ in Lakhs

Particulars	2017 - 2018		2016 - 2017	
A. Cash Flow from Operating Activities				
Profit After Tax	5,618.12		1,937.48	
Provision for Taxation	2,284.82		1,141.00	
Net Profit Before Tax		7,902.94		3,078.48
Adjustments for:				
Finance costs	5,554.58		2,373.25	
Depreciation	259.31		92.30	
General Provision on Standard Assets	294.36		139.87	
Provision against Non - Performing assets	286.52		139.67	
(Profit)/loss on sale of Fixed Assets	8.42		(2.42)	
Profit on sale of current investments (Net)	(675.21)		(110.22)	
Interest Income on Deposits with Banks / Others	(797.59)		(135.94)	
ESOP expenses	322.05	5,252.44	-	2,496.51
Operating Profit Before Changes in Working Capital		13,155.38		5,574.99
Changes in Working Capital:				
<i>Adjustments for (increase) / decrease in operating assets:</i>				
Long term receivables under financing activity	(41,860.73)		(23,851.81)	
Long term Loans and Advances	(260.13)		(60.28)	
Other Non Current Assets	(1.17)		(15.69)	
Short term receivables under financing activity	(8,236.85)		(4,231.77)	
Short term Loans and Advances	(12.70)		7.37	
Other current assets	(1,161.14)		(464.68)	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Long term provision	69.94		14.59	
Short term provision	25.78		126.83	
Trade payables	146.58		271.41	
Other Current liabilities	118.92	(51,172.49)	11.15	(28,192.88)
Cash used in operations		(38,016.11)		(22,617.89)
Financial Expences		(5,495.84)		(2,181.16)
Direct Taxes Paid		(2,574.49)		(1,284.59)
Net Cash from Operating Activities (A)		(46,086.44)		(26,083.64)
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(277.22)		(546.51)	
Proceeds from sale of fixed assets	4.05		7.04	
Profit on sale of current investments	675.21		110.22	
(Purchase)/ sale of current Investments (Net)	-		400.00	
Interest Income on deposits with banks / others	797.59		135.94	
Net Cash from Investing Activities (B)		1,199.63		106.69

Particulars	2017 - 2018	2016 - 2017
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (including securities premium)	32,046.00	11,394.98
Utilisation of Securities premium	(440.62)	-
Proceeds from long term borrowings (repaid)/ availed (net)	7,597.25	29,011.02
Short-term Borrowings (repaid)/ availed (net)	291.93	3,305.59
Net Cash from Financing Activities (C)	39,494.56	43,711.59
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(5,392.25)	17,734.64
Cash and Cash Equivalents at the beginning of the Year	18,043.33	308.69
Cash and Cash Equivalents at the end of the year	12,651.08	18,043.33
Reconciliation of Cash and Cash Equivalents with the Balance Sheet		
Cash and Cash Equivalents(Refer Note: 18)	12,651.08	18,043.33

Per our report of even date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

For and on behalf of Board of Directors

P. Babu

Partner

Membership No. 203358

D Lakshmiathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Notes forming part of the Financial Statements

1. Corporate information

Five-Star Business Finance Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies. The Company is a public limited company with Registered Office at Kilpauk, Chennai.

The Company has been in business for 34 years providing Small Business Loans and loans for house renovations / extensions.

2. Significant accounting policies

2.1. Basis of accounting and preparation of financial statements

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India, Accounting Standards (AS) notified under section 133 of the Companies Act, 2013 read with Paragraph 7 of the Companies (Accounts) Rules 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended.

The Company follows prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Systemically Important Non Deposit Taking Non- Banking Finance Companies (NBFC-ND SI).

2.2. Use of estimates

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

2.3. Cash Flow Statement

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

2.4. Depreciation / Amortisation

Depreciation on fixed assets is provided under Written Down Value method in accordance with useful life specified in Schedule II of the Companies Act, 2013, except for improvements to leasehold premises*. Depreciation for additions and deletions are provided on a pro-rata basis.

*Improvements to leasehold premises are depreciated over the maximum period of the lease initially agreed upon and, in case of improvements to existing leased premises, over the balance lease period. Intangible assets are amortised over the expected useful life of 5 years on straight line basis.

2.5. Revenue recognition

Revenue is recognised 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 is recognized under the Internal Rate of Return method to provide a constant periodic

rate of return on net investment outstanding on the loan contracts. Income on Non-Performing Assets is recognized only when realized and any interest accrued until the asset became a Non Performing Asset and remaining overdue is derecognized by reversing the interest income.

- Processing fees, penal interest, cheque bounce charges and other operating income are recognized as income upon certainty of receipt.
- Profit / loss on sale of investments is recognised at the time of sale or redemption.
- Dividend income is accounted for when the right to receive it is established.
- All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

2.6. Classification & Provisioning of Loan portfolio

Receivables from financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as per the Master Direction - Non- Banking Financial Company – Systemically Important Non-Deposit taking and Deposit taking Company (Reserve Bank) Directions, 2016.

Standard Assets : No overdue or overdue for less than 3 months

Non performing assets:

(a) Sub standard assets: Overdue for period of 3 month and more but less than 15 months

(b) Doubtful assets: Overdue for period of 15 months and more but less than 51 months.

Overdue for period of 51 months and more.

(c) Loss assets: Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by Reserve Bank of India.

Overdue refers to interest and/ or principal and /or instalment remaining unpaid from the day it is receivable.

Standard assets - 0.50%

Non performing asset:

(a) Substandard assets - 25%

(b) Doubtful assets - 50% [Overdue for a period of 15 months and more but less than 51 months]

- 100% [Overdue for a period more than 51 months and more]

(c) Loss assets - 100%

2.7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes non-refundable taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

2.8. Foreign currency transactions and translations

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary items denominated in foreign currency are stated at the prevailing rates of exchange at the Balance Sheet date. Gain or loss arising out of fluctuations in exchange rates are accounted for in the Statement of Profit and loss.

2.9. Investments

Investments are classified as Current and Non-current based on their nature and intended holding period. Current Investments are valued at lower of cost or net realizable value. Non-current Investments are valued at cost, less any other than temporary diminution in value, determined separately for each individual investment.

2.10. Financial Instruments

Commercial paper issued at discount to the face value are accounted at their carrying cost, comprising issue price and accrued finance cost.

2.11. Employee benefits

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

Defined contribution plans

Contributions to the Employees Provident Fund Scheme, Employee Pension Scheme and Employee State Insurance Scheme are charged as expense based on the amount of contribution made and when services are rendered by the employees.

Defined benefit plans

(i). For defined benefit plans in the form of gratuity, which is non-funded, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

(ii). The company recognises long term liability in respect of leave encashment based on the actuarial valuation obtained as at the Balance sheet date

Short term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees.

Stock Based compensation

The Company measures compensation cost relating to employee stock options using intrinsic value method, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The compensation cost is amortized over the vesting period of the option on a straight line basis.

2.12. Leases

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

2.13. Earnings per share

Basic earnings per share is computed by dividing the profit / (Loss) after tax (including the post tax effect of extraordinary item, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive.

The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

2.14. Taxes on Income

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

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

2.15. Impairment of assets

The carrying amounts of assets /cash generating units are reviewed at each Balance Sheet date to determine if there is any indication of impairment. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

2.16. Provisions and contingencies

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

2.17. Operating Cycle

Assets and liabilities are classified as current and non-current based on the operating cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realized and settled, within a period of 12 months from the date of Balance sheet have been classified as current and other assets and liabilities are classified as Non-current.

Notes forming part of Financial Statements

Note 3: Share Capital

Particulars	As at 31.03.2018		As at 31.03.2017	
	No of Shares	₹ in Lakhs	No of Shares	₹ in Lakhs
(a) Authorised Equity Shares of Rs.10 each	20,000,000	2,000.00	20,000,000	2,000.00
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	19,168,854	1,916.89	14,265,052	1,426.50

Notes:

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

Particulars	As at 31.03.2018		As at 31.03.2017	
	No of Shares	₹ in Lakhs	No of Shares	₹ in Lakhs
Equity Shares				
Opening Balance	14,265,052	1,426.51	10,700,000	1,070.00
Add - Shares Issued During the Year	4,903,802	490.38	3,565,052	356.50
Closing Balance	19,168,854	1,916.89	14,265,052	1,426.50

(ii) Pursuant to the approval accorded by the Shareholders at the Extraordinary General Meeting held on 7th August 2017 the company has allotted 47,15,302 Equity Shares of Rs.10 each at a premium of Rs.664.40 per share on preferential basis to Foreign Institutional Investors. Accordingly, an amount of Rs.313,28.47 Lakhs was credited to Securities Premium Account. (Refer Note 4).

(iii) During the year, the Company allotted 188,500 (Previous year : Nil) Equity Shares of Rs. 10 each to eligible employees pursuant to exercise of options under the Employee Stock Options Scheme at applicable premium (Refer Note 29).

(iv) Terms/rights attached to Equity Shares:

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

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

Class of shares / Name of shareholder	As at 31.03.2018		As at 31.03.2017	
	No. of Shares held	% of holding in that class of shares	No. of Shares held	% of holding in that class of shares
Equity Shares				
Matrix Partners India Investment Holdings II, LLC	4,100,999	21.39	4,080,240	28.60
NHPEA Chocolate Holding B.V	4,469,560	23.32	3,565,052	24.99
D Lakshmi pathy	2,376,150	12.40	2,595,830	18.20
L Hema	2,081,060	10.86	2,073,760	14.54
Norwest Venture Partners X - Mauritius	2,001,779	10.44	-	-
SCI Investments V	2,001,779	10.44	-	-

Note 4: Reserves and Surplus

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
(a) Securities premium account		
Opening balance	15,137.52	4,099.05
Add: Premium on shares issued during the year	31,555.61	11,038.47
Less: Utilised during the year for Share Issue expenses (Refer Note)	440.62	-
Closing Balance	46,252.51	15,137.52
(b) Statutory Reserve (Note 4.1)		
Balance at the beginning of the year	1,354.00	966.00
Add: Amount transferred from surplus In the statement of profit and loss	1,124.00	388.00
Closing Balance	2,478.00	1,354.00
(c) General Reserve		
Balance at the beginning of the year	713.00	519.00
Add: Amount transferred from surplus In the statement of profit and loss	-	194.00
Closing Balance	713.00	713.00
(d) Share options outstanding		
Balance at the beginning of the year	-	-
Add: Amount transferred from surplus In the Statement of Profit and Loss	322.05	-
Closing Balance	322.05	-
(e) Surplus in the statement of profit and loss		
Balance at the beginning of the year	3,818.08	2,462.60
Add: Profit for the year	5,618.12	1,937.48
Less: Appropriations		
Transfer to Statutory Reserve	1,124.00	388.00

Transfer to General Reserve	-	194.00
Net Surplus in the statement of Profit and Loss	8,312.20	3,818.08
Total Reserves and surplus	58,077.76	21,022.60

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

4.2 Share issue expenses are adjusted against the Securities premium account as permissible under section 52 of the Companies Act, 2013, to the extent of any balance available for utilisation in the Securities Premium Account.

