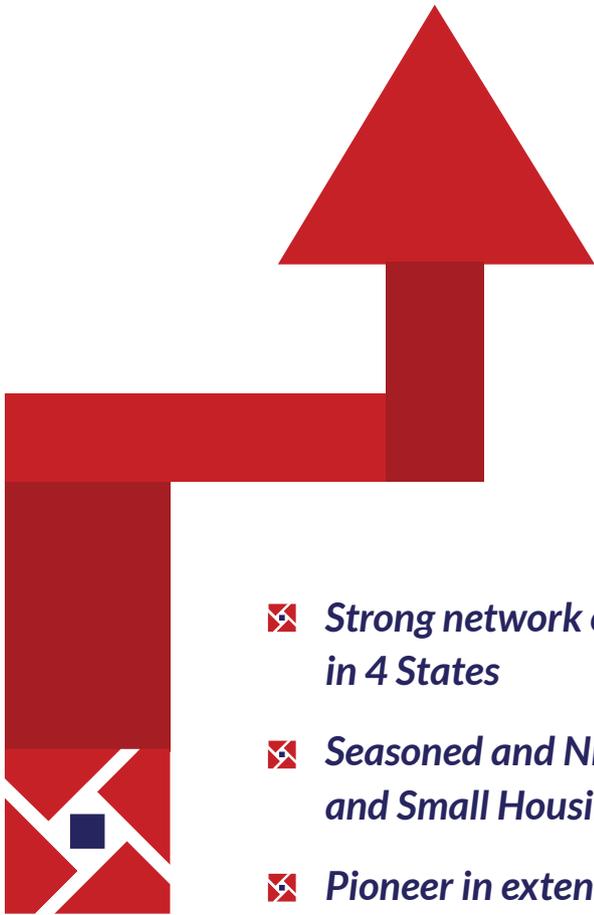


**Aiming
High**



ANNUAL REPORT
2015 - 2016



- ❑ ***Strong network of 73 Branches across 39 Districts in 4 States***
- ❑ ***Seasoned and Niche NBFC providing Small Business Loans and Small Housing Loans to under-banked customers***
- ❑ ***Pioneer in extending collateralized loans in urban, semi-urban and fast -growing rural geographies***
- ❑ ***Strong client understanding, Secured exposures, On the ground presence and Differentiated sourcing are the hallmarks of Five Star***

BOARD OF DIRECTORS

D. Lakshmipathy, Chairman
A. Ramanathan
Kalpana Iyer
Bhama Krishnamurthy
R. Anand
B. Haribabu
L. R. Raviprasad
Vikram Vaidyanathan
Ling Wei Ong
Arjun Saigal
(Alternate Director for Ling Wei Ong)

MENTOR AND SPECIAL ADVISOR

V. K. Ranganathan

AUDIT & RISK MANAGEMENT COMMITTEE

Kalpana Iyer
A. Ramanathan
Bhama Krishnamurthy
R. Anand

**NOMINATION & REMUNERATION
COMMITTEE**

A. Ramanathan
B. Haribabu
L. R. Raviprasad

BUSINESS & RESOURCE COMMITTEE

D. Lakshmipathy
B. Haribabu
L. R. Raviprasad
A. Ramanathan

CSR COMMITTEE

D. Lakshmipathy
Kalpana Iyer
Bhama Krishnamurthy
R. Anand

ASSET & LIABILITY COMMITTEE

D. Lakshmipathy
G. Srikanth
K. Rangarajan
K. Arunkumar

AUDITORS

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

CHIEF FINANCIAL OFFICER

G. Srikanth

SECRETARY

V. Nikita

BANKERS / FINANCIAL INSTITUTIONS

Bank of Baroda
Bank of Maharashtra
City Union Bank
DCB Bank
Federal Bank
HDFC Bank
IDBI Bank
Karnataka Bank
Karur Vysya Bank
Lakshmi Vilas Bank
RBL Bank
South Indian Bank
Tamilnad Mercantile Bank
FMO
SIDBI
Cholamandalam Finance & Investment Company
Hinduja Leyland Finance
IFMR Capital Finance
Mahindra & Mahindra Financial Services
MAS Financial Services
Sundaram Finance

TRUSTEE

Axis Trustee Services Limited
Axis House, 2nd Floor, Wadia International
Centre, Pandurang Budhkar Marg, Worli,
Mumbai 400 025

REGISTERED OFFICE

39, Outer Circular Road, Kilpauk Garden Colony,
Kilpauk, Chennai - 600 010 Phone : 23460963

CIN - U65991TN1984PLC010844

Branch Network



- | | | |
|-------------------|-------------|----------------|
| Ambattur | Kumbakonam | Tanjore |
| Aminjikarai | Madurai I | Tenkasi |
| Arani | Madurai II | Theni |
| Aruppukottai | Marthandam | Tirunelveli |
| Athur | Nagercoil | Tiruppur |
| Coimbatore I | Namakkal | Tiruvallur |
| Coimbatore II | Pattukottai | Tiruvannamalai |
| Dindigul | Pollachi | Tiruvarur |
| Erode | Poonamallee | Tiruvottiyur |
| Gobichettipalayam | Pudukottai | Trichy |
| Guduvanchery | Rajapalayam | Tuticorin |
| Hosur | Ranipet | Vaniyambadi |
| Karaikudi | Salem | Vellore |
| Karur | Sivakasi | Villupuram |
| Kovilpatti | Sulur | Virudachalam |
| Krishnagiri | Tambaram | |

- | | |
|-------------|----------------|
| Adoni | Nandyal |
| Anantapur | Narasaraopet |
| Bhimavaram | Nellore |
| Chirala | Nuzvid |
| Chittoor | Ongole |
| Eluru | Proddutur |
| Guntur | Rajamundry |
| Kadapa | Tadepallegudem |
| Kakinada | Tenali |
| Kurnool | Tirupathi |
| Madanapalle | Vijayawada |
| Naidupet | |



Karim Nagar
Sanga Reddy

Bangalore

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CHAIRMAN'S MESSAGE

Message from the Chairman & Managing Director



Preamble

It gives me great pleasure to formally connect, in my capacity as the Chairman and Managing Director of Five Star, with all the stakeholders for the first time and to share some of my thoughts on the journey thus far and what lies ahead for us. Five Star is not a new generation NBFC; it is a 32 year old company with a whole lot of history behind it. This journey over the last 32 years has had its share of excitements, challenges, highs and lows but I am particularly proud of the resilience shown by the company in overcoming the challenges and continuing to operate as a profitable company even to this date.

At the outset, I would like to mention the fact that over the last 32 years, the company has tried and tested multiple products and we have derived immense learning out of our successes and failures. Years of such experience have finally made us zero down on “Small Business Loans (SBL)” and “Small Housing Loans (SHL)” as the ideal products for the progress of the company. Five Star is a pioneer in providing collateralized small business loans and small housing loans to borrowers who are not part of the mainstream banking. We have also developed a robust business model which has contributed towards building a quality portfolio on the company’s books.

Historically, we have been a fairly conservative company. I am not a firm believer in hyper aggressive growth; I prefer to build a quality portfolio at a gradual pace of growth rather than growing very fast and facing portfolio issues at a later point of time. Lending business does not involve lending money alone; the success of a lending business is measured by the efficiency of the collections of the moneys lent. This is the reason for the measured portfolio growth at Five Star over the years. I am very confident about the quality of portfolio that we have boarded and there is no doubt in my mind that we will manage to collect every single rupee sitting on the balance sheet of our company. This does not mean that we will not be increasing the pace of growth in the years to come, however we will not be growing just for the sake of growth.

The year that went by

The financial year 2015-16 has been a landmark year for Five Star. The Company's portfolio grew by over 50% during this year and we also increased the branch network by over 60% as compared to the previous financial year. We strengthened our branch network in Tamil Nadu and significantly ramped up operations in Andhra Pradesh. We are confident that the operations in these states will continue to grow in the coming years and will spruce up our balance sheet significantly. We also plan to enter into the other southern states in the coming years so that our aim of being one of the top small business loan and small housing loan lender in the southern region shall stand fulfilled in the nearby future.

This year also saw our Board getting strengthened by the induction of new professionals. These are professionals of high regard, extremely competent with years of experience and achievement in their respective fields and organizations. We now have Mr. A Ramanathan, ex CGM, NABARD, Ms. Bhama Krishnamurthy, ex Country Head, SIDBI, Ms. Kalpana Iyer, ex Business Head, Citibank and Mr. R. Anand,

Partner, E&Y on our Board along with our existing directors. I am thankful to them for accepting our invitation to serve on the Board of Five Star and hope to leverage their insights and expertise for the benefit of all the stakeholders.

While the Board can provide strategic direction and inputs, we also need competent staff who can help translate those goals into actual achievements. During this year, we had inducted new members into the senior management team at Five Star. We strengthened the Management team by bringing in a Chief Operating Officer, Mr. K Rangarajan, and Chief Financial Officer, Mr. G Srikanth who will manage the assets and liabilities of the balance sheet respectively. They bring with them longstanding years of experience and expertise in the banking and financial services sector and I am confident that the company will benefit from their knowledge and experience.

The year also saw the rating of the company upgraded from BBB minus to BBB by CARE Ratings. This clearly shows the confidence of the rating agency in the company's business model and processes. An external certification like this brings about added confidence in the minds of banks and financial institutions and I am confident that this upgrade will help us reduce our cost of funds and would also open up additional funding opportunities.

Significant developments

I am extremely excited about few developments that have taken place in the Company in the recent past. Though these developments ultimately materialized during the first quarter of the current financial year (FY 2017), I feel it is only right to highlight them as part of FY 2016 since the efforts towards these developments started during FY 2015-16.

1. In the month of June 2016, we have concluded a capital raise to the tune of about Rs 114 Cr from a fund managed by Morgan Stanley Private Equity Asia. It is a matter of great pride and pleasure to invite a global fund like Morgan Stanley Private Equity Asia to join us on our journey as we progress towards becoming a leading financial services player serving the under-banked. Having a world renowned brand like Morgan Stanley brings a plethora of benefits, notwithstanding the fact that we will be able to leverage on their immense expertise of having seen and implemented best practices in organizations across the globe. I am very confident that this relationship will prove to be a win-win for Morgan Stanley and Five Star.

2. In the month of May 2016, Five-Star Housing Finance Private Limited, fully owned subsidiary of Five Star was provided with the certificate of registration to operate as a Housing Finance Company by the National Housing Bank. This certification clearly exhibits the confidence of the regulator in the ability of the company to take housing to the under-banked segment of our population. Our clientele is the right target for government schemes like Housing for all and I am sure that Five Star would help make a significant contribution in turning this government vision into reality.

3. During the current financial year, we issued Non-Convertible Debentures to FMO, Dutch development bank which is one of the largest bilateral private sector banks globally, with an investment portfolio of EUR 9.2 billion spanning over 85 countries. This transaction lends a significantly higher level of recognition to Five Star. As part of their investment process, a detailed due diligence of the company was done by FMO and I am happy to inform that the company managed to satisfy all the requirements of a global institution like FMO.

4. During the year, we have also undertaken a rebranding exercise of our company. The name of the company was changed from “Five Star Business

Credits Limited” to “Five Star Business Finance Limited” as we felt that the new name would give a better perspective of the company and its business to all the stakeholders. We have changed our logo and website to reflect the values that the company stands for and to also connect in a better manner with all our stakeholders. I hope that these changes would exhibit the added professionalism that we have managed to bring in our thinking.

Expression of gratitude

I would be failing in my duty if I don't thank some of the people who have been associated with us in this long journey of ours.

- First and foremost, it is my duty to extend my thanks to the founder of Five Star Mr. V.K.Ranganathan. Five Star stands a testimony to his vision and entrepreneurial spirit. He guided the company through the good and troubled times and continues to mentor the team with his experience and strategic insights.
- Our directors have been a source of support to the company in its good and troubled times. Without their support, we would not have been able to come thus far. I hope that they would continue to stand as pillars of support as we embark further on this journey.
- I would like to express my thanks to Mr. Anandan, Mr. M K Mohan and Mr. Rishi Navani, who stepped down from the Board of Five Star over the last year or so. Their inputs and guidance have helped shape Five Star into what it is today. It has been a great pleasure having them on our Board and I hope to have their guidance even in the future.
- Matrix Partners, who invested into the company in 2014 and 2015, have helped grow the company to this level, not just through their investment but also through their strategic

inputs. They were the first private equity player to recognize the potential of Five Star when they picked up a significant minority stake in the company. We continue to benefit from them in the form of their Board participation and hope to have a longstanding association.

- Our funders, both the banks and other financial institutions, have provided us the much needed liquidity which is the most important requirement of any lending business. As important as equity capital is to a company, its value gets substantially enhanced when the company is able to leverage by getting debt capital from banks and other financial institutions. We have managed to get additional sanctions from existing lenders along with adding new lenders like FMO, Bank of Baroda, IDBI bank, Karnataka bank, South Indian bank, Karur Vysya bank, Lakshmi Vilas bank, and Cholamandalam Investment and Finance Company. I am sure that they will perceive the company's worth in the course of this journey together and will stand by us for many more years to come. Last but not the least, I would like to express my sincere appreciation to all the employees who have been the foundation on which the edifice of Five Star has been built. Without their unstinted dedication and support, all the achievements enumerated above would not have seen the light of the day. I wish them all the very best and look forward to their continued support as we embark on this journey where we shall continue to grow with each other.

We are at an exciting phase in the growth journey of Five Star; we will face challenges during the course of this journey but nothing that we cannot surpass by working together. Personally, every year with Five Star has been immensely satisfying; I fully understand and acknowledge that we have many more promises to keep and miles to go before we sleep. I sincerely look forward to the support and encouragement of all the stakeholders in taking this company to greater heights and I say with utmost confidence that "together, we shall achieve all this and much more".

D Lakshmipathy
Chairman & Managing Director

Board of Directors



Mr. D Lakshmipathy – Chairman & Managing Director

Mr Lakshmipathy is an Engineering graduate from Madras University. He hails from a business family. Before joining Five-Star he was Executive Director of RKV Finance Limited, a NBFC registered with RBI. On amalgamation of RKV with Five-Star during 2002 he joined the Board of Five-Star as Executive Director. His wide exposure in lending to Small Business Customers (SBL) helped him to develop similar advance portfolio at Five-Star with great success. He is young and dynamic and quick in taking decisions. His hard work with active interest in developing the business transformed the company to the present status of ~Rs.200 Crores assets. He is an Executive Committee member in Finance Companies' Association (FCA) and is a member of various committees of multiple associations and takes active interest in the development of trade associations. He is responsible for the wider presence of the company in a short span of 7 years from 6 branches in the year 2009 to 73 currently and has helped the company make its presence in Tamil Nadu, Andhra Pradesh, Telengana and Karnataka.



Mr. A. Ramanathan – Independent Director

Mr Ramanathan is 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.



Ms. 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 Human Resources Development Division covering recruitment, training and promotion aspects. She was also associated with drafting of CSR Policy guidelines for the Bank.



Ms. Kalpana Iyer – Independent Director

She is a Chartered Accountant and a veteran banker with over 21 years of work experience at Citibank across various functions like business, credit, operations. Presently she is a management consultant based in Mumbai.



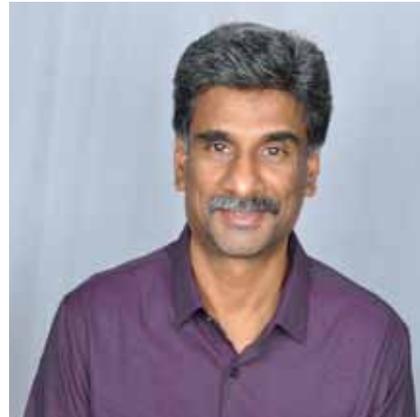
Mr. Haribabu – Independent Director

Mr Haribabu 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.



Mr R Anand – Independent Director

Mr Anand 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 has also been appointed as a Non-official Independent Director in MMTC Limited.



Mr. Raviprasad – Non Executive Director

Mr. Raviprasad hails from a business family and continues to carry on the family business. He has been associated with the company for the last 15 years.



Mr. Vikram Vaidyanathan – Investor Director

Vikram is 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.



Mr. Arjun Saigal – Alternate Director

Arjun Saigal is an Executive Director of 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.



Mr. Ling Wei Ong – Investor Director

Ling Wei Ong is an Executive Director of Morgan Stanley. He joined Morgan Stanley in 2005 and monitors the group's investments including structuring and valuation, finance and compliance. Prior to joining Morgan Stanley, Ling was with Deloitte & Touche in Singapore for over seven years.



Mr V K Ranganathan - Mentor & Special Advisor

Mr V K Ranganathan is founder Chairman of the company. A graduate in arts and post graduate in HR Management, he had nearly 20 years industrial coupled with an extensive knowledge in administration and corporate functioning. He founded Five-Star Business Credits along with few friends with a very small capital but with a vision to build a commercially and socially viable company. He was former Chairman of the South India Hire Purchase Association and continues to be in the executive committee of the Association.

Management Team



Mr. K Rangarajan – Chief Operating Officer

Rangarajan is a well rounded finance professional with about 14 years of work experience across commercial banking, private equity investment, project finance and advisory. He started his career with HDFC Bank in the Corporate Banking division and then moved on to Standard Chartered Bank in the Mid-market commercial banking division catering to a wide range of fund/ non-fund, trade and treasury requirements of these corporates. He then worked with the South Asia Infrastructure Investment team at International Finance Corporation, World Bank and led a wide array of equity/ debt projects across different economies. Over the last five years, he was with Spark Capital where he spearheaded their advisory/ investment banking initiatives across the financial services and consumer sectors. He has joined Five Star Business Credits in August 2015 as their Chief Operating Officer and would head their business, credit and operations. By qualification, he is a commerce graduate and has done two Masters in Business Administration (one from Sri Sathya Sai Institute of Higher Learning and one from The Indian School of Business) with specialization in Analytical Finance and Leadership.



Mr. G Srikanth – Chief Financial and Information Officer

Srikanth is a seasoned banking and finance professional with a combined experience of about 14 years across multiple functions. He spent the first decade of his career with Citibank and other Citigroup entities working across various functions like financial planning and analysis, Securitization and Structuring, Treasury, and Operations. He was the Vice President and Head of Business Planning and Analysis for the Consumer portfolio of Citibank when he moved out of the bank to take up the role of Chief Financial Officer at Asirvad Microfinance Private Limited. For over the last 5 years, he has been managing the finance, treasury and technology at Asirvad and has been an integral part of the senior management team. He was instrumental in shepherding the organization when the entire Microfinance industry was hit by the crisis in 2010 and he was also instrumental in Manappuram Finance Limited taking a majority stake in Asirvad. He has joined Five-Star Business Credits in Oct 2015 as the Chief Financial and Information Officer and would head their finance, treasury and technology functions. Srikanth is a commerce graduate and holds an MBA in Finance and General Management from Sri Sathya Sai Institute of Higher Learning (Deemed University) and has been a gold medalist in both the UG and PG courses.



Mr. S M Seshathri – Head, Credit & Risk Management

Seshadri has more than two decades experience in Business development, understanding customer requirements and offering tailor made products. He has led the company in the areas of Credit Management, operations, Risk Management, Fraud control, property valuation. He has started his career with Five-Star. Seshadri is a Post graduate in Commerce from Madras University. He also holds B.L. Degree from Yogi Vemanna University.



Mr. R M Veerappan – Head, Credit, Risk & Compliance, Five Star Housing Finance.

He is a graduate and a professional banker since 1977. He has held various positions in Canara Bank and Can Fin Homes Ltd. He was DGM Can Fin Homes before moving to Five Star. He was associated with formulation of policies relating to housing sector, and was also a member of various committees like Risk Management, Liability Management, etc.



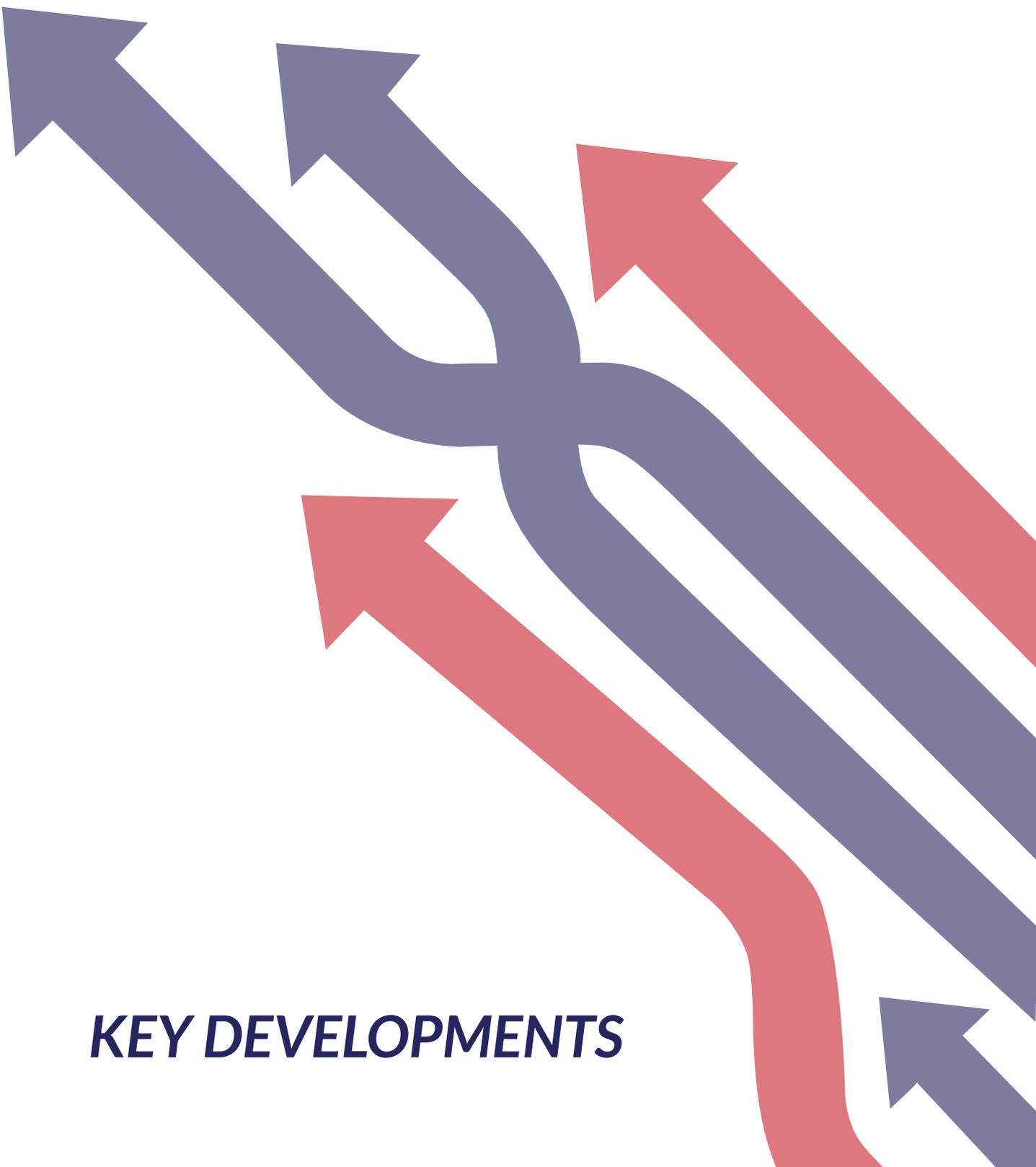
Mr. Manjunath Daler – Head, Technology

He is an Engineering graduate (specialization in computer science) and a post graduate in Business Administration. He has served in various positions in UTI, Tulip Telecom and Canara Bank. Before joining Five Star, he was VP Information and Technology at Vistaar Finance, an NBFC based out of Bangalore.



Mr. K Arun Kumar – Head, Finance & Accounts

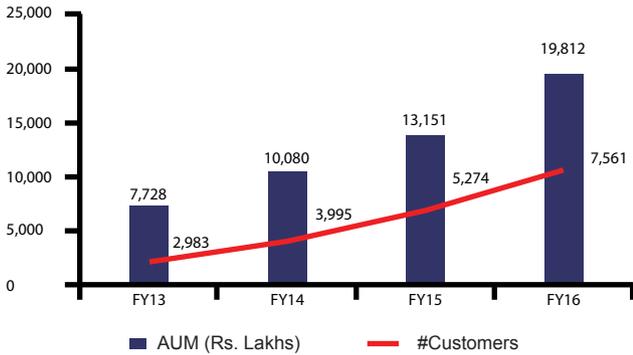
Arun has more than 2 decades of experience in the areas of treasury operations, finance and accounting. He possesses a demonstrated record of success in strategic planning and execution, business finance and monitoring, financial risk management, audit and control. He has started his career with Five-Star. Arun is a Post Graduate in Commerce from Annamalai University. He also holds Post Graduate Diploma in Computer Applications.



KEY DEVELOPMENTS

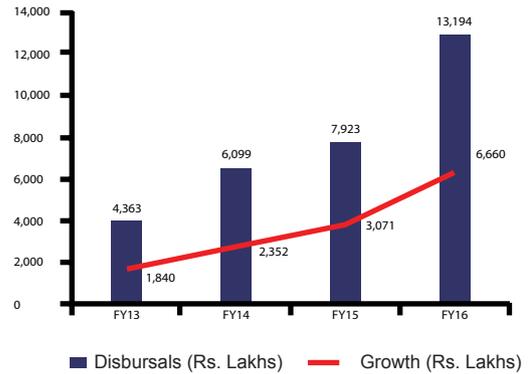
Business Highlights

Steady portfolio & customer growth over the years



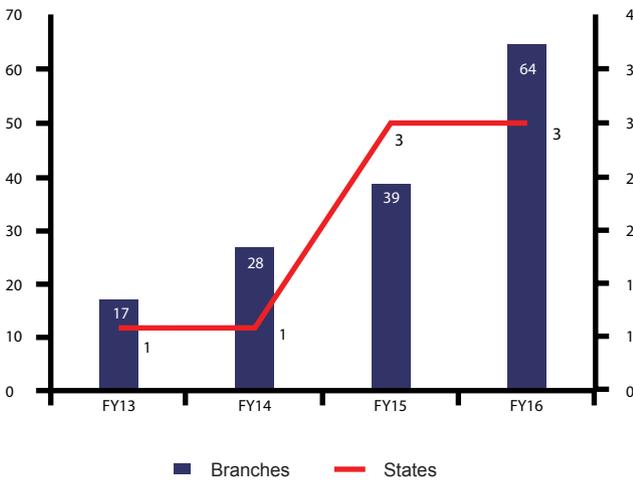
We are neither passive nor aggressive – Controlled Aggression is our motto

Steady disbursement momentum and portfolio growth



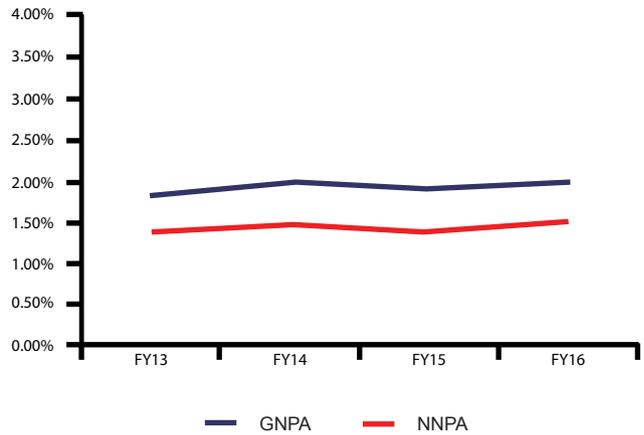
Gradual increase in the quantum of disbursements leading to moderate but sustained growth of the portfolio