Note 5 : Long Term Borrowings

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
A. Secured:		
Redeemable Non - Convertible Debentures	18,214.28	16,471.43
Term Loans:		
- From Banks	13,601.99	9,280.82
- From Other Parties	5,461.42	7,610.25
B. Unsecured:		
Loan from Related Parties	69.29	80.48
Total	37,346.98	33,442.98

5.1 Debentures

The company had privately placed Secured Redeemable Non-Convertible Debentures with a maturity period of upto 6 years with an outstanding of Rs.19,475.88 Lakhs (Previous Year Rs.16,929.45 lakhs)

₹ in Lakhs

<i>Maturity of Secured Non-Convertible Debentures as at 31.03.2018</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
>10.00 to 11.00	-	-	500.00	500.00
>11.00 to 13.00	404.45	3,475.00	12,525.00	16,404.45
>13.00	857.14	857.14	857.14	2,571.42
Total	1,261.59	4,332.14	13,882.14	19,475.87

<i>Maturity of Secured Non-Convertible Debentures as at 31.03.2017</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
>10.00 to 11.00	-	-	-	-
> 11.00 to 13.00	29.45	400.00	13,500.00	13,929.45
> 13.00	428.57	857.14	1,714.29	3,000.00
Total	458.02	1,257.14	15,214.29	16,929.45

(a) Redeemable Non Convertible Debentures are secured by hypothecation of specified Receivables under Financing Activity

(b) the above includes secured NCDS to the tune of Rs. 6,571.43 Lakhs (Previous year: Rs. 7000 lakhs towards which personal guarantee of Mr. D. Lakshminath, chairman and Managing director have been offered.

5.2 Term loans (inclusive of loans from related parties)

₹ in Lakhs

<i>Maturity and Implicit Interest Rate as at 31.03.2018</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
<10% - Secured	3,750.13	4,309.42	3,822.14	11,881.69
10-11% - Secured	2,645.02	2,198.24	2,327.10	7,170.36
11-12% - Secured	2,779.96	2,741.80	3,130.83	8,652.59
11-12% - Unsecured	4.69	69.29	-	73.98
>12% - Secured	304.28	318.59	215.30	838.17
>12% - Unsecured	2.82	-	-	2.82
Total	9,486.90	9,637.34	9,495.37	28,619.61

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

(b) All the above loans have been guaranteed by Mr.D. Lakshmi pathy, Chairman & Managing Director except for term loan from Equitas small finance bank limited.

₹ in Lakhs

<i>Maturity and Implicit Interest Rate as at 31.03.2017</i>				
<i>Implicit Interest Rate %</i>	<i>< 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 5 Years</i>	<i>Total</i>
<10% - Secured	-	-	-	-
10-11% - Secured	1,489.29	3,207.70	1,844.20	6,541.19
10-11% - Unsecured	0.18	-	-	0.18
11-12% - Secured	1,946.09	4,082.61	2,704.48	8,733.18
11-12% - Unsecured	1.32	73.66	-	74.98
>12% - Secured	3,139.45	4,057.16	994.92	8,191.53
>12% - Unsecured	20.89	6.82	-	27.71
Total	6,597.22	11,427.95	5,543.60	23,568.77

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

(b) All the above loans have been guaranteed by Mr.D. Lakshmi pathy, Chairman & Managing Director except for term loan from Hinduja Leyland Finance Limited.

Note 6 : Other Long Term Liabilities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest accrued but not due on borrowings	0.84	0.67
Total	0.84	0.67

Note 7 : Long Term Provisions

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Provision for Employee Benefits		
Provision for Gratuity	122.02	55.86
Provision for compensated absences	3.78	-
Other Provisions		
Provision for Standard Assets	398.72	152.18
Provision for Non-Performing Assets	194.06	48.93
Total	718.58	256.97

Note 8 : Short Term Borrowings

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks (Refer Note 8.1)	1,979.68	2,421.50
b. Working capital demand loan	3,000.00	-
B. Unsecured:		
a. Commercial Papers (Refer Note 8.2)	-	2,266.25
Total	4,979.68	4,687.75

8.1. Cash credit and Working capital demand loan are secured by exclusive charge on book debts and personal guarantee of Mr. D. Lakshmi pathy, Chairman & Managing Director.

8.2. Face Value of Commercial Paper Outstanding as on 31.03.2018 is Nil (as on 31.03.2017 - Rs.2500 lakhs)

Note 9 : Trade Payables

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Total Payables		
- due to micro and small enterprises	-	-
- due to others		
- Creditors for expenses	221.10	109.25
- Others	254.08	219.34
Total	475.18	328.59

Note 10 : Other Current Liabilities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Current Maturities of Long Term Borrowings (Refer Note 5.1 & 5.2)		
- from Banks	7,321.63	3,863.71
- from Other Parties	2,157.77	2,711.12
- Debentures	1,257.14	453.57
- Loan from Related Parties	7.19	20.89
Interest accrued but not due on borrowings	429.31	370.25
Unclaimed Dividend	7.98	6.64
Unpaid matured debentures	4.45	4.45
Interest accrued on unpaid matured Debentures	1.95	1.95
Unpaid Loan from Related Parties	0.32	1.50
Interest accrued on unpaid Loan from Related Parties	-	0.50
Statutory due Payable	169.63	52.05
Total	11,357.37	7,486.63

Note 11 : Short Term Provisions

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Provision for Employee Benefits		
Provision for Gratuity	16.73	8.36
Provision for Compensated Absences	27.75	10.33
Other Provisions		
Provision for Standard Assets	84.14	36.32
Provision for Non-Performing Assets	290.80	149.41
Provision for Income Tax(net)*	-	170.12
Total	419.42	374.54

*Provision for Income Tax is net off TDS and Advace Tax of Rs.1908.68/- lakhs as at 31.03.2017)

Note 12 : Fixed Assets

₹ in Lakhs

	Gross Block			Depreciation			Net Block		
	Balance as at 01.04.2017	Addition	Deletion	Balance as at 31.03.2018	For the Year	Deduction	Balance as at 31.03.2018	Balance as at 31.03.2018	Balance as at 31.03.2017
(I) Tangible Assets									
Land	3.56	-	-	3.56	-	-	-	3.56	3.56
Furniture & Fixtures	219.48	84.67	20.30	283.85	39.92	9.51	121.74	162.11	128.15
Computers	117.15	125.01	0.44	241.72	67.52	0.41	133.70	108.02	50.55
Office Equipments	47.87	20.26	5.88	62.25	18.67	4.36	28.95	33.30	33.23
Vehicles	78.46	-	-	78.46	12.23	-	51.43	27.03	39.26
Improvement to Leasehold premises	201.96	2.61	0.19	204.38	77.44	0.06	84.16	120.22	195.19
Total	668.48	232.55	26.81	874.22	215.78	14.34	419.98	454.24	449.94
(II) Intangible Assets									
Computer Software	44.82	188.64	-	233.46	43.53	-	52.37	181.09	35.98
Computer Software under development	-	-	-	-	-	-	-	-	158.11
Total	44.82	188.64	-	233.46	43.53	-	52.37	181.09	194.08
Total	713.30	421.19	26.81	1,107.68	259.31	14.34	472.35	635.33	644.02
Previous Year	342.71	388.41	17.81	713.30	92.30	13.19	227.39	644.02	190.88

Note 13 : Non-current Investments

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Trade investments- Unquoted		
Investments in Equity share of Subsidiary Company Five-Star Housing Finance Private Limited 15,000,000 equity share of Rs.10 each	1,500.00	1,500.00
Total	1,500.00	1,500.00

Note 14: Deferred Tax Assets (Net)

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Deferred Tax Assst		
a) Depreciation	32.76	30.46
b) Employee Benefits	49.58	25.80
c) Provision for Non Performing Assets	8.95	20.31
d) Provision for Standard Assts	140.61	65.24
e) Income derecognised on Non Performing Assets	132.13	102.66
Total	364.03	244.47

Note 15 : Long Term Receivables Under Financing Activities

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Secured		
Loans	80,344.28	38,483.55
Total	80,344.28	38,483.55
Note:		
(a). Of the above:		
Considered Good	79,632.53	38,042.14
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	711.75	441.41
Refer Note 28.2 on Provision for Sub-Standard and Doubtful Receivables under financing activities		
(b) Secured exposures are secured wholly by mortgage of property	-	-

Note 16 : Long Term Loans and Advances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Unsecured, Considered Good		
Capital advances	175.30	4.30
Rental Deposit		
- To Related Parties	-	3.35
- To Others	240.03	149.06
Others	2.62	1.11
Total	417.95	157.82

Note 17 : Other Non Current Assets

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Deposits placed with Government Authorities	21.87	21.87
Prepaid expenses	1.17	-
Total	23.04	21.87

Note 18 : Cash and Bank Balances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	166.92	101.86
(b) Balances with Banks		
(i) In Current accounts	1,269.21	4,334.83
(ii) In other deposit accounts(original maturity less than 3 months)	11,206.97	13,550.00
(iii) In Unpaid Dividend Accounts	7.98	6.64
Total	12,651.08	17,993.33
2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Original Maturity more than 12 months*	-	50.00
Total	12,651.08	18,043.33

*Offered as cash collateral

Note 19 : Short Term Receivables Under Financing Activities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Secured		
Loans	17,649.41	9,412.56
Total	17,649.41	9,412.56
Note:		
(a). Of the above:		
Considered Good	16,936.18	8,634.55
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	713.23	778.01
Refer Note 28.2 on Provision for Sub-Standard and Doubtful Receivables under financing activities		
(b) Secured exposures are secured wholly by mortgage of property	-	-

Note 20 : Short Term Loans and Advances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Unsecured, Considered Good		
Rental Deposit	-	9.89
Branch Opening Advance	6.53	6.02
Staff Advances	1.93	1.16
Loans and advances to Related Parties		
- Five Star Housing Finance Private Limited	19.90	23.87
Others	36.62	11.33
Total	64.98	52.27

Note 21 : Other Current Assets

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest Accrued on Loan receivables	1,104.52	445.42
Interest Accrued on Deposits with Banks and NBFCs	47.58	20.69
Advance Income Tax (net)*	344.40	-
Prepaid expenses	131.97	1.22
Total	1,628.47	467.33

* Advance Income Tax is net off Provision for income tax Rs. 4,736.90 Lakhs as at 31.03.2018

Note 22 : Revenue from Operations

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest Income	16,962.63	7,389.88
Processing Fees	1,316.79	585.31
Penal Interest	164.16	118.95
Other operating income	410.78	213.55
Total	18,854.36	8,307.69