Steady expansion of our geographical presence



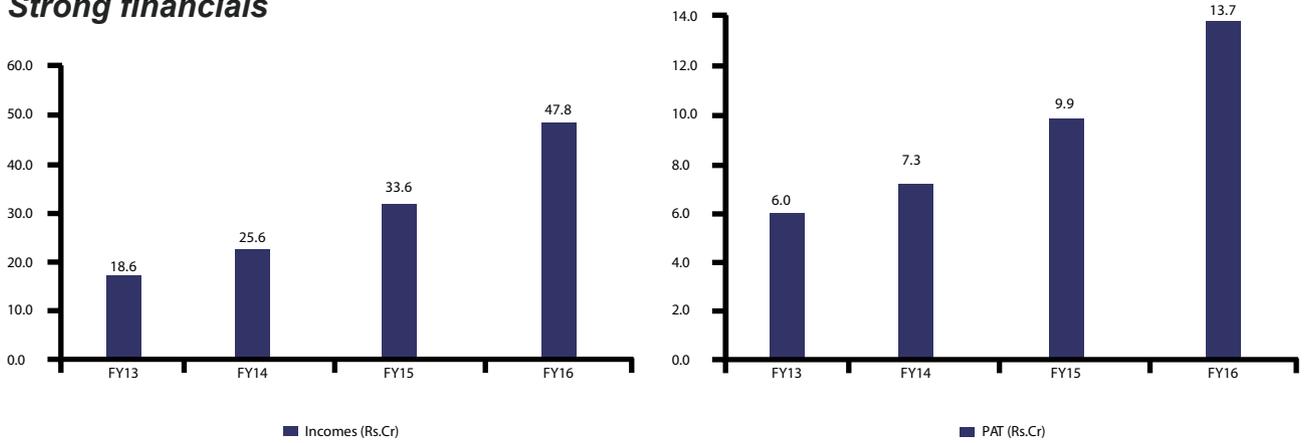
We aim to be one of the top lenders of Small Business Loans and Small Housing Loans in the southern region

Robust portfolio quality



Minimal non-performing portfolio resulting in a strong portfolio quality and revenue momentum

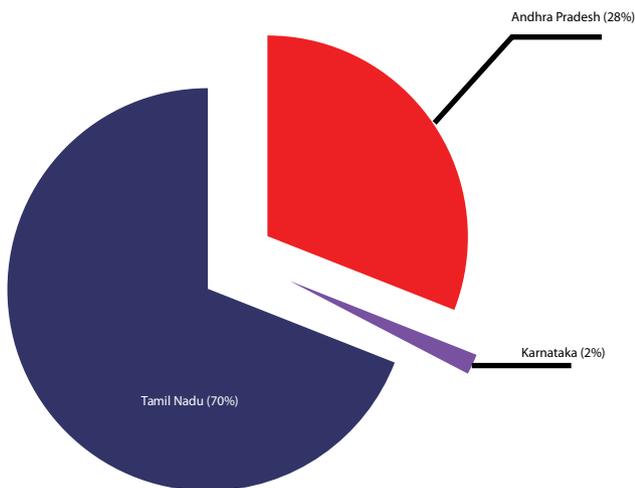
Strong financials



Uptrend in revenues and profitability

Geographical diversification

BRANCHES FY 2016



BRANCHES FY 2015



Focus on achieving geographical diversification to minimize concentration risk

Equity Raise

During the month of June 2016, Five Star Business Finance Limited (formerly known as Five Star Business Credits Limited) raised capital of about ₹ 114 Cr from NHPEA Chocolate Holding B.V, a fund managed by Morgan Stanley Private Equity Asia. The transaction culminated after a long diligence process instituted by Morgan Stanley where the financial and legal aspects of the company were thoroughly verified by Ernst & Young and Cyril Amarchand Mangaldas respectively along with a review of the industry prospects by Alvarez and Marsal India Private Limited.

As part of the current transaction, NHPEA Chocolate Holding B.V has invested about ₹ 114 crores of primary equity capital into the Company for a minority stake. The Company's first institutional investor, Matrix Partners which invested into the Company in two earlier rounds (2014 and 2015) continues to remain a shareholder in the Company.

The Asia-Pacific Private Equity Strategy, managed by Morgan Stanley Private Equity Asia (MSPEA), is led by senior professionals with extensive industry relationships, in-depth market knowledge and the ability to apply international investment principles within each local context.

D. Lakshmipathy, Chairman and Managing Director of the Company remarked that, "It is a great pleasure to invite a global fund like Morgan Stanley Private Equity Asia to join us on our journey as we progress towards becoming a leading financial services player serving the under-banked".

Arjun Saigal, Co-head of Morgan Stanley Private Equity Asia in India, said, "We are excited to be making this investment and look forward to participating in its next phase of growth. The term 'five star' refers to excellence and we believe that this is what this organization continuously strives to achieve. The financial services industry in India offers tremendous

opportunity and this investment marks Morgan Stanley Private Equity Asia's second investment in the space in India."

Vikram Vaidyanathan, Managing Director at Matrix Partners and a current Board member at Five Star added that "Five Star has almost doubled its number of branches in the last year and is poised for growth in both small business loans and housing loans. We believe Five Star addresses a very large demand gap with great unit economics. We are privileged to partner with Mr. Lakshmipathy and the management team at Five Star on their journey to creating a very large financial institution".

The current round of capital raise will help scale up the business at the parent and will also help the commencement of lending in the subsidiary. The capital raise provides Five Star with a huge scope to leverage, build its portfolio and earn an attractive return on its assets.

Housing Finance Company License



Five-Star Housing Finance Private Limited (Five-Star Housing), a wholly owned subsidiary of Five-Star Business Finance Limited, has been provided with the certificate of registration by National Housing Bank to function as a Housing Finance Company. Five-Star Housing was incorporated in September 2015 as a private limited company and submitted its application to NHB for obtaining registration as a non-deposit accepting Housing Finance Company. The company went through a diligence process carried out by officials from NHB before the license was issued.

Five-Star Business Finance operates in the states of Tamil Nadu, Andhra Pradesh and Karnataka providing collateralized Small Business Loans and Small Housing Loans to borrowers in the urban, semi-urban and fast growing rural geographies. Its portfolio already has about 25% of housing loans lent to eligible borrowers. However, operating as a HFC will provide the benefits of obtaining funds at cheaper cost (as it qualifies as priority sector lending for the lender bank) and for a longer tenure. This will help the company pass on the interest rate benefits to the borrowers and also lend to them for a longer tenure, which will help the company enlarge the pool of eligible borrowers. The HFC shall leverage on the infrastructure of the parent in the initial years before it sets up its independent branches and starts operating as a standalone entity.

Five Star Housing shall cater to a similar clientele as the parent entity with the loan ticket ranging between ₹ 1 - 10 lakhs. The company shall provide loans for home construction, home improvement and home purchase for clients who currently don't have access to credit from formal channels. This profile of clientele shall help the company reach out to the under-banked and make them a part of the financial ecosystem. Five Star also aims to help such clients reap the benefits of interest subsidy schemes like Pradhan Mantri Awas Yojana, which is highly beneficial to such clients. Hopefully, we will contribute our bit to making the Housing for all scheme a reality by 2022.

Rebranding



Changed Name

During the year that went by, the management decided to undertake a complete rebranding exercise with a view to project the right image of the company to all its stakeholders. The Management felt that the name “Five Star Business Credits Limited” was not fully understood especially by the potential borrowers of the company. Moreover, since the company was into providing small business loans, it was decided to rename the company to “Five Star Business Finance Limited”. The approval from the shareholders, and Registrar of Companies was obtained in April 2016 post which we got the final approval from the Reserve Bank of India in May 2016. We are confident that the potential borrowers will be able to understand the focus of the company well through the modified name.

Redesigned Logo

Along with the modification to the name, the company also undertook changes in its logo and website. The new logo is represented by two colours – Blue and Red. Blue is the colour of trust, honesty and loyalty. It is sincere, reserved and quiet, and doesn't like to make a fuss or draw attention. From a colour psychology perspective, blue is reliable and responsible. This colour exhibits an inner security and confidence. Red is the colour of energy, passion and action. This colour is warm and positive. Red is energizing. It excites the emotions and motivates us to take action. It signifies a pioneering spirit and leadership qualities, promoting ambition and determination. To the right of the logo, there is a blue square which is surrounded by red triangles at the four corners, arranged in such

a way that, together they form a larger square. The small blue square represents Five Star as a company. It stands for trust, honesty and loyalty. The four red triangles are the four pillars of the company that gives it the strength to achieve its true potential. The four pillars are – Employees, Customers, Shareholders and Lenders. We are neither passive nor aggressive. Our DNA is that of “Controlled Aggression”. Our new logo represents the spirit of our existence and growth.

Revamped Website

Through our new website, we aim to be lot more closer to our clients and our partners. In line with our good governance practices, we have displayed a lot of information on the website including our financials, credit rating reports, team details, policies, fair practices etc. so that any of our partners and customers can directly have a look at the same. We have also added special pages for prospective employees of our company wherein we aim to share all our current openings and job requirements. Anyone seeking to join the Five Star family would directly be able to apply and write to us. Lastly, we have made it easier for anyone to reach us or any of our branches. All our branches have been tagged in Google Maps and would provide directions till our door step. Our revamped website can be accessed at www.fivestargroup.in



DIRECTORS REPORT

Directors Report

Your directors have pleasure in presenting the 32nd Annual report together with the audited accounts of the company for the financial year ended March 31, 2016.

1. Financial Results

1.1. Standalone Financial Highlights

For the Financial Year ended (₹ in Lakhs)

Particulars	31.03.2016	31.03.2015
Operating Income	4,628	3,299
Other Income	103	61
Less: Expenditure including depreciation	2,699	1,841
Profit before taxation	2,032	1,520
Provision for taxation	690	528
Profit after taxation	1,342	992

1.2. Highlights of consolidated financial statements is as under:

Particulars	31.03.2016
Revenue from Operations	4,628
Other Income	152
Total Revenue	4,780
Total Expenses	2,703
Profit/ (Loss) before Tax	2,077
Less: Tax Expenses	705
Profit/ (Loss) for the year	1,372

2. State of Company's Affairs and Future Outlook

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

During the year your company disbursed Rs 13,194 lakhs towards providing Small Business Loans and Small Housing Loans as against Rs. 7,923 lakhs during the FY ended 2014-15.

Prospects

The credit business has large potential in India, particularly from self employed persons who are the primary customers of your company. Bulk of your company's customers belongs 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 its operations 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 geographies.

RBI Guidelines / Prudential Norms

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

3. Change in name of the Company

During this Financial Year, your Company changed its name from “Five Star Business Credits Limited” to “FIVE-STAR BUSINESS FINANCE LIMITED” in order to align with the objects of the Company.

4. Change in Nature of Business

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

5. 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.

6. Amounts Transferred to Reserves

The amounts transferred to statutory reserves and general reserves are Rs. 26,900,000 and Rs. 13,500,000 respectively.

7.Changes in Share Capital

During the financial year 2015-16, your Company has made an allotment of 5,00,000 equity shares of Rs.10 each at a premium of Rs 120 per share aggregating to Rs 6,50,00,000 (including premium) on preferential basis to Mr D Lakshmipathy, Promoter & CMD. The Company has also issued 300 Non Convertible

Debentures of Rs 10,00,000/- each aggregating to Rs 30,00,00,000 on private placement basis to Nederlandse Financierings -Maatschappij voor Ontwikkelingslanden N.V. (FMO).

Subsequent to that, your Company's capital funds stood at Rs. 911,664,224 (including premium) at the end of March 2016 with an additional infusion of Rs 65,000,000 (including premium). The capital adequacy ratio as on March 31st 2016 stood at 39.14% much higher than 15% regulatory minimum.

8. Disclosure regarding issue of Employee Stock Options

During the financial year, a new ASOP scheme titled Five Star Associate Stock Option Scheme 2015 (ASOP 2015) was introduced. The details of this ASOP scheme are given in the Annexure A to this report.

9. 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.

10. Number of Board Meetings

During the financial year ended 31st March 2016, seven (7) Board Meetings were held on 29th April 2015, 30th June 2015, 21st August 2015, 18th September 2015, 25th November 2015, 26th February 2016 and 12th March 2016 respectively.

Particulars of the Directors' attendance to the Board Meetings are given below:

Name	Nature of Directorship	Attendance
Mr. D. Lakshmipathy	Chairman & Managing Director	7
Mr. B. Haribabu	Independent Director	5
Mr. M.K. Mohan*	Independent Director	3
Mr. Ramanathan Annamalai	Independent Director	2
Mr. Vikram Vaidyanathan	Additional Nominee Director	4
Mr. L. R. Raviprasad	Non Executive Director	6

* Resigned during June 2016

11. Committees of the Board

Currently, the Board has three (3) Committees: The Audit & Risk Management Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

i) Audit & Risk Management Committee:

The Audit & Risk Management Committee comprises of Ms. Kalpana Iyer, Mr. A Ramanathan and Ms. Bhama Krishnamurthy. All the recommendations of the Committee have been adopted by the Board.

ii) Nomination and Remuneration Committee:

The Nomination & Remuneration Committee comprises of Mr. A Ramanathan, Mr L R Raviprasad and Mr B Haribabu.

iii) Corporate Social Responsibility Committee:

The Corporate Social Responsibility Committee comprises of Mr. D Lakshmipathy, Ms. Kalpana Iyer and Ms. Bhama Krishnamurthy.