Note 23: Other Income

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Dividend	12.68	-
Interest on Bank Deposits	797.59	135.21
Interest on NBFC Deposits	-	0.73
Gain on Redemption of Mutual Fund Units	675.21	110.22
Gain on Sale of Fixed Assets	-	2.42
Other Non-operating Income	76.22	34.63
Total	1,561.70	283.21

Note 24 : Finance Costs

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest on		
(i) Bank Loans	2,050.81	908.80
(ii) Corporate Loans	838.86	519.98
(iii) Debentures	2,264.71	642.33
(iv) Other Loans	11.19	15.97
Discounting Charges on Commercial Paper	233.75	5.25
Other Borrowing Costs	155.26	280.92
Total	5,554.58	2,373.25

Note 25 : Employee Benefit

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Salaries, Commission and Bonus	3,369.10	1,704.28
Contribution to Provident Fund, ESI and Gratuity	308.45	116.07
Staff welfare expenses	66.81	37.86
Employee Stock Option Expenses	548.82	-
Total	4,293.18	1,858.21

Note 26 : Administrative and Other Expenses

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Rent	235.15	126.29
Electricity Charges	30.40	15.25
Rates and Taxes	21.31	12.82
Communication Expenses	138.45	72.68
Consultancy Fees	154.25	72.24
Printing and Stationery	108.59	63.87
Directors Sitting Fees	7.30	3.80
Reimbursement of Conveyance	26.39	26.52
Audit Fees - Statutory Audit	8.50	8.50
- Tax Audit	3.00	3.00
- Other Services	4.50	3.75
Repairs and Maintenance	88.44	36.70
Traveling Expenses	22.32	6.63
Meeting Expenses	80.66	28.06
Insurance	4.78	8.48
Service Tax & GST	176.40	179.38
Collection Charges	-	78.67
Filing Fees	7.50	12.63
Rating Fees	27.44	23.56
Corporate Social Responsibility Activities	5.00	5.00
Information technology expenses	199.67	11.00
Business Promotion Expenses	34.50	26.48
Credit Information fees	26.09	10.49
Loss on sale of Fixed Assets	8.42	-
Miscellaneous Expenses	68.44	73.32
Total	1,487.50	909.12

Note 27 : Provisions, Loan Losses and Other Charges

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Bad Debts	337.66	-
Provision for Non-Performing Assets	286.53	139.67
Provision for Standard Assets	294.36	139.87
Total	918.55	279.54

Note 28 : Additional information to the financial statements**28.1. Micro, Small and Medium Enterprises**

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

28.2. Loan Portfolio and Provision for Standard and Non Performing Assets

₹ in Lakhs

Asset Classification	Loan Outstanding as at		Provision for Assets as at	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Standard Assets	96,568.71	46,676.69	482.86	188.50
Sub-Standard Assets	986.26	1,030.38	246.57	103.04
Doubtful Assets	438.72	189.04	238.30	95.30
Total	97,993.69	47,896.11	967.73	386.84

28.3. Expenditure in foreign currency on payment basis

₹ in Lakhs

Particulars	2017 - 2018	2016 - 2017
Purchase of Software	1.05	-

Note: The Company did not have any unhedged foreign currency exposure as on the balance sheet date and did not enter into any derivative contracts at any time during the year and non were outstanding as at 31st March 2018. (31st March 2017: NIL)

28.4. Contingent liability

Contested Claims Not Provided for:

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Income Tax issue where the Company is in appeal	6.74	7

28.5. Pending Litigations

The Pending Litigations as on 31st March 2018 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements wherever appropriate.

28.6. Provision for Loan Accounts

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

28.7. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account as at 31st March, 2018, is Rs. 59.38 lakhs(31st March, 2017: NIL).

29. Share based compensation plan

(a). Five-Star Associate Stock Option Scheme, 2015

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called "FIVE-STAR ASOP, 2015" or "The Scheme") was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016. The total options issuable under the plan are upto 563,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan.

The difference between fair price of the share underlying the options granted on the date of the option and the exercise price of the option (being the intrinsic value of the option) representing stock compensation expense is expensed over the vesting period in line with Guidance note on Share Based Payment - GN(A) 18 issued by ICAI. Employee stock option as on the balance sheet is as follows:

<i>Particulars</i>	<i>No of Options</i>	<i>Weighted average exercise price</i>
Total options granted and outstanding as on March 31, 2017	482,500	20.34
Add: Options granted during the year	68,000	130
Less: Options forfeited/lapsed during the year	-	-
Add: Options cancelled during the year	-	-
Less: Options exercised during the year	1,88,500	10.20
Options outstanding as at March 31, 2018	3,62,000	46.22
Options exercisable at year end	8,000	130.00

The weighted average grant date fair value of options granted during the year ended 31 March 2018 is Rs.653.49/- (31 March 2017 Rs.146.65/-) for each option. The weighted average share price of options exercised during the year ended 31 March 2018 is Rs.10.20/- (31 March 2017: Nil) for each option.

The weighted average remaining contractual life for the ESOP Plan as at 31 March 2018 is 6.23 years

(b). The fair value of options used to compute Proforma net profit and earnings per Equity share have been estimated based on the date of grant using the Black Scholes model by an external firm of Chartered Accountants. The key assumptions used in the model for calculating the fair value are as follows:

Risk free interest rate	6% - 7.50%
Expected life	3.54 yrs - 7.54 yrs
Expected Annual Volatility of shares	26.84% - 31.26%
Expected Dividend Yield	Nil

Had compensation cost for the stock options granted under the scheme been determined based on the fair value approach, the Company's net profit/loss and earnings per share would have been as per the Proforma amounts indicated below:

	₹ in Lakhs
	For the year ended 31 Mar 2018
Net profit as per statement of Profit and Loss (as reported)	5,618.12
Add:Stock based employee compensation expense (intrinsic value) included in profit before tax	548.82
Add/(less) :Stock based employee compensation expense determined based on fair value (proforma)	(569.20)
Net profit /loss (proforma)	5,597.68
Basic earnings per share (reported) - Amount in Rs.	32.40
Basic earnings per share (proforma)- Amount in Rs.	32.29
Diluted Basic earnings per share (as reported) -Amount in Rs.	31.79
Diluted Basic earnings per share (proforma)- Amount in Rs.	31.67

(c). Five-Star Associate Stock Option Scheme, 2018

The decision to introduce Five-Star Associate Stock Option Scheme, 2018 (hereinafter called “FIVE-STAR ASOP, 2018” or “The Scheme”) was taken by the Board of Directors at the meeting held on 28th February 2018, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 26th March 2018. The total options issuable under the plan are upto 5,00,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan. Total number of options available as at 31st March 2018 under this scheme is 5,00,000.

Note 30 : Disclosure under Accounting Standards

30.1. Employee benefit plans

30.1.a. Defined contribution plans

The company makes Provident Fund contributions for qualifying employees to the Regional Provident Fund commissioner. Under the Scheme, the company is required to contribute a specified percentage of the payroll costs to fund the benefits. The company recognised Rs.132.54 Lakhs (Year ended 31st March 2017 Rs.67.17 Lakhs) for Provident fund contribution in the statement of profit and loss. The contributions payable to the scheme by the company are at rates specified in the rules of the scheme. ₹ in Lakhs

<i>Contribution to</i>	<i>2017 - 2018</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>	<i>2013 - 2014</i>
Provident Fund	132.54	67.17	30.52	17.60	9.27
Employees State Insurance	81.65	24.14	7.13	5.22	4.60

30.1.b. Defined benefit plans

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

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

The company does not have a funded gratuity scheme for its employees as at 31st March 2018. Gratuity provision has been made based on the actuarial valuation. ₹ in Lakhs

<i>Particulars</i>	<i>2017 - 2018</i>	<i>2016 - 2017</i>
Present Value of the Obligation at the beginning of the period.	64.22	44.29
Interest Cost	4.43	3.27
Service Cost	19.11	10.34
Part Service Cost - (Vested Benefits)	-	-
Actuarial Loss/(gain) on obligation (Balancing Figure)	40.80	10.92
Benefits Paid	10.18	(4.62)
Projected Benefit Obligation as at the End of the Year	138.74	64.22
Changes in the Fair Value of Plan Assets		
Expected Returns on Plan Assets at the Beginning of the Year	-	-
Employer's Contribution	-	4.62
Benefits Paid	-	(4.62)
Actuarial Gain / (Loss) on plan assets (balancing figure)	-	-
Fair Value of Plan Assets at the End of the Year	-	-

Amounts Recognised in the Balance Sheet

Present Value of Obligation	138.74	64.22
Fair Value of the Plan Assets at the Year end	-	-
Liability Recognised in the Balance sheet	138.74	64.22
Expenses recognised in the statement of profit & Loss:		
Current Service cost	19.11	10.34
Interest Cost	4.43	3.27
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses Recognized in the Year	40.80	10.92
Past Service Cost – Vested Benefits	10.18	-
Expenses recognised in the statement of profit & loss:	74.52	24.54
Assumptions		
Discount Rate	7.44%	6.90%
Future Salary Increase	10.00%	5.00%
Attrition Rate	15.00%	15.00%
Expected Rate of Return on Plan Assets	0.00%	NA

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

₹ in Lakhs

<i>Particulars</i>	<i>2017 - 2018</i>	<i>2016 - 2017</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>	<i>2013 - 2014</i>
Defined Benefit Obligations	138.74	64.22	44.29	30.75	17.74
Plan Assets	-	-	-	-	-
Surplus (Deficit)	(138.74)	(64.22)	(44.29)	(30.75)	(17.74)
Expenses adjustments on plan liabilities	(40.80)	(10.92)	(6.07)	(5.65)	1.99
Expenses adjustments on plan assets	-	-	-	-	-

30.2. Segment Information

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

30.3. Related Party Transactions**30.3.a. Related Parties:**

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Subsidiary company	M/s. Five Star Housing Finance Private Limited	M/s. Five Star Housing Finance Private Limited
Key Management Personnel	Mr. D. Lakshmiopathy, Chairman and Managing Director	Mr. D. Lakshmiopathy, Chairman and Managing Director

Particulars	As at 31.03.2018	As at 31.03.2017
Relative of Key Management personnel	Mrs. L. Hema, Wife of Mr. D. Lakshmipathy Mr. R. Deenadayalan, Father of Mr. D. Lakshmipathy Mrs. D. Varalakshmi, Mother of Mr.D. Lakshmipathy Mrs. B Sudha, Sister of Mr. D. Lakshmipathy Ms. L.Srishti, Daughter of Mr. D.Lakshmipathy Ms. L.Shritha, Daughter of Mr.D. Lakshmipathy	Mrs. L. Hema, Wife of Mr. D. Lakshmipathy Mr. R. Deenadayalan, Father of Mr. D. Lakshmipathy Mrs. D. Varalakshmi, Mother of Mr.D. Lakshmipathy Mrs. B Sudha, Sister of Mr. D. Lakshmipathy Ms. L.Srishti, Daughter of Mr. D.Lakshmipathy Ms. L.Shritha, Daughter of Mr.D. Lakshmipathy
Individual, directly or indirectly, holding more than 20% of the voting power of the company	Mr.D. Lakshmipathy (along with his wife Ms.L. Hema)	Mr.D. Lakshmipathy (along with his wife Ms.L. Hema)
Companies, directly or indirectly, holding more than 20% of the voting power of the company	M/s. Matrix Partners India Investment Holdings II, LLC, M/s.NHPEA Chocolate Holding B.V.	M/s. Matrix Partners India Investment Holdings II, LLC, M/s.NHPEA Chocolate Holding B.V.