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

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

During the financial year, your Company has promoted a wholly owned subsidiary, namely, M/s Five-Star Housing Finance Private Limited and has agreed to subscribe to 2,50,00,000 equity shares of Rs 10 each at par in one or more tranches. As on 31st March 2016, your Company has made the following investment, details of which are as under:

<i>Date of Investment</i>	<i>Details of Investee</i>	<i>Amount (in ₹)</i>	<i>Purpose for which the proceeds from investment is proposed to be utilized by the recipient</i>	<i>Date of Board Resolution</i>	<i>Date of Special Resolution</i>	<i>Expected rate of return</i>
17 th October 2015	Five Star Business Credits 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 Credits 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

13. Particulars of Contracts or Arrangements with Related parties

During the financial year, the Company has entered into contracts or Arrangement with Related Parties as per Section 188 of the Companies Act, 2013 and the Rules framed thereunder as enclosed as Annexure – C.

14. Material Changes Affecting the Financial Position of the Company.

There are no material changes and commitments between 31st March 2016 and the date of this report having an adverse bearing on the financial position of the Company.

15. Conservation of Energy, Technological Absorption & Foreign Exchange Earnings/Outgo

(i) Conservation of Energy & Technological Absorption

Since your Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of Section 134 of the Companies Act, 2013 and the Rules framed thereunder is not applicable.

(ii) Foreign Exchange Earnings/Outgo

Your Company does not have any foreign currency earnings or expenditure during the financial year ended 31st March 2016.

16. Details of Subsidiary

Five Star Housing Finance Private Limited is a wholly owned subsidiary of the Company incorporated on 28th September 2015. The Company had made necessary application to the National Housing Bank, and as on the date of this report, the Company has obtained the certificate of registration to function as a Housing Finance Company.

In accordance with the provisions of section 129(3) of the Companies Act 2013, the Consolidated Financial Statements drawn up in accordance with 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.

17. 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 prudent loan/value ratio and analysis and adoption of a conservative debt-service capacity of the borrowers, thorough in-house scrutiny of legal documents, monitoring the end-use of approved loans and lending against approved properties.

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.

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.

18. Human Resource Development

The customer acquisition, credit delivery, collection process and manpower strength of Non-Banking Financial Companies operating in 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 right level of productivity and growth. Apart from imparting advanced training to all front line sales and marketing, credit and other staff which included the KYC and FPC training, employees were nominated to various 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.

19. Details of Directors and Key Managerial Personnel

Mr Rishi Navani, Nominee Director on behalf of Matrix Partners India Investment Holdings II, LLC resigned from the Board with effect 5th August 2015 and Mr. M Anandan, Chairman resigned from the Board with effect from 21st August 2015.

Your Directors express their deep appreciation for the services rendered by Mr M Anandan during his tenure as Chairman. They also thanked Mr M Anandan for providing his valuable insights and guidance to the Company during his tenure as Chairman which has helped the company achieve the good performance over the years.

Your Directors also express their deep appreciation for the services rendered by Mr Rishi Navani during his tenure as Director.

Mr Vikram Vaidyanathan was appointed as Nominee (additional) Director of Matrix Partners India Investment Holdings II, LLC with effect from 21st August 2015 and holds office upto the date of the ensuing 32nd Annual General Meeting and being eligible has offered himself for reappointment.

The Company has received a notice from a member pursuant to Section 161 of the Companies Act 2013 proposing his candidature for Nominee Director, liable to retire by rotation.

Mr Ramanathan Annamalai who was appointed as an additional Independent director by the Board on 26th February 2016 was appointed as Independent Director of the Company at the Extra Ordinary General Meeting held on 12th April 2016.

Ms Kalpana Iyer and Ms Bhama Krishnamurthy were appointed as Independent (additional) Directors with effect from 12th April 2016 and holds office upto the date of the ensuing 32nd Annual General Meeting and being eligible have offered themselves for reappointment.

The Company has received a notice from a member pursuant to Section 161 of the Companies Act 2013 proposing their candidature for Independent Directors.

Mr L R Raviprasad, Non Executive Director, retires by rotation at the ensuing 32nd Annual General Meeting and being eligible has offered himself for re-appointment.

20. Details of Significant & Material Orders passed by the Regulators or courts or tribunal

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

21. Details of Adequacy of 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 the accounting records and (e) timely preparation of reliable financial information.

This is further strengthened by the Internal Audit done concurrently by M/s B.B. Naidu and Co., Chartered Accountants and Internal Auditors of the Company.

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

The Audit & Risk Management Committee, Independent Directors and the Board after review are satisfied with the internal financial controls and risk management systems put in place by the Company.

22. Deposits

Your Company has not accepted any deposits from public.

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

Your Company's Statutory Auditors, M/s. Brahmayya & Co., Chartered Accountants, who retire at the ensuing Annual General Meeting, are eligible for reappointment. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for reappointment as Statutory Auditors of the Company.

Internal Auditors

To carry out internal audit of all its operations, your Company has engaged M/s B.B. Naidu & Co., Chartered Accountants, as its Internal Auditors. The internal audit covers the Corporate Office and branches of the Company. The Audit & Risk Management Committee assures the internal audit functions, as well as the adequacy and effectiveness of the internal systems and controls.

Secretarial Auditors

Mr. S Sandeep from M/s S Sandeep & Associates, Practicing Company Secretaries was appointed to conduct the secretarial audit of the Company for the financial year 2015-16, 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 2016 forms part of Annual report as an Annexure D to Board's Report.

25. Corporate Social Responsibility Policy (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 in the website of the Company. A report on CSR is attached as Annexure E 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 committee, attendance at meetings, Board culture, duties of directors, and governance. The aforesaid policy is attached as Annexure F 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 & has adopted a Whistle Blower Policy for directors and employees to report their genuine concerns to the Chairman of the Audit & Risk Management Committee. The Whistle Blower Policy has been formulated with a view to provide a mechanism for employees and directors to approach the Audit & Risk Management Committee of the Company.

28. Corporate Governance Report

Report on Corporate Governance is enclosed and form part of this report as Annexure G.

29. Disclosure under Sexual Harassment of Women at Workplace (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 have been received pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

30. Particulars of Employees and Related Disclosures

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report. Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report as Annexure H.

31. Directors Responsibility Statement

To the best of their knowledge and belief, and according to the information and explanations obtained by them, your Directors confirm the following in terms of Section 134 of the Companies Act, 2013 and the Rules made thereunder:-

(a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) 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;

(c) 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;

(d) The directors have prepared the annual accounts on a going concern basis;

(e) The directors have laid down internal financial controls, which are adequate and operating effectively; and

(f) The director have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were 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
24/05/2016

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

Annexure - 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.

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 2016 are :-

1. Options Granted: 5,63,000
2. Options Vested: NIL
3. Options Exercised: NIL
4. Options Lapsed: NIL
5. Variation of terms of options: There were no variations of terms of options during the financial year 2015-16.
6. Money realized by exercise of options: Rs. NIL.
7. Employee wise details of options granted to :-

(i) Key managerial personnel: Mr G Srikanth – Chief Financial Officer

(ii) 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

(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant : Mr. Rangarajan Krishnan, Chief Operating Officer.

Annexure - B
Form No. MGT-9

Extract of Annual Return as on the financial year ended on 31/03/2016

[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 CREDITS 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

(vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: NA

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 and Address 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				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
(a) Individual/HUF	-	44,47,560	44,47,560	43.60	-	50,44,460	50,44,460	47.14	3.54
(b) Central Govt	-	-	-	-	-	-	-	-	-
(c) State Govt (s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (1)	-	44,47,560	44,47,560	43.60	-	50,44,460	50,44,460	47.14	3.54
(2) Foreign									
(a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	-	-	-	-	-	-	-	-
(e) Banks / FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter									
(A) = (A) (1) + (A) (2)	-	44,47,560	44,47,560	43.60	-	50,44,460	50,44,460	47.14	3.54
(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 (A) (1)	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non- Institutions									
(a) Bodies Corporate									
i. Indian	-	2,10,000	2,10,000	2.06	-	325,510	325,510	3.04	0.98
ii. Overseas	-	39,40,240	39,40,240	38.63	-	39,40,240	39,40,240	36.82	-1.81
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh									
	-	5,04,360	5,04,360	4.95	-	5,01,900	5,01,900	4.69	-0.26
ii. Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
	-	10,97,840	10,97,840	10.76	-	887,890	887,890	8.30	-2.46
(c) Others (Specify)									
	-	-	-	-	-	-	-	-	-
Sub-Total (B) (2)	-	57,52,440	57,52,440	56.40	-	57,52,440	57,52,440	56.40	-
Total Shareholding of Promoter									
(B) = (B) (1) + (B) (2)	-	57,52,440	57,52,440	56.40	-	57,52,440	57,52,440	56.40	-
C. Shares held by custodian for GDRs & ADRs									
	-	-	-	-	-	-	-	-	-
Grand Total(A+B+C)	-	1,02,00,000	1,02,00,000	100.00	-	1,07,00,000	1,07,00,000	100.00	-

(ii) Shareholding of Promoters:

S. No.	Particulars	Shareholding at the beginning of the year			Shareholding at the end of the year			% of Change during the Year
		No. of Shares	% of Shares	% of Shares Pledged/ encumbered	No. of Shares	% of Shares	% of Shares Pledged/ encumbered	
1.	Lakshmi pathy. D	19,37,830	19.00	-	25,18,730	23.54	-	4.54
2.	Hema. L	21,66,760	21.24	-	21,82,760	20.40	-	-0.84
3.	Deenathayalan. R	1,63,200	1.60	-	1,63,200	1.53	-	-0.07
4.	Varalakshmi. D	1,59,770	1.57	-	1,59,770	1.49	-	-0.08
5.	Sritha. L	20,000	0.19	-	20,000	0.19	-	0.00
		44,47,560	43.60	-	50,44,460	47.14	-	3.54

(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>Shareholding at the end of the year</i>	
	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>
Lakshmipathy. D				
1. At the beginning of the year	19,37,830	19.00	-	-
2. Date wise increase/decrease				
01.06.2015 - Transfer	750	0.01	19,38,580	19.01
18.09.2015 - Transfer	75,650	0.74	20,14,230	19.75
29.09.2015 - Preferential Allotment	3,50,000	3.32	23,64,230	22.41
06.11.2015 – Transfer	4,500	0.04	23,68,730	22.45
30.11.2015 - Preferential Allotment	1,50,000	1.40	25,18,730	23.54
L. Hema				
1. At the beginning of the year	21,66,760	21.24	-	-
2. Date wise increase/decrease				
21.04.2015 – Transfer	16,000	0.16	21,82,760	20.40

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

<i>Sl. No.</i>	<i>For Each of the Top 10 Shareholders</i>	<i>Shareholding at the beginning of the year</i>		<i>Shareholding at the end of the year</i>	
		<i>No. of Shares</i>	<i>% of total Shares of the Company</i>	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>
1.	Matrix Partners India Investment Holdings II, LLC	39,40,240	36.82	39,40,240	36.82
2.	Atmaram Builders (P) Ltd.	2,10,000	1.96	3,25,510	3.04
3.	R. Jayachandran	1,59,780	1.49	1,59,780	1.49
4.	L.R. Deepak Krishna	75,650	0.71	-	-
5.	L. Janarthanan	66,460	0.62	66,460	0.62
6.	R. Suguna	50,850	0.48	50,850	0.48
7.	V.K. Ranganathan	50,000	0.47	50,000	0.47
8.	V. Mahesh Raman	50,000	0.47	50,000	0.47
9.	J. Bharathi	45,000	0.42	45,000	0.42
10.	L.R. Venkatesh	38,850	0.36	-	-
11.	J. Sujatha	37,050	0.35	37,050	0.35
12.	N. Ramkumar	22,500	0.21	22,500	0.21

(v) Shareholding of Directors and Key Managerial Personnel

<i>For Each of the Top 10 Shareholders</i>	<i>Shareholding at the beginning of the years</i>		<i>Shareholding at the end of the years</i>	
	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>
Directors				
D. Lakshmiopathy	1,937,830	19.96	2,518,780	23.54
B. Haribabu	162,500	1.81	162,500	1.52
L.R. Ravi Prasad	127,200	1.41	159,780	1.49
Vikram Vaidyanathan +	-	-	-	-
A. Ramanathan +	-	-	-	-
Kalpana Iyer #	-	-	-	-
Bhama Krishnamoorthy #	-	-	-	-
Rishi Navani *	-	-	-	-
M.K. Mohan @	5800	0.06	5800	0.05
M. Anandan*	-	-	-	-
G. Srikanth, CFO	-	-	200	0.00

+ Appointed during the year # Appointed during April 2016

* Resigned during the year @ Resigned during June 2016

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

<i>Particulars</i>	<i>Secured Loans excluding deposits</i>	<i>Unsecured Loans</i>	<i>Deposits</i>	<i>Total Indebtedness</i>
Indebtedness at the beginning of the financial year				
i) Principal Amount	780,981,136	94,751,000	-	875,732,136
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	10,678,865	1,642,124	-	12,320,989
Total (i + ii + iii)	791,660,001	96,393,124	-	888,053,125
Change in Indebtedness during the financial year				
Addition	850,000,000	1,151,000	-	851,151,000
Reduction	367,649,906	71,672,000	-	439,321,906
Net Change	482,350,094	(70,521,000)	-	411,829,094
Indebtedness at the end of the financial year				
i) Principal Amount	1,263,331,230	24,230,000	-	1,287,561,230
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	17,563,432	565,047	-	18,128,479
Total (i + ii + iii)	1,280,894,662	24,795,047	-	1,305,689,709

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		
		Mr. D. Lakshmipathy, CMD		
1	Gross Salary			
	(a). Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		6,021,600	6,021,600
	(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		-	-
3	Sweat Equity		-	-
4	Commission - as % of profit		-	-
5	Others, please specify		-	-
	Total (A)		6,021,600	6,021,600
	Ceiling as per the Act (5% of Net Profit)		10,651,464	10,651,464

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors			Total Amount
1	Independent Directors	M.K. Mohan	B. Haribabu	A. Ramanathan	
	Fee for attending board / committee Meetings	35,000	75,000	20,000	130,000
	Commission	150,000	150,000	-	300,000
	Others, please specify	-	-	-	-
	Total (1)	185,000	225,000	20,000	430,000
2	Other Non-Executive Directors	M. Anandan *	L.R. Raviprasad		
	Fee for attending board / committee Meetings	35,000	85,000	-	120,000
	Commission	-	150,000	-	150,000
	Others, please specify	-	-	-	-
	Total (2)	35,000	235,000	-	270,000
	Total (B)=(1) + (2)	220,000	460,000	20,000	700,000
	Total Managerial Remuneration (A) + (B)	-	-	-	6,721,600
	Overall Ceiling as per the Act (11% of Net Profit)	-	-	-	23,433,221

* Resigned during the year

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

S. No.	Particulars of Remuneration	G. Srikanth, Chief Financial Officer*	V. Nikita Company Secretary#	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,877,872	139,500	2,017,372
	(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	-	-	-
3	Sweat Equity	-	-	-
4	Commission - as % of profit	-	-	-
5	Others, please specify	-	-	-
	Total (A)	1,877,872	139,500	2,017,372

* Appointed during October 2015

Appointed during June 2015

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

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			
		Punishment	NIL		
		Compounding			
B. DIRECTORS					
		Penalty	NIL		
		Punishment			
		Compounding			
C. OTHER OFFICERS IN DEFAULT					
		Penalty			
		Punishment	NIL		
		Compounding			

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 arms length transactions under third proviso thereto.