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

₹ in Lakhs

Nature of transaction	Name of Related Party	As at 31.03.2018	As at 31.03.2017
Interest expense	Mrs. L. Hema	0.03	0.04
	Ms. L. Srishti	0.01	0.03
	Ms. L. Shritha	0.02	0.03
	Mrs. D. Varalakshmi	0.12	0.19
	Mrs. B. Sudha	1.45	1.98
Salary	Mr.D. Lakshmipathy	144.22	96.22
Commission	Mr.D. Lakshmipathy	81.00	77.00
Rent	Mr.D. Lakshmipathy	2.55	9.94
Recovery of shared cost	M/s. Five Star Housing Finance Private Limited	75.00	18.69
	M/s. Mr.D. Lakshmipathy, Chairman and Managing Director	3.35	-
Issue of Equity Shares	M/s. Matrix Partners India Investment Holdings II, LLC	2.08	-
	M/s. NHPEA Chocolate Holding B.V.	90.45	356.51
Receipt of Share Premium	M/s. Matrix Partners India Investment Holdings II, LLC	137.92	-
	M/s. NHPEA Chocolate Holding B.V.	6,009.55	11,038.47

Loans repaid	Mrs. L. Hema	0.10	0.10
	Ms. L. Srishti	0.10	0.10
	Ms. L. Shritha	0.10	0.10
	Mrs. D. Varalakshmi	1.50	-
	Mrs. B. Sudha	13.00	2.00
Assets			
Investment in Subsidiary	M/s. Five Star Housing Finance		
	Private Limited	1,500.00	1,500.00
Liabilities			
Borrowings as at end of the year	Mrs. L. Hema	0.10	0.20
	Ms. L.Srishti	-	0.10
	Ms. L.Shritha	-	0.10
	Ms. D. Varalakshmi	-	1.50
	Mrs. B Sudha	1.00	14.00
Rent advance as at the end of the year	Mr.D. Lakshmpathy	-	3.35

30.4. Operating Lease

The company has operating lease agreement primarily for office premises. The lease is for a period of 3 to 9 years. An amount of Rs.235.15 lakhs/- (Previous Year Rs.126.28 lakhs) was debited to the statement of profit and loss towards lease rentals and other charges for the office premises during the current year.

30.5. Earnings per share

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Profit after tax (Rs. in Lakhs)	5,618.12	1,937.48
Weighted Average Number of Equity Shares		
- Basic (No.)	17,337,381	13,385,998
- Diluted (No.)	17,674,574	13,837,738
Earnings Per Share (EPS)		
- Basic (Amount in Rs.)	32.40	14.47
- Diluted (Amount in Rs.)	31.79	14.47
Face Value of Shares (Amount in Rs.)	10	10

31. Disclosures on Fraud pursuant to Reserve Bank of India Notification DNBS.PD.CC. No. 256 /03.10.042 / 2011-12 dated 2 March 2012

<i>Category</i>	<i>More than Rs. 1 lakh</i>		<i>Less than Rs. 1 lakh</i>		<i>₹ in Lakhs</i>
	<i>No of instances</i>	<i>₹ in Lakhs</i>	<i>No of instances</i>	<i>₹ in Lakhs</i>	
Cash Mishandling	2	4.25	-	-	4.25
	2	4.25	-	-	4.25

Note: The amount has been recovered fully and the above frauds have already been disclosed to the RBI.

32. Disclosure as per Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 :

32.1. Capital Adequacy Ratio

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
CRAR (%)	58.82	43.78
CRAR – Tier I Capital (%)	58.34	43.78
CRAR – Tier II Capital (%)	0.48	-

32.2. Exposure to Real Estate sector, both direct and indirect

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
1. 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:		
- individual housing loans upto ₹ 15 lakhs	9,056.19	9,192.00
- individual housing loans more than ₹ 15 lakhs	46.90	115.00
ii. Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.).		
- Fund based	-	-
- Non Fund based	-	-
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
2. Indirect exposure		
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-
Total exposure to Real Estate sector	9,103.09	9,307.00

32.3. Asset Liability Management

(a). Maturity pattern of certain items of assets and liabilities as at 31st March 2018

₹ in Lakhs

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowing from Banks											
/ Financial Institutions/CP	621.43	799.50	3,727.99	4,295.09	5,015.07	17,373.26	1,690.14	-	-	-	33,522.48
Market Borrowings	4.99	-	428.57	-	835.54	15,283.58	3,000.00	-	-	-	19,552.68
Assets											
Advances	1,508.08	1,474.13	1,495.25	4,608.02	8,563.93	35,815.14	29,028.84	15,500.30	-	-	97,993.69
Investments	8,206.97	-	3,000.00	-	-	-	-	1,500.00	-	-	12,706.97

(b). Maturity pattern of certain items of assets and liabilities as at 31st March 2017

₹ in Lakhs

	Upto 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowing from Banks											
/ Financial Institutions/CP	496.13	442.83	672.84	4,104.05	5,520.08	11,362.84	5,543.32	-	-	-	28,142.09
Market Borrowings	7.95	-	2.00	1.10	469.36	5,669.76	10,882.14	-	-	-	17,032.31
Assets											
Advances	808.33	851.86	865.71	2,634.38	4,321.31	19,071.78	14,745.25	5,044.07	-	-	48,342.69
Investments	7,250.00	6,125.00	25.00	-	-	-	200.00	1,503.56	-	-	15,103.56

Note 33: As required under Annexure I of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 :
₹ in Lakhs

Particulars	Amount Outstanding as on 31.03.2018	Amount Overdue as on 31.03.2018	Amount Outstanding as on 31.03.2017	Amount Overdue as on 31.03.2017
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Liabilities side

1. Loans and Advances availed by the Company, inclusive of interest accrued thereon but not paid

a. Debentures				
i. Secured	19,859.71	-	17,257.80	-
ii. Unsecured	-	-	-	-
b. Deferred Credits	-	-	-	-
c. Term Loans	28,589.66	-	23,507.69	-
d. Inter-corporate loans and borrowings	-	-	-	-
e. Commercial Paper	-	-	2,266.25	-
f. Public Deposits	-	-	-	-
g. Other loans (Cash Credit & Working Capital Demand Loan)				
Bank Borrowings	4,979.68	-	2,421.50	-
Loans from Directors / Relatives of Directors	78.22	-	106.09	-

2. Break-up of (1) (f) above (outstanding public deposits inclusive of interest accrued thereon but not paid) :

a. In the form of Unsecured debentures	-	-	-	-
b. In the form of party secured debentures i.e debentures where there is a shortfall in the value of security	-	-	-	-
c. Other public deposits	-	-	-	-

₹ in Lakhs

Particulars	Amount Outstanding as on 31.03.2018	Amount Outstanding as on 31.03.2017
-------------	--	--

Assets Side :

3. Break up of Loans and Advances including bills receivables

a. Secured	97,993.69	47,896.11
b. Unsecured	482.93	210.10

4. Breakup of Leased Assets and Stock on hire and other assets counting towards AFC activities

I. Lease Assets including lease rentals under Receivables	-	-
a. Financial Lease	-	-
b. Operating Lease	-	-
II. Stock on hire including hire charges under Receivables	-	-
a. Assets on Hire	-	-
b. Repossessed Assets	-	-

III. Other loans counting towards AFC activities	-	-
a. Loans where assets have been repossessed(net)	-	-
b. Loans other than (i) above	-	-
5. Break up of Investments :		
Current Investments:		
1. Quoted :		
(i) Shares:	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-
2. Unquoted :		
(i) Shares:		
(a) Equity :	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-
Long Term Investments		
(i) Shares:	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Others		
2. Unquoted :		
(i) Shares:		
(a) Equity :	1,500.00	1,500.00
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
(v) Others	-	-

₹ in Lakhs

Category	Amount [Net of Provisions]					
	Secured as on 31 Mar 2018	Unsecured as on 31 Mar 2018	Total as on 31 Mar 2018	Secured as on 31 Mar 2017	Unsecured as on 31 Mar 2017	Total as on 31 Mar 2017
6. Borrower group-wise classification of assets financed in 3 and 4 above						
a. Related Parties						
i. Subsidiaries	-	19.90	19.90	-	23.87	23.87
ii. Companies in the same Group	-	-	-	-	-	-
iii. Other Related Parties	-	-	-	-	-	-
b. Other than Related Parties	97,508.83	463.02	97,971.85	47,697.77	186.22	47,883.99
Total	97,508.83	482.93	97,991.75	47,697.77	210.10	47,907.87

₹ in Lakhs

Category	Market value / breakup or Fair value or NAV as on 31 Mar 2018	Book Value (Net of Provisions) as on 31 Mar 2018	Market value / breakup or Fair value or NAV as on 31 Mar 2017	Book Value (Net of Provisions) as on 31 Mar 2017
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7. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

a. Related Parties				
i. Subsidiaries	1,500.00	1,500.00	1,500.00	1,500.00
ii. Companies in the same Group	-	-	-	-
iii. Other Related Parties	-	-	-	-
b. Other than Related Parties	-	-	-	-
Total	-	-	-	-

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
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8. Other Information

a. Gross Non-Performing Assets		
i. Related Parties	-	-
ii. Other than Related Parties	1,424.98	1,219.42
b. Net Non-Performing Assets		
i. Related Parties	-	-
ii. Other than Related Parties	940.12	1,021.08
c. Assets acquired in satisfaction of debt	-	-

34. Disclosure as per annexure XII of master directions - Non-Banking Financial Company - Systemically Important Non - Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016.

34.1 Provisions and contingencies

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
(a) Contingent provisions for standard assets	482.86	188.50
(b). Provision for Non Performing Assets	484.86	198.34
(c) Provision for gratuity	138.74	64.22
(d) Provision for compensated absences	31.52	10.33
(e) Provision for income tax	4,736.90	2,078.79

34.2 Customer complaints

(a) No. of complaints pending as on 01 April 2017	-
(b) No. of complaints received during the year	26
(c) No. of complaints redressed during the year	26
(d) No. of complaints pending as on 31 March 2018	-

34.3. Other Regulator - registration details

<i>S.No.</i>	<i>Regulator</i>	<i>Registration No.</i>
1.	Ministry of Corporate Affairs	U65991TN1984PLC010844
2.	Reserve Bank of India	B-07.00286

34.4. Penalties levied by the above Regulator[s] - Nil

34.5. Ratings assigned by Credit Rating Agencies

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Commercial Paper	CARE A1	CARE A2+
Long Term Bank Facilities	CARE A- ICRA A- CRISIL BBB	CARE BBB+ ICRA BBB+ CRISIL BBB
Short Term Bank Facilities	CARE A1	-
Non Convertible Debentures	CARE A- ICRA A- -	CARE BBB+ ICRA BBB+ CRISIL BBB

34.6. Concentration of Advances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Total Advances during the year to twenty largest borrowers	814.00	804.40
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	1.19%	2.16%

34.7. Concentration of exposures

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Total exposure to twenty largest borrowers	1,715.56	1,923.21
Percentage of exposures to twenty largest borrowers to Total exposure of the NBFC on borrowers	1.75%	4.02%

34.8. Concentration of NPAs

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Total exposure to top four NPA accounts	124.99	158.02

34.9. Sector-wise Gross NPAs as on 31 Dec 2017

<i>S.No.</i>	<i>Sector</i>	<i>Percentage of NPAs to Total Advances in that sector as on 31 Mar 2018</i>	<i>Percentage of NPAs to Total Advances in that sector as on 31 Mar 2017</i>
1.	Agriculture & allied activities		
2.	MSME*	10.44%	2.05%
3.	Corporate borrowers		
4.	Services*	1.48%	2.58%
5.	Unsecured personal loans		
6.	Auto loans (commercial vehicles)		
7.	Other loans	1.13%	2.37%

* Small Business Loans given to borrowers involved in Manufacturing / Service sectors

34.10. Movement of NPAs

₹ in Lakhs

<i>S.No.</i>	<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
(i)	Gross NPAs to Net Advances (%)	1.46%	2.53%
	Net NPAs to Net Advances (%)	0.96%	2.12%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	1,219.42	361.04
	(b) Additions during the year	860.21	913.86
	(c) Reductions during the year	316.99	55.49
	(d) Write off	337.66	-
	(d) Closing balance	1,424.98	1,219.42
(iii)	Movement of Net NPAs		
	(a) Opening balance	1,021.08	302.37
	(b) Additions during the year	467.42	766.30
	(c) Reductions during the year	548.39	47.59
	(d) Closing balance	940.12	1,021.08

(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	198.34	58.67
(b) Provisions made during the year	392.78	147.57
(c) Write-off / write-back of excess provisions	106.26	7.90
(d) Closing balance	484.86	198.34

35. Previous year figures

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

Per our report of even date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

P. Babu

Partner

Membership No. 203358

Place : Chennai

Date: 22.05.2018

For and on behalf of Board of Directors

D Lakshmiathy

Chairman & Managing Director

R. Anand

Director

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary



***CONSOLIDATED
FINANCIAL
STATEMENTS***

Auditor's Report

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

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FIVE-STAR BUSINESS FINANCE LIMITED ("the Holding Company"), its subsidiary company, (together referred as "the Group") which comprise the Consolidated Balance Sheet as at 31st March, 2018, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

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

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

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

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

appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Opinion

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

5. Report on Other Legal and Regulatory Requirements

(a). We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b). In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c). The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d). In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, as amended.

(e). On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2018 taken on record by the Board of Directors of the Holding Company and its subsidiary company none of the directors of the Holding Company and its subsidiary company incorporated in India are disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f). With respect to the internal financial controls with reference to financial statements of the Group and the Operating Effectiveness of such controls, refer to our separate report in "Annexure - A"

(g). With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- the Consolidated financial statements disclose the effect of pending litigations on the consolidated financial position of the Group- as mentioned in Note 29.5;
- based on the current assessment of the long term contracts, in the ordinary course of business, the Group has made provision for losses as explained in Note 29.6 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.
- there has been no major delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

Chennai
22.05.2018

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
P. Babu
Partner
Membership No. 2003358

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

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Five-Star Business Finance Limited (hereinafter referred to as “the Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

The reporting under Section 143(3)(i) of the Act is not applicable to subsidiary company .

Chennai
22.05.2018

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
P.Babu
Partner
Membership No. 203358

Consolidated Balance Sheet as at 31st March 2018

₹ in Lakhs

Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
EQUITY AND LIABILITIES			
Shareholder's funds			
Share Capital	3	1,916.89	1,426.50
Reserves and surplus	4	58,098.54	21,078.03
		60,015.43	22,504.53
Non-current liabilities			
Long term Borrowings	5	37,646.98	33,442.98
Other Long Term Liabilities	6	0.84	0.67
Long Term Provisions	7	737.82	261.74
		38,385.64	33,705.39
Current liabilities			
Short Term Borrowings	8	4,979.68	4,687.75
Trade Payables			
i) Dues to Micro and Small Enterprises		-	-
ii) Other Trade Payables	9	485.68	334.21
Other Current Liabilities	10	12,873.36	7,798.89
Short Term Provisions	11	422.31	375.93
		18,761.03	13,196.78
Total		117,162.10	69,406.70
ASSETS			
Non- current assets			
Fixed Assets			
- Tangible Assets	12	454.31	450.13
- Intangible Assets		181.09	35.98
- Capital work in Progress		14.13	-
- Software Under Development		-	158.11
Non-Current Investments		-	-
Deferred Tax Assets(net)	13	373.10	246.16
Long Term Receivables Under Financing Activities	14	82,975.32	39,397.34
Long Term Loans and Advances	15	418.00	157.83
Other Non Current Assets	16	23.04	34.15
		84,438.99	40,479.70

₹ in Lakhs

<i>Particulars</i>	<i>Note No.</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Current assets			
Current Investments	17	-	434.31
Cash and Bank Balances	18	13,145.89	18,470.42
Short Term Receivables Under Financing Activities	19	17,850.43	9,508.18
Short Term Loans and Advances	20	51.96	28.59
Other Current Assets	21	1,674.83	485.50
		32,723.11	28,927.00
Total		117,162.10	69,406.70
Significant Accounting Policies and Notes to the Accounts	2 to 29		

Per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

For and on behalf of Board of Directors

P.Babu

Partner

Membership No. 203358

D. Lakshmipathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

Consolidated Statement of Profit & Loss for the Year ended 31st March 2018

₹ in Lakhs

Particulars	Note No.	2017 - 2018	2016 - 2017
REVENUE			
Revenue from Operations	22	19,232.79	8,367.73
Other Income	23	1,585.53	346.06
Total Revenue		20,818.32	8,713.79
EXPENSES			
Finance Costs	24	5,777.38	2,383.34
Employee Benefits	25	4,457.70	1,913.34
Administrative & Other Expenses	26	1,518.32	921.96
Provision, Loan Losses and Other Charges	27	932.32	283.61
Depreciation	12	259.43	92.34
Preliminary Expenses Written Off		12.28	4.09
Total Expenses		12,957.43	5,598.68
Profit Before Tax		7,860.89	3,115.11
Tax expenses			
Current Tax		2,404.37	1,298.07
Deferred Tax		(126.94)	(145.29)
		2,277.43	1,152.78
Profit for the Year		5,583.46	1,962.33
Earnings per equity share of Rs.10/-	29.3		
Basic (Rs.)		32.20	14.66
Diluted (Rs.)		31.59	14.66

Significant Accounting Policies and Notes to the Accounts 2 to 29

Per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

For and on behalf of Board of Directors

P. Babu

Partner

Membership No. 203358

D. Lakshmiopathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2018

₹ in Lakhs

Particulars	2017 - 2018	2016 - 2017
A. Cash Flow from Operating Activities		
Profit After Tax	5,583.46	1,962.33
Provision for Taxation	2,277.43	1,152.78
Net Profit Before Tax	7,860.89	3,115.11
Adjustments for:		
Finance costs	5,777.38	2,383.34
Depreciation	259.43	92.34
General Provision on Standard Assets	304.38	143.94
Provision against Non - Performing assets	290.27	139.67
(Profit)/loss on sale of Fixed Assets	8.42	(2.42)
Profit on sale of current investments (Net)	757.62	(124.53)
Interest Income on Deposits with Banks / Others	(797.59)	(202.73)
Preliminary expenses	12.28	4.09
ESOP expenses	322.05	-
	6,934.24	2,433.70
Operating Profit Before Changes in Working Capital	14,795.13	5,548.81
Changes in Working Capital:		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Long term receivables under financing activity	(43,577.97)	(24,765.60)
Long term Loans and Advances	(260.17)	(60.28)
Other Non Current Assets	(1.17)	(15.69)
Short term receivables under financing activity	(8,342.25)	(4,327.38)
Short term Loans and Advances	(23.37)	31.04
Other current assets	(1,189.33)	(438.52)
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Other Long term Liabilities	0.18	(0.55)
Long term provision	71.93	15.71
Trade payables	151.49	276.92
Other Current liabilities	122.73	29.59
Short term provisions	26.00	16.64
	(53,021.93)	(29,238.12)
Cash used in operations	(38,226.80)	(23,689.31)
Financial Expences	(5,718.91)	(2,190.61)
Direct Taxes Paid	(2,574.49)	(1,196.34)
Net Cash used in Operating Activities (A)	(46,520.20)	(27,076.26)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(277.22)	(546.74)
Proceeds from sale of fixed assets	4.05	7.04
Purchase /sale of Investments (net)	434.31	(34.31)
Profit on sale of current investments(Net)	(757.62)	124.53
Interest Income on Deposits with Banks / Others	797.59	202.73
Net Cash from Investing Activities (B)	201.11	(246.75)

Particulars	2017 - 2018	2016 - 2017
C. Cash Flow from Financing Activities		
Proceeds from issue of equity shares (including securities premium)	32,046.00	11,394.97
Utilisation of Securities premium	(440.62)	-
Proceeds from long term borrowings (repaid)/ availed (net)	9,097.25	29,304.76
Short-term Borrowings (repaid)/ availed (net)	291.93	3,305.59
Net Cash from Financing Activities (C)	40,994.56	44,005.32
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(5,324.53)	16,682.31
Cash and Cash Equivalents at the beginning of the Year	18,470.42	1,788.11
Cash and Cash Equivalents at the end of the year	13,145.89	18,470.42
Reconciliation of Cash and Cash Equivalents with the Balance Sheet		
Cash and Cash Equivalents(Refer Note: 18)	13,145.89	18,470.42

Per our report of even date attached

For Brahmayya & Co.

Chartered Accountants, Firm Registration Number 000511S

For and on behalf of Board of Directors

P. Babu

Partner

Membership No. 203358

D Lakshmiathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G Srikanth

Chief Financial Officer

B Shalini

Company Secretary

Notes forming part of the Financial Statements

1. Corporate information

Five-Star Business Finance Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows the directions prescribed by the Reserve Bank of India (RBI) for Non Banking Financial Companies. The Company is a public limited company with Registered Office at Kilpauk, Chennai.

The Company has been in business for 34 years providing Small Business Loans and loans for house renovations / extensions.