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

- a) Name of the related party and nature of relationship: D Lakshmipathy
- b) Nature of contracts/ arrangements/ transactions: Lease Rentals
- c) Duration of the contracts/ arrangements/ transactions: 36 months
- d) Salient terms of the contracts or arrangements or transactions including the value, if any:
 - 1. To use the premises only as an office for carrying on the business of the Company and not to put it to any other use.
 - 2. 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.
 - 3. Not to sub-let the premises to any one.
- e) 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 and Head Office of the Company.
- f) Date of approval by the Board: 2nd August 2013
- g) Amount paid as advance, if any: Rs. 4,00,000
- h). 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

- a) Name of the related party and nature of relationship: NA
- b) Nature of contracts/ arrangements/ transactions: NA
- c) Duration of the contracts/ arrangements/ transactions : NA
- d) Salient terms of the contracts or arrangements or transactions including the value, if any, : NA
- e) Justification for entering into such contracts/ arrangements/ transactions : NA
- f) Date of approval by the Board : NA
- g) Amount paid as advance , if any : NA

Chennai
24/05/2016

Mr. D. Lakshmipathy
Chairman & Managing Director
DIN No: 01723269

**Annexure - D
Form No. MR-3**

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2016

[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
39, Outer Circular Road,
Kilpauk Garden Colony
Chennai - 600010
Tamil Nadu, India.

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 2016, has 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 2016 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.

During December 2015, the Company has entered into a listing agreement with Bombay Stock Exchange in India, pursuant 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 the Company has issued & allotted

- a). 5,00,000 Equity shares of Rs 10 each at a premium of Rs 120/- per share to Mr D Lakshmi pathy, Promoter & CMD on preferential basis.
- b). 300 Non Convertible Debentures of at Rs. 1,000,000 /- (Rupees Ten Lakh Only) each total amounting to Rs. 300,000,000/- (Rupees Thirty Crores Only) to M/s Nederlandse Financierings -Maatschappij voor Ontwikkelingslanden N.V. (FMO) 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
24/05/2016

For S Sandeep & Associates
S Sandeep
Managing Partner
FCS No. 5853

Annexure - E
CORPORATE SOCIAL RESPONSIBILITY POLICY

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.in/policies.php

2. Composition of the CSR Committee

Mr. D Lakshmipathy

Ms Kalpana Iyer

Ms Bhama Krishnamurthy

The Committee met once during the year under review.

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

Average net Profit : Rs.7,74,31,525

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

The Company during the financial year 2015-16 is required to spend Rs.15,48,631 towards CSR

5. Details of CSR spent during the financial year:

a) Total amount spent for the financial year; Rs. 300,000

b) Amount unspent, if any; Rs 1,248,631

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

CSR Project or activity identified	Sector in which the project is covered	Project programs (1) Local area or other (2) Specify the state and district where the projects or programs were undertaken	Amount outlay (budget) project or program wise	Cumulative expenditure upto the reporting period	Amount spent directly or through implementing agency
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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. 3 lakhs	Rs. 3 lakhs	Directly
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6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any 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 2015-16 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 the CSR Policy is in compliance with the CSR objectives and Policy of the company.

Chennai
24/05/2016

Mr. D. Lakshmiopathy
Chairman & Managing Director

Chairman - CSR Committee

Annexure - F
Director's appointment and Remuneration policy

Five Star – DIRECTORS APPOINTMENT, REMUNERATION & EVALUATION POLICY

1. Purpose of this Policy:

Five Star Business Credits 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:

- a) To evaluate the performance of the members of the Board.
- b) 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.
- c) 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:

- a) 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.
- b) 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
- c) To assess the independence of Independent Non-Executive Directors
- d) To review the result of the performance evaluation process that relates to the composition of the Board.
- e) 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.
- f) To recommend the remuneration payable to Non-Executive Directors of the Company from time to time.
- g) Annual appraisal of the performance of Managing Director and fixing his terms of remuneration
- h) Annual appraisal of the Senior Management Team reporting to the Managing Director
- i) 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.
- j) Formulate from time to time specific parameters relating to the Scheme, including,
 - (i) 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;
 - (ii) Determination of eligibility conditions and selection of Eligible employees to whom Options may from time to time be granted hereunder;
 - (iii) 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;

(iv) The conditions under which Options vested in Eligible employee may lapse in case of termination of employment for misconduct;

(v) 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;

(vi) 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;

(vii) 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;

(viii) 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.

(ix) Make rules related to performance based vesting of such part of the options granted to eligible employees as the Committee may decide.

(x) To prescribe, amend and rescind rules and regulations relating to the Scheme;

(xi) To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;

k) 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.

l) 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

<i>Source</i>	<i>Particulars</i>	<i>Board's Role in Evaluation</i>	<i>Remarks</i>
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
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	<p>Review the performance of Non-Independent Directors</p> <p>Review the performance of the Board as a whole</p> <p>Review the performance of the Chairperson of the Company, taking into account the views of Executive Director's and Non Executive Director's</p> <p>Assess the: a. Quality b. Quantity and c. Timeliness</p> <p>Of flow of information between the Company management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.</p>	<p>Review of a. Non executive directors b. Managing Director, whole time directors and Executive directors</p> <p>Review the performance of the Board as a whole</p> <p>Review the performance of the chairperson</p> <p>Quality of information includes its relevance, completeness, and authenticity, how comprehensive, concise and clear such information is.</p> <p>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</p>

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.

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**

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 its stakeholders including shareholders, customers, employees and other partners.

Company Philosophy

Five-Star Business Finance Limited (Formerly known as Five Star Business Credits Limited) (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

Your Board of Directors currently consists of eight (8) members including the Chairman cum Managing Director. Of these, five (5) are Independent Directors and two (2) Non-Executive Directors.

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

During the financial year ended 31st March 2016, seven (7) Board Meetings were held on 29th April 2015, 30th June 2015, 21st August 2015, 18th September 2015, 25th November 2015, 26th February 2016 and 12th March 2016 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	7	16	2
B. Haribabu	Independent Director	5	8	-
M. K. Mohan	Independent Director	3	10	-
Ramanathan Annamalai	Independent Director	2	NA	9
Bhama Krishnamurthy*	Independent Director	NA	NA	7
Kalpana Iyer*	Independent Director	NA	NA	6
Vikram Vaidyanathan	Nominee Director	4	NA	8
L. R. Raviprasad	Non Executive Director	6	16	1

***Ms Bhama Krishnamurthy and Ms Kalpana Iyer were appointed as Independent Director (Additional) on 12th April 2016.**

Changes in Board of Directors

Mr. Rishi Navani, Nominee Director of Matrix Partners India Investment Holdings II, LLC resigned from the Board with effect from 5th August 2015 and Mr. M Anandan, Chairman resigned from the Board with effect from 21st August 2015.

Your Directors express their deep appreciation for the services rendered by Mr M Anandan during his tenure as Chairman. They also thank him for providing his valuable insights and guidance to the Company during his tenure as Chairman which has helped the company achieve the good performance over the years.

Your Directors also express their deep appreciation for the services rendered by Mr Rishi Navani during his tenure as Director.

Mr. Vikram Vaidyanathan was appointed as Nominee (additional) Director of Matrix Partners India Investment Holdings II, LLC with effect from 21st August 2015 and holds office upto the date of the ensuing 32nd Annual General Meeting and being eligible has offered himself for reappointment.

The Company has received a notice from a member pursuant to Section 161 of the Companies Act, 2013 proposing his candidature for Nominee Director, liable to retire by rotation.

Mr. Ramanathan Annamalai was appointed as an additional Independent director by the Board on 26th February 2016 and was appointed as an Independent Director of the Company for a period of 5 years by the share holders at the Extra Ordinary General Meeting held on 12th April 2016.

Ms. Kalpana Iyer and Ms Bhama Krishnamurthy were appointed as Independent (additional) Directors with effect from 12th April 2016 and holds office upto the date of the ensuing 32nd Annual General Meeting and being eligible have offered themselves for reappointment.

The Company has received a notice from a member pursuant to Section 161 of the Companies Act, 2013 proposing their candidature for appointment as Independent Directors.

Mr. L R Raviprasad, Non Executive Director, retires by rotation at the ensuing 32nd 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 in 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 & Risk Management Committee

Composition and Meetings

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

1. Ms. Kalpana Iyer, Independent Director (Chairperson)
2. Mr. A Ramanathan, Independent Director
3. Ms. Bhama Krishnamurthy, Independent Director

The Audit & Risk Management Committee of the Board met four (4) times during the year on 30th June 2015, 21st August 2015, 25th November 2015 & 26th February 2016 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 will be a part of 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. 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
10. Credit & Portfolio Risk Management.
11. Operational & Process Risk Management.
12. Laying down guidelines on KYC Norms.
13. Review on quarterly basis the securitization/ bilateral assignment transactions and investment activities of the Company.
14. Annual Review of Company's policies framed pursuant to RBI and NHB guidelines and suggest

changes if any, required to the Board for adoption.

15. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

16. Examination of the financial statement and the auditors' report thereon;

17. Approval or any subsequent modification of transactions of the company with related parties;

18. Scrutiny of inter-corporate loans and investments;

19. Valuation of undertakings or assets of the company, wherever it is necessary;

20. Evaluation of internal financial controls and risk management systems;

21. Monitoring the end use of funds raised through public offers and related matters

The Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operation

2. Statement of significant related party transactions

3. Management letters/letters of internal control weaknesses issued by the statutory auditors.

4. 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. A Ramanathan, Independent Director
2. Mr. Haribabu, Independent Director

3. Mr. L R Raviprasad, Non Executive Director

The Nomination & Remuneration Committee of the Board met three (3) times during the year on 30th June 2015, 18th September 2015 & 26th February 2016 respectively.

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 maybe 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 relating to 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 ASOP scheme of the Company.

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 Lakshmipathy, Chairman & Managing Director
2. Mr. A Ramanathan, Independent Director
3. Mr. Haribabu, Independent Director
4. Mr. L R Raviprasad, Non Executive Director

Terms of Reference

1. To consider and approve, availing of all kinds and types of loans and credit facilities.

2. To consider and approve creation of security in connection with the aforesaid loan and credit facilities.

3. To establish current and other banking accounts with various banks; 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 any unsecured loans to be given by the Company other than staff loan advances.

5. To consider and approve securitization arrangements and to authorize carrying out of all

actions connected therewith.

6. To consider and approve any secured loan to be given by the Company including staff loans, loans against property, SME loans and other loans.

7. To consider and approve transactions / proposal / arrangements for sale / assignment / securitization of the loan receivables / book debts of the Company on such terms and conditions as it thinks fit.

8. 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.

9. To consider and approve the investment policy for the Company and its amendment and/or modification from time to time.

10. Issuance of Share/Debenture and other security certificates.

The Business & Resource Committee of the Board met eight (8) times during the year on 28th September 2015, 29th September 2015, 30th November 2015, 25th February 2016, 1st March 2016, 4th March 2016, 23rd March 2016 & 24th March 2016 respectively.

4. Asset Liability Committee

Composition and Meetings

The Asset Liability Committee currently consists of the following members:

1. Mr. D Lakshmipathy, MD
2. G Srikanth, CFO
3. Rangarajan Krishnan, COO
4. Mr. Arunkumar, Head (Accounts)

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.

The Asset Liability Committee meets regularly to review the areas falling within its terms of reference as given above.

5. Corporate Social Responsibility Committee

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 Lakshmipathy, Chairman & Managing Director
2. Ms. Kalpana Iyer, Independent Director
3. Ms. Bhama Krishnamurthy, Independent Director

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.

Your Company has adopted a Corporate Social Responsibility Policy and forms part of the Director's Report as **Annexure E**.

The Corporate Social Responsibility Committee of the Board met one (1) time during the year on 26th Feb 2016.

Remuneration of Directors

Sitting Fees

All directors except the CMD and Nominee Directors are paid a sitting fee of Rs. 10,000 for attending every meeting of the Board and Rs. 5,000 for attending every meeting of the Audit & Risk Management Committee, Nomination & Remuneration Committee, Resourcing and Business Committee thereof.