2. Significant accounting policies

2.1. Basis of accounting and preparation of financial statements

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards (AS) notified under section 133 of Companies Act, 2013 read with Paragraph 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendment Rules, 2016, as amended.

The Parent company, Five-Star Business Finance Limited follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Non Deposit Taking Non-Banking Finance Companies (NBFC-ND SI). The Subsidiary, Five-Star Housing Finance Private Limited, follows the Directions prescribed by the National Housing Bank (NHB) for Housing Finance Companies.

2.2. Use of estimates

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

2.3. Principles of Consolidation

The Consolidated Financial Statements relate to Five-Star Business Finance Limited (the Company) and its Subsidiary Company, Five-Star Housing Finance Private Limited. The Consolidated Financial Statements have been prepared on the following basis:

- a) The Financial Statements of the Company and its Subsidiary company have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses unless cost cannot be recovered, as per Accounting Standard 21 – Consolidated Financial Statements.
- b) The Financial Statements of the Subsidiary used in the Consolidation are drawn up to the same reporting date as that of the Company i.e. 31st March 2018.

2.4. Cash Flow Statement

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

2.5. Depreciation / Amortisation

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

* Improvement to leasehold premises is depreciated over the maximum period of the lease initially agreed upon and in case of improvements to existing leased premises over the balance lease period. Intangible assets are amortised over the expected useful life of 5 years on straight line basis.

2.6. Revenue recognition

Revenue is recognised 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 is recognized under the Internal Rate of Return method to provide a constant periodic rate of return on net investment outstanding on the Loan contracts. Income on Non-Performing assets is recognized only when realized and any interest accrued until the asset became a Non performing Asset and remaining overdue is derecognized by reversing the interest income.
- Processing Fees, Penal Interest, Cheque bounce charges and other operating income are recognized as income upon certainty of receipt.
- Profit / loss on sale of investments is recognised at the time of sale or redemption
- Dividend income is accounted for when the right to receive it is established.
- All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realisation / collection.

2.7. Classification & Provisioning of Loan portfolio

a) Five-Star Business Finance Limited

Receivable from financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as per the Master Direction - Non- Banking Financial Company – Systemically Important Non-Deposit taking and Deposit taking Company (Reserve Bank) Directions, 2016

Standard Assets : No overdue or overdue for less than 3 months

Non performing assets:

(a) Sub standard assets: Overdue for period of 3 month and more but less than 15 months

(b) Doubtful assets: Overdue for period of 15 months and more but less than 51 months. Overdue for period of 51 months and more.

(c) Loss assets: Assets which are identified as loss asset by the Company or the internal auditor or the external auditor or by Reserve Bank of India.

Overdue refers to interest and/ or principal and /or instalment remaining unpaid from the day it is receivable.

Standard assets	- 0.50%
Non performing asset	
(a) Substandard assets	- 25%
“(b) Doubtful assets	- 50% [Overdue for a period of 15 months and more but less than 51 months] - 100% [Overdue for a period more than 51 months and more]”
(c) Loss assets	- 100%

b) Five-Star Housing Finance Private Limited

Receivable from financing activities are classified as standard, sub - standard and doubtful assets and provided for as per the Company's policy and Management's estimates, subject to the minimum classification and provisioning norms as prescribed under the Housing Finance Companies (NHB) Directions, 2010. A general provision of 0.50% of the total outstanding amount of Standard Assets is provided as against 0.25% as per NHB guidelines.

Standard Assets : No overdue or overdue for less than 3 months

Non performing assets:

(a) Sub standard assets: Overdue for period of 3 month and more but less than 15 months

(b) Doubtful assets: Overdue for period of 15 months and more but less than 51 months. Overdue for period of 51 months and more.

(c) Loss assets: Assets which are identified as loss asset by the Company or the internal auditor or the external auditor

Overdue refers to interest and/ or principal and /or instalment remaining unpaid from the day it is receivable.

Standard assets	- 0.50%
Non performing asset	
(a) Substandard assets	- 25%
"(b) Doubtful assets	- 50% [Overdue for a period of 15 months and more but less than 51 months]
	- 100% [Overdue for a period more than 51 months and more]
(c) Loss assets	- 100%

2.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes non-refundable taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

2.9. Foreign currency transactions and translations

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary items denominated in foreign currency are stated at the prevailing rates of exchange at the Balance Sheet date. Gain or loss arising out of fluctuations in exchange rates are accounted for in the Statement of Profit and loss.

2.10. Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Current Investments are valued at lower of cost or net realizable value. Non-current Investments are valued at cost, less any other than temporary diminution in value, determined separately for each individual investment.

2.11. Financial Instruments

Commercial paper issued at discount to the face value are accounted at their carrying cost, comprising issue price and accrued finance cost.

2.12. Employee benefits

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

Defined contribution plans

Contributions to the Employees Provident Fund Scheme, Employee Pension Scheme and Employee State Insurance Scheme are charged as expense based on the amount of contribution made and when services are rendered by the employees.

Defined benefit plans

(i) For defined benefit plans in the form of gratuity, which is non-funded, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

(ii) The company recognises long term liability in respect of leave encashment based on the actuarial valuation obtained as at the Balance sheet date

Short term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed within one year from the Balance Sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees

Stock Based compensation

The Company measures compensation cost relating to employee stock options using intrinsic value method, in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The compensation cost is amortized over the vesting period of the option on a straight line basis.

2.13. Leases

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

2.14. Earnings per share

Basic earnings per share is computed by dividing the profit / (Loss) after tax (including the post tax effect of extraordinary item, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive.

The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

2.15. Taxes on Income

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

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

2.16. Impairment of assets

The carrying amounts of assets/cash generating units are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset exceeds the recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

2.17. Provisions and contingencies

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

2.18. Operating Cycle

Assets and liabilities are classified as current and non-current based on the operating cycle which has been estimated to be 12 months. All assets and liabilities which are expected to be realized and settled, within a period of 12 months from the date of Balance sheet have been classified as current and other assets and liabilities are classified as non-current.

Notes forming part of Financial Statements

Note 3 Share Capital

₹ in Lakhs

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	₹	No. of Shares	₹
(a) Authorised Equity Shares of Rs.10 each	20,000,000	2,000.00	20,000,000	2,000.00
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	19,168,854	1,916.89	14,265,052	1,426.50

Notes:

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

₹ in Lakhs

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	₹	No. of Shares	₹
Equity Shares				
Opening Balance	14,265,052	1,426.51	10,700,000	1,070.00
Add - Shares Issued During the Year	4,903,802	490.38	3,565,052	356.50
Closing Balance	19,168,854	1,916.89	14,265,052	1,426.50

(ii) Pursuant to the approval accorded by the Shareholders at the Extraordinary General Meeting held on 7th August 2017 the company has allotted 47,15,302 Equity Shares of Rs.10 each at a premium of Rs.664.40 per share on preferential basis to Foreign Institutional Investors. Accordingly, an amount of Rs.313,28.47 lakhs was credited to Securities Premium Account. (Refer Note 4)

(iii) During the year, the Company allotted 188500 (Previous year : Nil) Equity Shares of Rs. 10 each to eligible employees pursuant to exercise of options under the Employee Stock Options Scheme at applicable premiums (Refer Note 28).

(iv) Terms/rights attached to Equity Shares:

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

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

Class of shares / Name of shareholder	As at 31.03.2018		As at 31.03.2017	
	No. of Shares held	% of holding in that class of shares	No. of Shares held	% of holding in that class of shares
Equity Shares				
Matrix Partners India Investment Holdings II, LLC	4,100,999	21.39	40,80,240	28.60
NHPEA Chocolate Holding B.V	4,469,560	23.32	35,65,052	24.99
D. Lakshmipathy	2,376,150	12.40	25,95,830	18.20
L. Hema	2,081,060	10.86	20,73,760	14.54
Norwest Venture Partners X - Mauritius	2,001,779	10.44	-	-
SCI Investments V	2,001,779	10.44	-	-

Note 4 Reserves and Surplus

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
(a) Securities premium account		
Opening balance	15,137.52	4,099.05
Add: Premium on shares issued during the year	31,555.61	11,038.47
Less: Utilised during the year for Share Issue expenses*	440.62	-
Closing Balance	46,252.51	15,137.52
(b) Statutory Reserve		
Balance at the beginning of the year	1,365.60	972.60
Add: Amount transferred from surplus In the statement of Profit and Loss	1,124.00	393.00
Closing Balance	2,489.60	1,365.60
(c) General Reserve		
Balance at the beginning of the year	719.60	522.60
Add: Amount transferred from surplus In the statement of Profit and Loss	-	197.00
Closing Balance	719.60	719.60
(d) Share options outstanding		
Balance at the beginning of the year	-	-
Add: Amount transferred from surplus In the Statement of Profit and Loss	322.05	-
Closing Balance	322.05	-
(e) Surplus in the statement of Profit and Loss		
Balance at the beginning of the year	3,855.31	2,482.98
Add: Profit for the year	5,583.47	1,962.33

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Less: Appropriations		
Transfer to Statutory Reserve	1,124.00	393.00
Transfer to General Reserve	-	197.00
Net Surplus in the statement of Profit and Loss	8,314.78	3,855.31
Total Reserves and surplus	58,098.54	21,078.03

*Share issue expenses are adjusted against the Securities Premium Account as permissible under section 52 of the Companies Act, 2013, to the extent of any balance available for utilisation in the Securities Premium Account.

Note 5 : Long Term Borrowings

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
A. Secured:		
Redeemable Non Convertible Debentures	18,214.28	16,471.43
Term Loans:		
- From Banks	13,601.99	9,280.82
- From Other Parties	5,761.42	7,610.25
B. Unsecured:		
Loan from Related Parties	69.29	80.48
Total	37,646.98	33,442.98

Debentures issued

(a) Redeemable Non Convertible Debentures are secured by hypothecation of specific Receivables under Financing Activity.

(b) the above includes secured NCDS to the tune of Rs. 6,571.43 Lakhs (Previous year: Rs. 7,000 lakhs lakhs) towards which personal guarantee of Mr. D. Lakshmipathy, Chairman and Managing director have been offered.