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

Name	Sitting Fees (₹)	
	Board	Committee
M. K. Mohan	30,000	5,000
B. Haribabu	50,000	25,000
L. R. Raviprasad	60,000	25,000
Ramanathan Annamalai	20,000	-

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 directors during the financial year ended 31st March 2016 are as follows:

<i>Director</i>	<i>Commission (₹)</i>
Mr. L. R. Raviprasad	1,50,000
Mr. M.K. Mohan	1,50,000
Mr. B. Haribabu	1,50,000
Mr.Ramanathan Annamalai	-

Remuneration to Chairman & Managing Director

The details of remuneration paid for the financial year ended 31st March 2016 are as follows:

<i>Particulars</i>	<i>Amount (₹ Lakhs)</i>
Salary	60,00,000
Commission	-
Total	60,00,000

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 2016, one (1) Annual General Meeting was held on 21st August 2015.

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

General Shareholder Information

<i>Particulars</i>	<i>Details</i>
Financial Year	April 1 st 2015 to March 31 st 2016
32 nd Annual General Meeting Day, Date and Time	Friday, 16 th September 2016, 10:15 A.M
Venue	Towers Club, "Tower Valley ", W Block, 3 rd Main Road, Anna Nagar, Chennai - 600 040
Registrar and Transfer Agents	Sharepo Services (India) Pvt. Ltd 13 AB, Samhita Warehouse Complex, 2 nd Floor, Sakinaka Telephone Exchange Lane, off Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai - 400072
Demat ISIN Number	INE128S07010 (Non Convertible Debentures - Listed on Bombay Stock Exchange)

Shareholding Pattern as on 31st March, 2016

<i>Name of the Shareholder</i>	<i>No. of Shares</i>	<i>Percentage of Share Holding</i>
Category		
(A) Promoters & His Relatives	5,044,460	47.14
(B) Directors & His Relatives	-	-
B. Haribabu	162,500	1.52
L.R. Raviprasad	127,200	1.19
M. K. Mohan	26,150	0.24
Vikram Vaidyanathan	-	-
(C) Investor		
Matrix Partners India Investment Holdings II, LLC	3,940,240	36.82
(D) Public	1,399,450	13.08
Total	107,000,000	100.00

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

Chennai
 24/05/2016

PARTICULARS OF EMPLOYEES**A. Information as per Rule 5(1) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 Remuneration paid to Whole Time Director(s):**

Name of the Director	Title	Remuneration in FY 2015-16	% increase of remuneration in FY 2015-16 as Compared to FY 2014-15	Ratio of remuneration to Median Remuneration of Employees	Ratio of remuneration to Revenues	Ratio of remuneration to Net Profit
D.Lakshmi pathy	Chairman & Managing Director	6,000,000	42.86%	27.71	1.27%	4.47%

Ratio of remuneration to Net Profit

Name of the Director	Remuneration in FY 2015-16* (in ₹)	Remuneration in FY 2014-15* (in ₹)	% increase of remuneration (FY 2015-16 over FY 2014-15)
D.Lakshmi pathy	6,000,000	4,200,000	42.86%

* The Independent Directors were paid sitting fees of Rs 10,000 per meeting for attending Board meeting, Rs 5,000 per meeting for attending Committee meetings and Rs 1.50 lakhs as commission for the year.No other remuneration was paid over and above the aforementioned amounts during FY 2015-16.

Remuneration paid to Key Managerial Personnel (KMP):

Name of the KMP	Title	Remuneration in FY 2015-16	Remuneration in FY 2014-15	% increase of remuneration in FY 2015-16 as Compared to FY 2014-15	Ratio of remuneration to Revenues	Ratio of remuneration to Net Profit
G. Srikanth	CFO	Rs. 1,877,872	NIL	NA	0.40%	1.40%
V. Nikita	Company Secretary	Rs. 139,500	NIL	NA	0.03%	0.10%

1. The number of employees on the rolls of the Company as of 31st March, 2016 and 31st March, 2015 was 293 and 167 respectively.

2. The median remuneration of employees was Rs. 216,555 and Rs. 191,073 for FY 2015-16 and FY 2014-15 respectively.

3. The operating revenue for FY 2015-16 stood at Rs 462,818,141, whereas for FY 2014-15 the same was Rs. 329,887,387. The net profit for the FY 2015-16 was Rs. 134,148,780 whereas for the FY 2014-15 the same was Rs. 99,219,623.

4. The aggregate remuneration of employees for the FY 2015-16 was Rs. 76,722,358. The aggregate remuneration of whole time director and key managerial personnel was Rs. 8,038,972.

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

6. 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 No employee of the Company was in receipt of remuneration, in excess of Rs 60 Lakhs during the financial year 2015-16.



***MANAGEMENT DISCUSSION
& ANALYSIS***

Management Discussion & Analysis

INTRODUCTION

The strength of an economy is judged by the vibrancy and inclusiveness of its credit offtake. Growth in credit offtake is directly proportional to the economic growth of the nation. An economy where the credit offtake is quite low would find it challenging to grow. In most of the economies across the world, the providers of credit are the banks. We don't find non banking financial institutions in most of the other economies since banks are able to cater to the public thereby ensuring vibrant credit offtake in the economy. However we find a peculiar situation as far as the Indian economy is concerned. Due to certain inherent challenges, banks have not been able to completely provide the vibrancy or the inclusiveness required in the provision of credit to the public at large. One of the reasons for this is the organizational setup found in banks. Banks have proven to be very efficient when it comes to lending to organized institutions or individuals who are already part of the banking system. But they have not been able to reach out to the small entrepreneurs and small business persons who have not been an active part of the formal banking channel.

The Non-banking financial institutions (NBFCs) were created to address this gap and it would not be an overstatement to mention that they have been able to achieve this admirably. We find many NBFCs in India who have been successful in providing a plethora of credit products even to the organized institutions and better profile individuals and thereby becoming a competitor to banks in the lending business. There are also niche NBFCs, who provide a limited suite of products or cater to a specified set of borrowers, who have been hitherto excluded from the banking system. Five-Star Business Finance Limited (Five Star) is one such NBFC, which specializes in providing Small Business Loans (SBL) and Small Housing Loans (SHL) with a bias towards entrepreneurs involved in the service industry.

Five Star at a Glance

Five Star is a 32 year old NBFC set up in 1984 by Mr. V K Ranganathan, who was keen provide credit facilities to eligible borrowers. The Company went through multiple crests and troughs and indulged itself in providing a suite of products before finally settling on "Loans against property" (LAP) in the form of Small Business Loans and Small Housing Loans. Despite the long history, the Company managed to achieve fairly significant growth under the stewardship of the current Chairman and Managing Director Mr. D Lakshmi pathy, with the able mentoring of the founder. Five Star is a pioneer in extending collateralized small business loans to customers in urban, semi-urban and fast -growing rural geographies. Under the leadership of the current MD, the company grew from 6 to 73 branches and from a portfolio of Rs. 180 Mn to 2000 Mn over the last 6-7 years. With its strong branch network and the guidance of a strong Board and leadership team, the Company is poised for much larger growth in the years to come.

Financial Year 2015-16

Historically over the last 6 years, Five Star has been witnessing a growth rate of about 25% - 30% in its portfolio. The financial year 2015-16 was a landmark year in the sense that the Company managed to increase its portfolio by over 50% along with a significant increase in its branch penetration. The Company deepened its branch network in Andhra Pradesh along with strengthening its network in Tamil Nadu. Five Star aims to be one of the top NBFCs providing SBL and SHL in the Southern region of the country.

Excellent capitalization profile is one of the strong points of Five Star. The Company has always been well capitalized with a Capital Adequacy Ratio of over 52% in FY 2015, which dropped to about 39% on account of the portfolio growth. Matrix Partners,

a Private Equity fund with over Rs. 3000 Cr under management and consistently ranked in the top five venture firms (in terms of returns to its investors) holds a significant minority stake in the Company. Recently, Five Star has also received capital infusion to the tune of about Rs.114 Cr from NHPEA Chocolate Holding B.V, a PE fund managed by Morgan Stanley, one of the largest private equity players across the globe. This will significantly augment the company's capitalization levels and would be a major lever of its growth in the months to come.

During the financial year under discussion, the company also managed to get its bank loan rating upgraded to BBB from CARE Ratings. The upgrade clearly reflects the promoter and senior management experience, well managed credit policy with stringent norms, healthy profitability levels, and comfortable capital adequacy levels supported by periodical equity infusion. With the recent equity infusion, the company is confident of achieving further upgrades in the credit rating which will help obtain lower cost of funds, which can then be passed on to the borrowers in the form of lower interest rate loans without compression in the spreads or margins.

Another major achievement of the company during the financial year 2015-16 was the deepening of its resource profile. Historically the company was dependent on few banks and financial institutions for its funding requirements. However, during the current financial year, the company managed to expand its banking relationships by getting liquidity facilities from banks like Bank of Baroda, IDBI bank, Karnataka bank, South Indian bank, Karur Vysya bank, Lakshmi Vilas bank (some of the sanctions were availed during FY 2016-17) and NBFCs like Cholamandalam Investment and Finance Company to the list of its lending relationships. During the year, Five Star also issued non-convertible debentures to FMO, Dutch development bank which is one of the largest bilateral private sector banks globally, with an investment portfolio of EUR 9.2 billion spanning over 85 countries.

Operational Highlights

The Company, which was predominantly operating in the state of Tamil Nadu, ramped up its operations in the state of Andhra Pradesh during the current financial year. From 39 branches as at FY 2015, the Company closed at 64 branches for FY 16. The branches in AP increased from 2 in FY 2015 to 19 in FY 2016, which demonstrates that the Company is well poised to tap the Andhra market in the years to come. As already stated, there was a significant growth in the portfolio by over 50%.

The following are some of the operational highlights:

Particulars	Mar '16	Mar '15	Mar '14	Mar '13	Mar '12
# States	3	3	1	1	1
# Districts	34	27	16	13	6
# Branches	64	39	28	20	10
# Borrowers	7,560	5,273	4,000	3,032	2,363
Disbursements (₹ Cr)	131.94	79.23	61.04	43.63	42.59
Total Portfolio (₹ Cr)	198.13	131.52	100.80	77.28	58.88

As can be seen from the table above, the Company showed commendable improvement on every single operational parameter and looks well poised for years of significant growth in the future.

Financial Highlights

The financial year 2015-16 showed marked improvement on the financial parameters as well and some of the key financial metrics are given below:

Particulars	Mar '16	Mar '15	Mar '14	Mar '13	Mar '12
Paid-up capital	10.70	10.20	9.00	7.00	7.00
Net Worth	91.47	71.25	47.72	24.97	20.41
Total Portfolio	198.13	131.52	100.80	77.28	58.88
Total Borrowings	128.63	87.70	64.68	56.64	36.84
Total Revenue	47.80	33.60	25.58	18.62	13.97
PAT	13.72	9.92	7.27	6.04	4.82
Total Assets	225.27	164.67	116.62	85.50	60.61

Customer Engagement Initiatives

It is often said that “Customer satisfaction is worthless. Customer loyalty is priceless”. The very basic expectation of every customer is that he / she should be satisfied, so there is nothing to feel exhilarating about satisfying a customer. To be satisfied is the basic right of every customer and this is precisely the reason for the existence of organizations. However what is more important is that the company should conduct its business in such a manner to earn the loyalty of the customer forever. A loyal customer is the true asset of every business. Once a customer becomes loyal to an organization, it would be well nigh impossible to shift his loyalty.

At Five Star, we have seen this customer behaviour day in and day out. We have customers who have taken repeated loans from us because they have been immensely satisfied with the level of our services and also our quick turnarounds. Five Star believes in the principle of growing with the customer and understands that the cashflows of its customers, given their profile, are subject to temporary variations. Due to this, the company engages in discussion / dialogue with the customer in the event of loan delinquencies rather than resorting to extreme measures like enforcement of security, etc. Only when the delinquencies remain uncured does the company resort to legal remedies.

Transparency in customer dealings, understanding the needs and issues of our customers, uncompromising process efficiencies have resulted in our borrowers continuing to avail additional loans from Five Star. In fact, the company continues to do about 40% of its business from existing customers and their referrals every month, which stands a testimony of the confidence that the customers have in Five Star.

Human Resources

Every company in the service industry prospers or fails depending on the abilities of its staff. In order to serve the customers and earn their loyalty, every company needs competent, capable and trustworthy staffs, who can help translate the company's mission into reality. The staffs need to be trained, motivated, rotated between functions so that they are able to enhance their skills and also contribute effectively to the cause of the organization.

As at the end of March 31, 2016, the number of employees stood at 333 across the 3 states that the company has operations in. This is an increase of about 58% over the staff strength as at Mar '15. Increased branch network and also sprucing up the staffing at the existing branches has resulted in the increase in staff strength.

During the current financial year, the company also undertook senior management hires, who can help steer the growth of the company. Five Star understood the need for hiring competent professionals who can help translate the mission and vision of the company into actual reality. The company hired a Chief Operating Officer and Chief Financial and Information Officer to manage the assets and liabilities respectively. In addition, the company also hired State Head for AP, HR Head for TN and also carried out internal promotions to ensure that the respective verticals were manned by the right people as the company embarks on a plan of steep growth.

It would be an understatement to mention that Five Star thrives on the strength of its staff. A number of

staff has been with the company for more than 2 decades, which stands testimonial to the focus on human resources prevalent in the company. The company has been able to retain staff due to employee friendly work conditions, comparable monetary compensation and also work challenges which have served as great motivators. Performance appraisal is conducted on a periodic basis and the high performers are well rewarded through salary increments and also promotions to higher designations. Necessary training is also provided to staff which enables them to hone their skills leading to their personal as well as organizational benefit. Due to all the factors enumerated here, the company enjoys one of the lowest attrition in the financial services industry.

Training

Training to staff is an essential prerequisite for the success of any organization. The field officers and branch managers in an NBFC, who are the face of the organization to the customers, will have to be trained adequately so that they are able to understand the financial requirements of the customers and take necessary steps to satisfy such needs. In addition to this, the staff should also be made to understand the policies and processes of the organization so that they are able to discharge their duties without compromising any of the controls laid down by the organization.

Five Star imparts induction and also continuous training to staff so that they have a clear understanding of the processes followed and are able to discharge their duties effectively and efficiently. The Company also equips them with necessary skills so that they stay prepared to shoulder additional responsibilities which will help in their career progression. Immediately upon the recruitment of new field officers or branch managers, they are sent to the Head Office where they are trained in all the functions like credit, collections, accounts and finance, operations, etc before they are even sent to the branch for loan origination. This ensures the confidence and morale of the field officers / branch managers when they face

up to the customers and they are able to present the products of the company more effectively to potential customers.

Information Technology

Leveraging the benefits of technology remains a very important means of achieving cost reduction for any organization. Further the use of technology is also critical to ensure availability of right information with the Management for taking operational and strategic decisions.

Five Star has an in-house developed Management Information System which has been addressing the transaction and MIS needs of the organization. The software also has an inbuilt accounting module, which helps the company to manage its financial accounting and audit requirements. The company undertakes a periodic evaluation of its software to identify opportunities for any improvements which can facilitate better decision-making. Periodic review of the system is done by the Management team and annual review of the adequacy of system controls is also done by our statutory auditors. This ensures that any changes required are made to the system without any delays and the system has adequate controls to prevent any errors of omission or commission.

With the increase in scale and branch network, the company has recognized the need for a more sophisticated ERP system, which will provide significantly better data entry and information capabilities. The company has already finalized FinnOne Neo of Nucleus Software as the ERP solution which will be implemented over the next few months. This system will have separate modules for loan origination, loan management and collections, which will provide the management with better tracking ability at various stages of the loan's life cycle. Microsoft Dynamics, a comprehensive accounting package, will also be integrated into the ERP solution. The ERP solution shall also provide the company with mobile capabilities, which would help reduce turnaround time especially in loan origination.

Treasury

Adequate and timely availability of liquidity is the very breath of a financial institution. As NBFCs, we depend on banks and financial institutions for our funding needs. It is essential to constantly liaise with the banks and financial institutions to ensure that we have an unhampered flow of liquidity which can help grow the lending business. Lending business is like holding a tiger by its tail; it is well nigh impossible to exit the lending business even if one wants to. Collections would become a problem if further funds are not lent. So it is very important that the lending business is managed in the right earnest and flow of liquidity assumes paramount importance for this purpose.

During the financial year 2015-16, Five Star managed to mop up liquidity in the form of term loans from banks and financial institutions, cash credit facilities from banks and also through issue of non-convertible debentures. The Company managed to garner Rs. 85 Cr of funds as against Rs. 60.50 Cr for 2014-15 resulting in an increase of about 40%.

During the current financial year, the company also carried out the issue of a large round of non-convertible debentures (on private placement) amounting to Rs 30 Cr to FMO, a Dutch development bank. The transaction was consummated after a detailed diligence of the company's operations, financials, accounting and other policies, etc. The presence of an institution like FMO on the balance sheet of the company brings manifold benefits like lower cost of funds, longer tenure funds, access to better and bigger funders, etc. It also opens up a new channel of funding to the company, which can be tapped in the future for availing big ticket sanctions.

Given the comfortable capital adequacy at Five Star, banks and financial institutions do come forward to provide credit support. The upgrade in bank loan rating to BBB by CARE Ratings, would also give us access to better sources of funding. We are confident that we will be able to access much higher quantum

of funds at significantly lower cost in the forthcoming years.

Collections

In a lending business, the activity of collections is as important as the activity of origination, if not more. It is essential to ensure that the moneys lent are repaid on time by the borrowers. Since the moneys lent have an underlying funding in the form of debt or equity, it is essential to ensure that the amounts are collected in full and on time so that the debt can be serviced on time and the company can also meet the return expectations of its shareholders.

Five Star has an efficient and effective collections mechanism, which clearly defines the actions that the company will have to take at various stages of loan delinquency. The company has an outbound calling team that checks and acknowledges the payments made by the borrowers and also ascertains the reasons for non-payment from the defaulting borrowers. While the branch officials have the primary responsibility for both origination and collections, there is a dedicated collections team that handles deep delinquency cases. The effectiveness of the company's collections mechanism can be found in the fact that not a single property has been repossessed or sold to recover the borrower loan.

The company also adopts very high standards in dealing with its customers. No form of coercion or intimidation is employed in recovering the customer dues. The company officials are well trained to understand the issues of the customers, if any, and legal remedies are taken up only as a last resort. The company ensures that the customer rights are duly protected in all its dealings with them. This has ensured a very positive impage of the company in the minds of its customers.

Risk Management

Every organization especially those involved in the business of lending are subject to multiple risks. Credit risk arising out of delinquencies leading to non-performing portfolio, Operational risk cropping up from inadequate processes or failure to adhere to predefined processes, Liquidity risk impacting the flow of funds to the organization and Regulatory risk arising out of sectoral considerations are some of the major risks faced by every organization. The Risk Management framework of an organization serves to minimize the impact in the event of any risks threatening to compromise the organizational strength.

Five Star has put in adequate checks and balances in each of the functional activities to minimize these risk incidents and also to counter-act as and when these risks occur. Adherence to regulations without any compromise, following the processes in an immaculate manner, centralized credit decisioning and loan sanction, constant collections follow up are some of the means by which we ensure minimal occurrence of risks. NBFCs are regulated by the Reserve Bank of India, which has stipulated certain regulations to be followed by each and every NBFC. These regulations could range from master directions to the prudential norms to be followed by the NBFCs, corporate governance regulations, etc. At Five Star, adherence to regulations is given paramount importance and the regulations are followed in both letter and in spirit. The Board not only lays down the framework under the purview of these regulations, which should be adhered to by the company, it also ensures through periodic review that the company is in turn in full adherence to these regulations.

While branches are set up at the respective locations to bring in business, the sanction of loans is centralized at the Head Office. The Credit officials at the Head Office are tasked to evaluate the reports submitted by the branch officials, commission independent verification by the field credit officials, and finally take a call based on the reports available. Neither

the branch officials nor the field credit officials have a sanction power, which is housed centrally at the Head Office. This ensures complete independence in the processing of loan proposals. Delegation matrix prescribing sanction limits for each of the credit officials is also in place and any proposal that crosses these limits will have to be approved either by the Chief Operations Officer or the Managing Director. This process helps eliminate any kind of credit risk or the risk of collusion that may arise during the course of business. By having a centralised decisioning system, the company also ensures a quick turnaround of its loan proposals. Deviations, if any, are approved or rejected swiftly thereby reducing the turnaround time. The Credit team at the Head Office also seeks timely clarifications from the branch / field credit officials to ensure minimum TAT on the loan proposals.

Liquidity is another challenge faced by the NBFCs. Inadequate liquidity could severely impact the operations of NBFCs since liquidity is the primary raw material for the functioning of NBFCs. In order to address the liquidity risk, Five Star has an ALCO (Asset-Liability Committee) consisting of senior management staff who meet at periodic intervals to discuss the liquidity as well as the ALM position of the organization. The maturity pattern of the assets and liabilities are evaluated and the ALCO ensures that the ALM gaps in the various time buckets conform to the ALM (Asset Liability Management) policy laid down and approved by the Board. The short and long term cashflow position of the organization is also discussed to ensure that the Company does not face any liquidity risk.

Five Star mandates strict adherence to regulatory guidelines comprising of KYC requirements, transparency, provisioning norms, NPA recognition norms, etc, and thereby expend all efforts to ensure orderly functioning, which ensure that the company is on the right side of regulations laid down by the Reserve Bank of India. Compliance to the regulations puts Five Star on a stronger foot and it is able to address any sectoral concerns as and when they crop up with minimal impact. The actions of the

regulator in the recent past in the form of granting small finance bank licenses to NBFCs and also making such licenses on-tap augur well for the NBFC industry and we are confident that the industry would stand in good stead from a regulatory perspective in the years to come.

Last but not the least and in fact one of the biggest developments in the company has been the grant of Certificate of Registration provided by National Housing Bank to Five Star to carry on the business of a Housing Finance Company. Though Five Star already has a portion of its portfolio in the form of housing loans, the grant of registration would help the company get access to cheaper funds from banks (on account of the priority sector benefit that the banks would get on such lending to HFCs) and for a much longer tenure. This would help the company lend to its borrowers at a lower interest rate and a longer tenure, which would significantly reduce the EMI burden of the borrowers. The company can also target to enroll its loans under the Housing for all (Pradhan Mantri Awas Yojana) scheme which aims at providing interest subsidies to the borrowers and reduce their debt burden significantly.

Five Star is like a plane waiting to take off; the plane has been well fueled, maintained to manage the rigours of a long journey, and adequately staffed to reach for the skies. Five Star too has all the necessary infrastructure in place to sale new highs in the years to come. Exciting times beckon us and it is up to us to make the best of our good times.

The image features a white background with several thick, stylized arrows. There are three blue arrows and three red arrows. The arrows are arranged in a dynamic, overlapping pattern. One blue arrow points towards the top-left, another blue arrow points towards the top-right, and a third blue arrow points towards the bottom-right. Similarly, one red arrow points towards the top-right, another red arrow points towards the bottom-left, and a third red arrow points towards the bottom-right. The arrows have a slight curve and a 3D effect, giving them a sense of movement and depth.

***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 (Formerly known as "Five-Star Business Credits Limited") ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, 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. 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:

a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;

b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

c) In the case of the Cash Flow Statement, of the 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.

(e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the Operating Effectiveness of such controls, refer to our separate report in "Annexure - B"

(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 30.8 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 30.9 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 delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

Chennai
24th May 2016

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

**“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 regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2016 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 which have not been deposited on account of any dispute. Details of disputed Income tax not deposited are as follows:

<i>Name of dues</i>	<i>Amount (₹ Lakhs)</i>	<i>Period to which the amount relates</i>	<i>Forum where the dispute is pending</i>
Income Tax	6,73,698	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 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 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 451A 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
24th May 2016

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

**“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 (formerly known as “Five-Star Business Credits Limited”) (“the Company”) as of 31st March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal
Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting 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 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Chennai
24th May 2016

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

Balance Sheet as at 31st March 2016

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<i>Particulars</i>	<i>Note No.</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Share Capital	3	107,000,000	102,000,000
(b) Reserves and surplus	4	804,664,224	610,515,444
		911,664,224	712,515,444
2. Non-current liabilities			
(a) Long term borrowings	5	800,228,098	347,201,603
(b) Other Long term Liabilities	6	121,694	2,370,412
(c) Long term provisions	7	8,841,955	6,029,738
		809,191,747	355,601,753
3. Current liabilities			
(a) Short Term borrowings	8	138,215,578	157,454,001
(b) Trade payables: Total outstanding dues of			
(A) Micro Enterprises & Small Enterprises		-	-
(B) Creditors other than Micro enterprises & small enterprises	9	5,717,853	5,642,754
(c) Other current liabilities	10	371,251,439	385,044,341
(d) Short term provisions	11	12,214,076	30,424,762
		527,398,946	578,565,858
Total		2,248,254,917	1,646,683,055
B ASSETS			
1 Non- current assets			
(a) Fixed assets			
(i) Tangible assets	12	18,430,760	7,305,184
(ii) Intangible assets	12	657,127	469,391
(b) Non-Current Investments	13	150,355,615	-
(c) Deferred tax assets(net)	14	10,087,770	5,578,059
(d) Long term receivables under financing activity	15	1,463,174,307	882,642,145
(e) Long term loans and advances	16	9,754,578	10,771,232
(f) Other Non Current Assets	17	617,900	314,464
		1,653,078,057	907,080,475
2 Current assets			
(a) Current Investments	18	40,000,000	1,875,000
(b) Cash and Bank Balances	19	30,657,625	287,185,083
(c) Short term receivables under financing activity	20	518,079,321	432,502,980
(d) Short term loans and advances	21	5,963,718	14,284,822
(e) Other Current Assets	22	476,196	3,754,695
		595,176,860	739,602,580
Total		2,248,254,917	1,646,683,055

Significant Accounting Policies and Notes to the Accounts 2 to 30
As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

For and on behalf of Board of Directors**D. Lakshmiopathy**

Chairman & Managing Director

B. Haribabu

Director

Place : Chennai

Date: 24.05.2016

G. Srikanth

Chief Financial Officer

V. Nikita

Company Secretary

Statement of Profit & Loss for the Year ended 31st March 2016

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Particulars	Note No.	2015 - 2016	2014 - 2015
Revenue			
Revenue from Operations	23	462,818,141	329,887,387
Other income	24	10,262,272	6,149,138
Total Revenue		473,080,413	336,036,525
Expenses			
Finance costs	25	140,728,963	103,711,509
Employee benefit expenses	26	78,410,236	48,851,309
Other expenses	27	38,363,809	23,435,050
Provision, loan loss and other charges	28	7,276,578	4,445,844
Depreciation	12	5,113,527	3,618,843
Total Expenses		269,893,113	184,062,555
Profit Before Tax		203,187,300	151,973,970
Tax expenses			
Current tax expenses		73,548,231	54,694,831
Deferred tax		(4,509,711)	(1,940,484)
		69,038,520	52,754,347
Profit for the Year		134,148,780	99,219,623
Earnings per share - (Refer Note 30.4)			
Weighted Average number of Shares (Face Value Rs.10/- per share)		10,427,322	9184,110
Basic (of Rs.10/- each)		12.87	10.80
Diluted		12.87	10.80

Significant Accounting Policies and Notes to the Accounts 2 to 30
As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants
Firm Registration Number 000511S