Term loans and loans from related parties

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

(b) All the above loans have been guaranteed by Mr.D. Lakshmipathy, Chairman & Managing Director except for term loan from Equitas small finance bank limited and IFMR Capital Private Limited

Note 6 : Other Long Term Liabilities

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Interest accrued but not due on borrowings	0.84	0.67
Total	0.84	0.67

Note 7 : Long Term Provisions

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Provision for Employee Benefits		
Provision for Gratuity	124.97	56.98
Provision for compensated absences	3.93	-
Other Provisions		
Provision for Standard Assets	411.82	155.83
Provision for Non-Performing Assets	197.10	48.93
Total	737.82	261.74

Note 8 : Short Term Borrowings

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks (Note 8.1)	1,979.68	2,421.50
b. Working capital demand loan	3,000.00	-
B. Unsecured:		
a. Commercial Papers (Note 8.2)	-	2,266.25
Total	4,979.68	4,687.75

8.1. Cash credit and Working capital demand loan are secured by exclusive charge on book debts personal guarantee of Mr. D. Lakshmi pathy, Chairman and Managing director

8.2. Face Value of Commercial Paper Outstanding as on 31.03.2018 is Nil (as on 31.03.2017 - Rs.2500 lakhs)

Note 9 : Trade Payables

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Trade Payables		
- due to micro and small enterprises	-	-
- due to others		
Creditors for expenses	231.60	125.27
Others	254.08	208.94
Total	485.68	334.21

Note 10 : Other Current Liabilities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Current Maturities of Long Term Borrowings		
- from Banks	7,321.63	3,863.71
- from Other Parties	3,657.77	3,011.12
- On Debentures	1,257.14	453.57
- Loan from Related Parties	7.19	20.89

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest accrued but not due on borrowings	429.31	370.34
Insurance Premium	3.51	9.33
Unclaimed Dividend	7.98	6.64
Unpaid matured debentures	4.45	4.45
Interest accrued on unpaid matured Debentures	1.95	1.95
Unpaid Loan from Related Parties	0.32	1.50
Interest accrued on unpaid Loan from Related Parties	-	0.50
Statutory due Payable	182.11	54.89
Total	12,873.36	7,798.89

Note 11 : Short Term Provisions

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Provision for Employee Benefits		
Provision for Gratuity	16.75	8.41
Provision for Compensated Absences	28.91	11.25
Other Provisions		
Provision for Standard Assets	85.13	36.74
Provision for Non-Performing Assets	291.52	149.41
Provision for Income Tax	-	170.12
Total	422.31	375.93

Note 12 : Fixed Assets

₹ in Lakhs

	Gross Block			Depreciation			Net Block	
	Balance as at 01.04.2017	Addition	Deletion	Balance as at 31.03.2018	For the Year	Deduction	Balance as at 31.03.2018	Balance as at 31.03.2017
(I) Tangible Assets								
Land	3.56	-	-	3.56	-	-	3.56	3.56
Furniture & Fixtures	219.48	84.67	20.30	283.85	39.92	9.51	121.74	128.15
Computers	117.37	125.01	0.44	241.94	67.64	0.41	133.85	50.74
Office Equipments	47.87	20.26	5.88	62.25	18.67	4.36	28.95	33.23
Vehicles	78.46	-	-	78.46	12.23	-	51.43	39.26
Improvement to Leasehold premises	201.96	2.61	0.19	204.38	77.44	0.06	84.16	195.19
Total	668.70	232.55	26.81	874.44	215.90	14.34	420.13	450.13
(II) Intangible Assets								
Computer Software	44.82	188.64	-	233.46	43.53	-	52.37	35.98
Computer Software under development	-	-	-	-	-	-	-	158.11
Total	44.82	188.64	-	233.46	43.53	-	52.37	194.08
Total (I + II)	713.52	421.19	26.81	1,107.89	259.43	14.34	472.50	644.21
Previous Year	342.70	388.63	17.81	713.52	92.34	13.19	227.42	190.88

Note 13: Deferred Tax Assets (Net)

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Deferred Tax Asset		
a) Depreciation	32.76	30.46
b) Employee Benefits	50.77	26.38
c) Preliminary expenses	2.28	-
c) Provision for Non Performing Assets	10.00	20.31
d) Provision for Standard Assts	144.53	66.36
e) Income derecognised on Non Performing Assets	132.76	102.66
Total	373.10	246.17
Less: Deferred Tax Liability		
a) Depreciation	-	0.01
Net Deferred Tax Asset	373.10	246.16

Note 14 : Long Term Receivables Under Financing Activities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Secured		
Loans	82,975.32	39,397.34
Total	82,975.32	39,397.34
Note:		
(a) of the above:		
Considered Good	82,251.43	38,955.93
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	723.89	441.41
(b) Secured exposures are secured wholly by mortgage of property.	-	-

Note 15 : Long Term Loans and Advances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Unsecured, Considered Good		
Capital advances	175.30	4.30
Rental Deposit	-	-
- To Related Parties	-	3.35
- To Others	240.03	149.06
Others	2.67	1.12
Total	418.00	157.83

Note 16 : Other Non Current Assets

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Deposits placed with Government Authorities	21.87	21.87
Prepaid expenses	1.17	-
Unamortised Preliminary Expenses	-	12.28
Total	23.04	34.15

Note 17 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Investments in Mutual Funds		
Biral Sunlife Mutual Fund	-	357.24
SBI Mutual Fund	-	77.07
Total	-	434.31
Aggregate cost of investments		
- At Cost	-	434.31
- At Market Value (Net Asset Value)	-	443.41

Note 18 : Cash and Bank Balances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	168.09	102.56
(b) Balances with Banks		
(i) In Current accounts	1,362.85	4,761.22
(ii) In Other Deposit accounts (original maturity less than 3 months)	11,606.97	13,550.00
(iii) In Unpaid Dividend Accounts	7.98	6.64
Total	13,145.89	18,420.42
2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Original Maturity more than 12 months*	-	50.00
Total	13,145.89	18,470.42

*Offered as Cash Collateral

Note 19 : Short Term Receivables Under Financing Activities

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Secured		
Loans	17,850.43	9,508.18
Total	17,850.43	9,508.18
Note:		
(a) of the above:		
Considered Good	17,134.34	8,730.17
Considered Doubtful (Sub-Standard and Doubtful Receivables under financing activities as per Company's Provisioning Norms)	716.09	778.01
(b) Secured exposures are secured wholly by mortgage of property.	-	-

Note 20 : Short Term Loans and Advances

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Unsecured, Considered Good		
Rental Deposit	-	9.89
Branch Opening Advance	6.53	6.02
Staff Advances	1.98	1.36
Balances with Government authorities	6.82	-
Others	36.63	11.32
Total	51.96	28.59

Note 21 : Other Current Assets

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest Accrued on Loan receivables	1,127.95	453.35
Interest Accrued on Deposits with Banks and NBFCs	47.91	20.69
Advance Income tax (net off provision for taxation)	365.06	8.29
Prepaid expenses	131.97	1.21
Others	1.94	1.96
Total	1,674.83	485.50

Advance Income Tax is net off Provision for Income Tax for Rs. 4,750.38 Lakhs as at 31.03.2018

Note 22 : Revenue from Operations

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest Income	17,288.88	7,414.41
Processing Fees	1,361.56	609.75
Penal Interest	164.16	118.95
Other operating income	418.19	224.62
Total	19,232.79	8,367.73

Note 23: Other Income

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Dividend	12.68	-
Interest on Bank Deposits	801.34	202.00
Interest on NBFC Deposits	-	0.73
Gain on Redemption of Mutual Fund Units	770.30	124.53
Gain on sale of Fixed Assets	-	2.42
Other non-operating Income	1.22	16.38
Total	1,585.53	346.06

Note 24 : Finance Costs

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Interest on		
(i) Bank Loans	2,050.81	908.80
(ii) Corporate Loans	1,047.40	520.07
(iii) Debentures	2,264.71	642.33
(iv) Other Loans	11.19	15.97
Discounting Charges on Commercial Paper	233.75	5.25
Other Borrowing Costs	169.51	290.92
Total	5,777.38	2,383.34

Note 25 : Employee Benefit Expenses

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Salaries, Commission and Bonus	3,519.60	1,754.45
Contribution to Provident Fund, ESI and Gratuity	321.95	121.02
Staff welfare expenses	67.33	37.87
Employee stock option expenses	548.82	-
Total	4,457.70	1,913.34

Note 26 : Administrative & Other Expenses

₹ in Lakhs

<i>Particulars</i>	<i>2017 - 2018</i>	<i>2016 - 2017</i>
Rent	235.15	126.29
Electricity Charges	30.40	15.25
Rates and Taxes	21.66	13.21
Communication Expenses	138.45	72.68
Consultancy Fees	166.10	73.46
Printing and Stationery	109.64	65.24
Directors Sitting Fees	7.30	3.80
Reimbursement of Conveyance	26.39	26.52
Audit Fees - Statutory Audit	9.00	9.00

₹ in Lakhs

<i>Particulars</i>	<i>2017 - 2018</i>	<i>2016 - 2017</i>
- Tax Audit	3.30	3.00
- Other Services	4.50	4.00
Repairs and Maintenance	88.44	36.70
Traveling Expenses	22.58	7.33
Meeting expenses	80.66	28.06
Insurance	4.81	8.64
Service Tax & GST	189.10	186.59
Collection Charges	-	78.76
Filing Fees	7.55	12.63
Rating Fees	27.44	23.68
Corporate Social Responsibility Activities	5.00	5.00
Information technology expenses	199.67	11.00
Business Promotion Expenses	34.59	26.48
Credit Information fees	27.35	-
Loss on sale of Fixed Assets	8.42	-
Miscellaneous Expenses	70.82	84.64
Total	1,518.32	921.96

Note 27 : Provisions, Loan Losses and Other Charges

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2018</i>	<i>As at 31.03.2017</i>
Bad Debts	337.66	-
Provision for Non-Performing Assets	290.28	139.67
Provision for Standard Assets	304.38	143.94
Total	932.32	283.61

Note 28 : Share based compensation plan**(a). Five-Star Associate Stock Option Scheme, 2015**

The decision to introduce Five-Star Associate Stock Option Scheme, 2015 (hereinafter called “FIVE-STAR ASOP, 2015” or “The Scheme”) was taken by the Board of Directors at the meeting held on 18th September 2015, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 12th April 2016. The total options issuable under the plan are upto 5,63,000 options. A Remuneration and Nomination Committee constituted by the Board of Directors of the Company administers the plan.

The difference between fair price of the share underlying the options granted on the date of the option and the exercise price of the option (being the intrinsic value of the option) representing stock compensation expense is expensed over the vesting period in line with Guidance note on Share Based Payment - GN(A) 18 issued by ICAI.

Employee stock option as on the balance sheet is as follows:

<i>Particulars</i>	<i>No. of options</i>	<i>Weighted average exercise price</i>
Total options granted and outstanding as on March 31, 2017	482,500	20.34
Add: Options granted during the year	68,000	130.00
Less: Options forfeited/lapsed during the year	-	-
Add: Options cancelled during the year	-	-
Less: Options exercised during the year	188,500	10.20
Options outstanding as at March 31, 2018	362,000	46.22
Options exercisable at year end	8,000	130.00

The weighted average grant date fair value of options granted during the year ended 31 March 2018 was Rs.653.49/- (31 March 2017 Rs.146.65/-) for each option. The weighted average share price of options exercised during the year ended 31 March 2018 is Rs.10.20/- (31 March 2017: Nil) for each option. The weighted average remaining contractual life for the ESOP Plan as at 31 March 2018 is 6.23 years

(b). The fair value of options used to compute Proforma net profit and earnings per Equity share have been estimated based on the date of grant using the Black Scholes model by an external firm of Chartered Accountants. The key assumptions used in the model for calculating the fair value are as follows:

Risk free interest rate	6% - 7.50%
Expected life	3.54 yrs - 7.54 yrs
Expected Annual Volatility of shares	26.84% - 31.26%
Expected Dividend Yield	NIL

Had compensation cost for the stock options granted under the scheme been determined based on the fair value approach, the Company's net profit/loss and earnings per share would have been as per the Proforma amounts indicated below:

	₹ in Lakhs
<i>Particulars</i>	<i>For the year ended 31.03.2018</i>
Net profit as per statement of Profit and Loss (as reported)	5,583.46
Add:Stock based employee compensation expense (intrinsic value) included in profit before tax	548.82
Add/(less) :Stock based employee compensation expense determined based on fair value (proforma)	(569.26)
Net profit /loss (proforma)	5,563.02
Basic earnings per share (reported) - Amount in Rs.	32.20
Basic earnings per share (proforma)- Amount in Rs.	32.09
Diluted Basic earnings per share (as reported) -Amount in Rs.	31.59
Diluted Basic earnings per share (proforma)- Amount in Rs.	31.47

(c) Five-Star Associate Stock Option Scheme, 2018

The decision to introduce Five-Star Associate Stock Option Scheme, 2018 (hereinafter called “Five-Star ASOP, 2018” or “The Scheme”) was taken by the Board of Directors at the meeting held on 28th February 2018, and was approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 26th March 2018. The total options issuable under the plan are upto 5,00,000 options. Nomination and Remuneration Committee constituted by the Board of Directors of the Company administers the plan. Total number of options available as at 31st March 2018 under this scheme is 5,00,000.

Note 29 : General**29.1. Additional information as required under schedule III to the Companies Act, 2013 ₹ in Lakhs**

<i>Particulars</i>	<i>As at For the year ended 31 March 2018</i>			
	<i>Net Assets i.e. total assets minus total liabilities</i>		<i>Share in Profit or Loss</i>	
<i>Name of the Entity</i>	<i>As a percentage of consolidated assets</i>	<i>Amount ₹</i>	<i>As a percentage of consolidated Profit or Loss</i>	<i>Amount ₹</i>
Parent - Five-Star Business Finance Limited	-	59,994.65	-	5,618.12
Less: Investments made in subsidiary Company	-	1,500.00	-	-
	97.47	58,494.65	100.62	5,618.12
Subsidiary - Indian				
Five-Star Housing Finance Pvt. Ltd.	2.53	1,520.78	-0.62	-34.65
Total	100.00	60,015.43	100.00	5,583.47

₹ in Lakhs

<i>Particulars</i>	<i>As at For the year ended 31 March 2017</i>			
	<i>Net Assets i.e. total assets minus total liabilities</i>		<i>Share in Profit or Loss</i>	
<i>Name of the Entity</i>	<i>As a percentage of consolidated assets</i>	<i>Amount ₹</i>	<i>As a percentage of consolidated Profit or Loss</i>	<i>Amount ₹</i>
Parent - Five-Star Business Finance Limited	-	22,449.10	-	1,937.48
Less: Investments made in subsidiary Company	-	1,500.00	-	-
	93.09	20,949.10	98.73	1,937.48
Subsidiary - Indian				
Five-Star Housing Finance Pvt. Ltd.	6.91	1,555.43	1.27	24.84
Total	100.00	22,504.53	100.00	1,962.32

29.2. Related Party Disclosures

Details of related party transaction for the year

₹ in Lakhs

Nature of transaction	Name of Related Party	As at 31.03.2018	As at 31.03.2017
Expenses:			
Interest Expense	Mrs. L.Hema	0.03	0.04
	Ms. L.Srishti	0.01	0.03
	Ms. L.Shritha	0.02	0.03
	Mrs. D. Varalakshmi	0.12	0.19
	Mrs. B Sudha	1.45	1.98
Salary	Mr.D. Lakshmipathy	144.22	96.22
Commission	Mr.D. Lakshmipathy	81.00	77.00
Rent	Mr.D. Lakshmipathy	2.55	9.94
Refund of Rent Advance	Mr.D. Lakshmipathy, Chairman and MD	3.35	-
Issue of Equity Shares	M/s. Matrix Partners India Investment Holdings II, LLC	2.08	-
	M/s. NHPEA Chocolate Holding B.V.	90.45	356.51
Receipt of Share Premium	M/s. Matrix Partners India Investment Holdings II, LLC	137.92	-
	M/s. NHPEA Chocolate Holding B.V.	6,009.55	11,038.47
Loans repaid	Mrs. L. Hema	0.10	0.10
	Ms. L.Srishti	0.10	0.10
	Ms. L.Shritha	0.10	0.10
	Mrs. D. Varalakshmi	1.50	-
	Mrs. B. Sudha	13.00	2.00
Liabilities			
Borrowings as at end of the year	Mrs. L. Hema	0.10	0.20
	Ms. L.Srishti	-	0.10
	Ms. L. Shritha	-	0.10
	Mrs. D. Varalakshmi	-	1.50
	Mrs. B. Sudha	1.00	14.00
Rent advance as at end of the year	Mr.D. Lakshmipathy	-	3.35

29.3. Earnings per share

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Profit after tax (Rs.)	5,583.46	1,962.33
Weighted Average Number of Equity Shares		
- Basic (No.)	17,337,381	13,385,998
- Diluted (No.)	17,674,574	13,385,998
Earnings Per Share (EPS)		
- Basic (Amount in Rs.)	32.20	14.66
- Diluted (Amount in Rs.)	31.59	14.66
Face Value of Shares (Rs.)	10.00	10.00

29.4. Contingent liability

Contested Claims Not Provided for:

₹ in Lakhs

Particulars	As at 31.03.2018	As at 31.03.2017
Income Tax issue where the Company is in appeal	6.74	6.74

29.5. Pending Litigations

The Pending Litigations as on 31st March 2018 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements wherever appropriate.

29.6. Provision for Loan Accounts

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

29.7. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account is Rs. 59.38 lakhs

29.8. Previous year figures

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

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

For and on behalf of Board of Directors

P. Babu

Partner

Membership No. 203358

D. Lakshmiopathy

Chairman & Managing Director

R. Anand

Director

Place : Chennai

Date: 22.05.2018

G. Srikanth

Chief Financial Officer

B. Shalini

Company Secretary

FORM AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiary

Part - A: Subsidiary

₹ in Lakhs

<i>Sl. No.</i>	<i>Particulars</i>	<i>Details</i>	
1.	Name of the subsidiary	Five-Star Housing Finance Private Limited	
	CIN	U74900TN2015PTC102366	
	NHB Registration No.	05.0134.16	
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period		NA
3.	Reporting currency and exchange rate as on the last date of the relevant Financial year in case of foreign subsidiaries		NA
4.	Share Capital		1,500
5.	Reserves & Surplus		20.78
6.	Total Assets		3389.30
7.	Total Liabilities		1868.52
8.	Investments		NIL
9.	Turnover		378.42
10.	Profit / Loss tax		-42.04
11.	Tax Expenses		7.39
12.	Profit / Loss tax		-34.65
13.	Proposed dividend		NIL
14.	% of shareholding		100%

Branches



AMINJIKARAI
POONAMALLEE
TAMBARAM
TIRUVALLUR
AMBATTUR
COIMBATORE
TRICHY
VELLORE
TIRUPPUR
MADURAI
ERODE
SALEM
KARUR
DINDIGUL
TIRUVOTTIYUR
COIMBATORE-II
HOSUR
SIVAKASI
RASIPURAM
POLLACHI
MADURAI-II
KARAIKUDI
GOBICHETTIPALAYAM
ATHUR
VILLUPURAM
TIRUNELVELI
TUTICORIN
KUMBAKONAM

THENI
PUDUKOTTAI
TENKASI
NAGERCOIL
TIRUVANNAMALAI
RAJAPALAYAM
TANJORE
KRISHNAGIRI
GUDUVANCHERY
VANIYAMBADI
MARTHANDAM
ARANI
RANIPET
TIRUVARUR
SULUR
ARUPPUKOTTAI
VIRUDHACHALAM
PATTUKKOTTAI
KOVILPATTI
KALLAKURICHI
KANCHIPURAM
DHARAPURAM
CUMBUM
SIVAGANGAI
MAYILADUDURAI
VALLIYUR
MANAPPARAI

TIRUPATHI
NELLORE
KADAPA
ONGOLE
VIJAYAWADA
ELURU
GUNTUR
TENALI
KURNOOL
PRODDUTTUR
CHIRALA
TADEPALLIGUDEM
MADANAPALLI
NANDYAL
ADONI
NAIDUPET
CHITTOOR
BHIMAVARAM
RAJAHMUNDRY
KAKINADA
ANANTAPUR
NARASARAOPET
NUZVID
HINDUPURAM
GUNTAKKAL
PALAMANERU
GUDIWADA
KADIRI

SAMALKOTA
MACHILLIPATNAM
VISHAKAPATNAM
RAJAMPET
KANDUKUR
NELLORE - II
DHARMAVARAM
DHONE
VIZIANAGARAM
SRIKAKULAM
YEMMIGANUR
TADIPATRI



**BANGALORE
TUMKUR
PEENYA
TIPTUR
RANEBENNUR
DAVANAGERE
MUDHOL
BAGALKOT
BIJAPUR
SHIMOGA
HUBLI
BELGAUM**

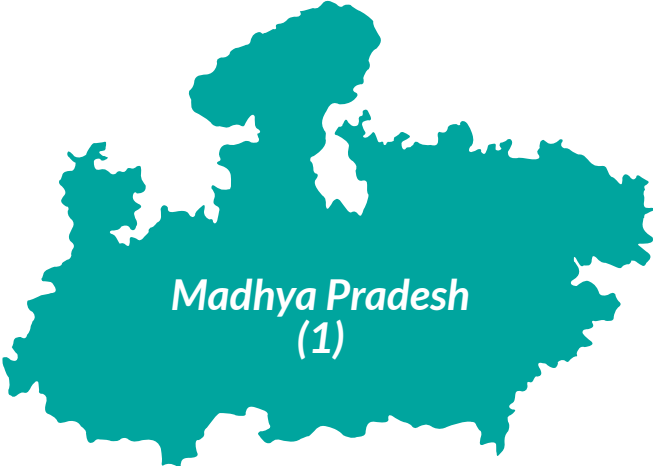


**KARIM NAGAR
SANGA REDDY
HYDERABAD
MAHABOOB NAGAR
SHAD NAGAR
GADWAL
BHUVANAGIRI
WANAPARTHY
NIZAMABAD
HYDERABAD - II
WARANGAL
SURYAPET**

**MANCHERIAL
MIRYALAGUDA
KAMMA REDDY
SIDDIPET
NIRMAL
KHAMMAM
JAGTIAL
JANAGAM**



SOLAPUR
SANGLI



BHOPAL



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