L. Ravi Sankar
Partner
Membership No. 025929

Place : Chennai
Date: 24.05.2016

For and on behalf of Board of Directors

D. Lakshmi pathy
Chairman & Managing Director

B. Haribabu
Director

G. Srikanth
Chief Financial Officer

V. Nikita
Company Secretary

Cash Flow Statement for the Year ended 31st March 2016

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Particulars	As at 31.03.2016	As at 31.03.2015
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	134,148,780	99,219,623
Provision for Taxation	69,038,520	52,754,347
	203,187,300	151,973,970
Add: Financial Expenses	140,728,963	103,711,510
	343,916,263	255,685,480
Depreciation	5,113,527	3,618,843
Provision against Non - Performing assets	1,485,008	1,347,390
General Provision on Standard Assets	1,635,373	771,067
Provision for Gratuity	1,354,604	1,301,151
(Profit)/ loss on sale of Fixed Assets	-	(59,371)
Operating Profit Before Working Capital Changes	353,504,775	262,664,560
(Increase) Decrease in Loans and Advances	(666,108,504)	(307,135,246)
(Increase) Decrease in Other Receivables	9,337,758	2,550,426
(Increase) Decrease in Other Current Assets	3,278,499	(2,135,686)
(Increase) Decrease in Other Non Current Assets	(303,436)	360,856
Increase (Decrease) in Current Liabilities	184,968	4,062,706
Increase (Decrease) in Other Current Liabilities	(61,437)	(1,418,681)
	(653,672,152)	(303,715,625)
	(300,167,377)	(41,051,065)
Financial Expenses	(133,692,818)	(106,988,787)
Direct Taxes Paid	(73,524,496)	(50,330,536)
	(207,217,314)	(157,319,323)
Net Cash from Operating Activities (A)	(507,384,691)	(198,370,388)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(16,426,838)	(4,214,869)
Sale of Fixed Assets	-	151,500
Investments in Fixed Deposit	3,750,000	(5,000,000)
(Purchase) / Sale of Current Investments	(38,125,000)	5,733,257
(Purchase) / Sale of Non Current Investments	(150,355,615)	-
Net Cash from Investing Activities (B)	(201,157,453)	3,330,112

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<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03 2015</i>
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term & Medium Term		
Increase in Share Capital	5,000,000	12,000,000
Increase in Share Premium	60,000,000	144,000,000
Proceeds from Issue of Debentures	300,000,000	17,500,000
Debentures Redeemed	(64,970,000)	(68,179,000)
Increase (Decrease) in Term Loans from Banks & Others	194,495,495	156,646,700
Increase (Decrease) in Loan from Directors	(4,811,000)	1,066,000
Increase (Decrease) in Other Borrowings	(67,123,218)	67,123,218
Short Term		
Increase (Decrease) in Bank Borrowings	53,070,599	60,013,015
Dividend paid (Including Corporate Dividend Tax)	(19,897,189)	(15,191,401)
Net Cash from Financing Activities (C)	455,764,687	374,978,532
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(252,777,457)	173,278,032
Cash and Cash Equivalents at the Beginning of the Year	277,435,082	104,157,050
Cash and Cash Equivalents at the End of the Year	24,657,625	277,435,082
Components of Cash and Cash Equivalents at the end of the Year		
Cash on Hand	3,108,914	5,276,939
Cash with Scheduled Banks	21,548,711	272,158,143
Cash and Cash Equivalents	24,657,625	277,435,082

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 24.05.2016

For and on behalf of Board of Directors

D. Lakshmi pathy

Chairman & Managing Director

B. Haribabu

Director

G. Srikanth

Chief Financial Officer

V. Nikita

Company Secretary

1. Corporate information

Five-Star Business Credits Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows RBI guidelines applicable for NBFCs. The Company is a public limited company with Registered & Head Office at Kilpauk, Chennai.

The Company has been in business for 32 years providing finance for Small Business Loans and 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 by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

The Company 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).

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. Depreciation / Amortisation

Depreciation on Fixed Assets is provided in accordance with useful life specified in the schedule II of the Companies Act, 2013. Depreciation for additions and deletions are provided on a pro-rata basis.

Intangible Assets are amortised over the expected useful life of 5 years.

2.4. Revenue recognition

Interest Income is recognised 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 recognised only when realised and any interest accrued until the asset became a Non performing Asset and remaining overdue is de-recognised by reversing the interest income.

Processing Fees, Penal Interest, Cheque bounce charges and other charges are recognised as income upon certainty of receipt

2.5. Tangible fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

2.6. 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.

2.7. Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Non Current Investments are valued at cost, Current Investments are valued at lower of cost or net realisable value.

2.8. Employee benefits

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

Defined contribution plans

Contributions to the Employees Provident Fund Scheme maintained by the Central Government and the Company's contribution to the fund are charged to the revenue.

Defined benefit plans

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 recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised 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.

2.9. 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.

2.10. 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.

2.11. 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.

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.

2.12. Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. 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.

2.13. 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.

Notes forming part of Financial Statements

Note 3 Share Capital

<i>Particulars</i>	<i>As at 31.03.2016</i>		<i>As at 31.03.2015</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
(a) Authorised				
Equity Shares of Rs.10 each	12,000,000	120,000,000	12,000,000	120,000,000
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	10,700,000	107,000,000	10,200,000	102,000,000

Notes:

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

<i>Particulars</i>	<i>As at 31.03.2016</i>		<i>As at 31.03.2015</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
Equity Shares				
Opening Balance	10,200,000	102,000,000	9,000,000	90,000,000
Add - Shares Issued During the Year	500,000	5,000,000	1,200,000	12,000,000
Closing Balance	10,700,000	107,000,000	10,200,000	102,000,000

(ii) Pursuant to the approval accorded by the Shareholders at the Extraordinary General Meeting held on 24th January 2015, the Board of Directors at the Board Meeting held on 29th September 2015 allotted 350,000 Equity Shares of Rs.10 each at a premium of Rs.120 per share and on 30th November 2015 allotted 150,000 Equity Shares of Rs.10 each at a premium of Rs.120 per share on preferential basis amounting to Rs.65,000,000/- to Mr.D. Lakshmipathy, Chairman and Managing Director

(iii) 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.

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

<i>Class of shares / Name of shareholder</i>	<i>As at 31.03.2016</i>		<i>As at 31.03.2015</i>	
	<i>No. of Shares held</i>	<i>% of holding in that class of shares</i>	<i>No. of Shares held</i>	<i>% of holding in that class of shares</i>
Equity Shares				
Matrix Partners India Investment Holdings II, LLC	3,940,240	36.82	3,940,240	38.63
D. Lakshmi pathy	2,518,730	23.54	1,937,830	19.00
L. Hema	2,182,760	20.40	2,166,760	21.24

Note 4 Reserves and Surplus

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
(a) Securities premium account		
Opening balance	349,905,000	205,905,000
Add: Premium on shares issued during the year	60,000,000	144,000,000
Closing Balance	409,905,000	349,905,000
(b) Statutory Reserve (Note 4.1)		
Balance at the beginning of the year	69,700,000	49,716,698
Add: Amount transferred from surplus In the statement of profit and loss	26,900,000	19,983,302
Closing Balance	96,600,000	69,700,000
(c) General Reserve		
Balance at the beginning of the year	38,400,000	28,400,000
Add: Amount transferred from surplus In the statement of profit and loss	13,500,000	10,000,000
Closing Balance	51,900,000	38,400,000
(d) Surplus in the statement of Profit and Loss		
Balance at the beginning of the year	152,510,444	103,211,835
Less: Transition Reserve on Depreciation under Companies Act, 2013	-	40,523
	152,510,444	103,171,312
Add: Profit for the year	134,148,780	99,219,623
Less: Appropriations		
Transfer to Statutory Reserve	26,900,000	19,983,302
Transfer to General Reserve	13,500,000	10,000,000
Dividend	-	16,531,397
Distribution tax on Dividend	-	3,365,792
Net Surplus in the statement of Profit and Loss	246,259,224	152,510,444
Total Reserves and surplus	804,664,224	610,515,444

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

Note 5 : Long Term Borrowings

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A. Secured:		
a. Redeemable Non - Convertible Debentures	302,500,000	23,839,000
b. Term Loans:		
- From Banks	234,707,744	176,688,952
- From Other Parties	259,812,354	123,335,651
B. Unsecured:		
a. Loan from Related Parties	3,208,000	23,338,000
	800,228,098	347,201,603

5.1 Debentures

The company had privately placed Secured Redeemable Non-Convertible Debentures with a maturity period of upto 5 years with an outstanding of Rs.320,846,000 (Previous Year Rs.86,062,000)

₹

<i>Maturity of Secured Non-Convertible Debentures As at 31.03.2016</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>
> 9.75 to 12	624,000	-	-	624,000
> 12 to 12.5	17,722,000	2,500,000	-	20,222,000
13.60-	-	-	300,000,000	300,000,000
Total	18,346,000	2,500,000	300,000,000	320,846,000

<i>As at 31.03.2015</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>
> 9.75 to 12	22,937,000	-	-	22,937,000
> 12 to 12.5	34,737,000	20,513,000	2,500,000	57,750,000
> 12.5 to 12.63	4,549,000	826,000	-	5,375,000
Total	62,223,000	21,339,000	2,500,000	86,062,000

5.2 Details of Loans from Banks - Secured

₹

<i>Name of the Bank</i>	<i>Tenor</i>	<i>Repayment Terms</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A. Cash Credit Facilities:				
The Federal Bank Limited	On Demand	On Demand	46,023,130	45,801,906
City Union Bank Limited	On Demand	On Demand	74,370,903	44,528,877
Tamilnadu Mercantile Bank Limited	On Demand	On Demand	17,821,545	-
		Total	138,215,578	90,330,783
b. Term Loans:				
The Federal Bank Limited *	36 Months	Principal Monthly, Interest Monthly	32,386	398,931
The Federal Bank Limited *	36 Months	Principal Monthly, Interest Monthly	369,729	600,185
HDFC Bank Limited	36 Months	Principal Monthly, Interest Monthly	5,018,297	-
Karnataka Bank	60 Months	Principal Monthly, Interest Monthly	25,000,000	-
SIDBI	36 Months	Principal Monthly, Interest Monthly	3,750,000	11,550,000
The Ratnakar Bank Limited	36 Months	Principal Quaterly, Interest Monthly	20,833,333	37,500,000
The Ratnakar Bank Limited	36 Months	Principal Quaterly, Interest Monthly	46,666,667	70,000,000
HDFC Bank Limited	24 Months	Principal Monthly, Interest Monthly	15,930,656	40,691,249
DCB Bank Limited	36 Months	Principal Quaterly, Interest Monthly	29,165,000	45,833,000
Bank of Maharashtra	36 Months	Principal Monthly, Interest Monthly	34,840,000	50,000,000
Tamilnadu Mercantile Bank Limited	48 Months	Principal Monthly, Interest Monthly	25,000,004	50,000,000
The Laksmi Vilas Bank Limited	48 Months	Principal Monthly, Interest Monthly	40,614,859	-
DCB Bank Limited TL II	60 Months	Principal Quaterly, Interest Monthly	95,000,000	-
Bank of Baroda	48 Months	Principal Monthly, Interest Monthly	73,214,285	-
		Total	415,435,216	306,573,365

- (a). Loans are secured by hypothecation of specified Receivables under Financing Activity
 (b). * these loans secured by Hypothecation of the vehicles purchased from the loan amount
 (c). All the above loans have been guaranteed by Mr. D. Lakshmpathy, Chairman & Managing Director

₹

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
Long Term Borrowings (Refer Note 5)	234,707,744	176,688,952
Other Current Liabilities (Refer Note 10)	180,727,472	129,884,413
Total	415,435,216	306,573,365

5.3 Details of Loans from Financial Institutions

₹

<i>Name of the Lenders</i>	<i>Tenor</i>	<i>Repayment Terms</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	-	12,499,997
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	2,777,777	19,444,445
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	5,555,552	22,222,220
MAS Financial Services Limited	36 Months	Principal Monthly, Interest Monthly	4,861,124	13,194,452
MAS Financial Services Limited	60 Months	Principal Monthly, Interest Monthly	100,000,000	-
Reliance Capital Limited	24 Months	Principal Monthly, Interest Monthly	-	9,691,606
Reliance Capital Limited	24 Months	Principal Monthly, Interest Monthly	-	7,339,059
IFMR Capital Finance Pvt Ltd	24 Months	Principal Monthly, Interest Monthly	-	20,573,309
IFMR Capital Finance Pvt Ltd	24 Months	Principal Monthly, Interest Monthly	-	12,398,561
IFMR Capital Finance Pvt Ltd	36 Months	Principal Monthly, Interest Monthly	16,687,044	25,887,730
IFMR Capital Finance Pvt Ltd	60 Months	Principal Monthly, Interest Monthly	50,000,000	-
Hinduja Leyland Finance Limited	48 Months	Principal Monthly, Interest Monthly	20,045,002	27,099,813
Hinduja Leyland Finance Limited	48 Months	Principal Monthly, Interest Monthly	25,550,072	-

₹

<i>Name of the Lenders</i>	<i>Tenor</i>	<i>Repayment Terms</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Sundaram Finance Limited	36 Months	Principal Monthly, Interest Monthly	24,589,114	40,156,141
Sundaram Finance Limited	36 Months	Principal Monthly, Interest Monthly	29,980,158	44,889,048
Sundaram Finance Limited	60 Months	Principal Monthly, Interest Monthly	46,043,581	-
M & M Financial Services Limited	24 Months	Principal Monthly, Interest Monthly	18,263,061	42,618,607
Cholamandalam Investment and Finance Company Limited	60 Months	Principal Monthly, Interest Monthly	44,481,950	-
		Total	388,834,435	298,014,988

(a) All loans are secured by hypothecation of specified Receivables under Financing Activities

(b) All the above loans have been guaranteed by Mr.D. Lakshmipathy, Chairman & Managing Director except Hinduja Leyland Finance Ltd. and Mahindra & Mahindra Financial Services Ltd.,

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Long Term Borrowings (Refer Note 5)	259,812,354	123,335,651
Other Current Liabilities (Refer Note 10)	129,022,081	174,679,337
Total	388,834,435	298,014,988

Note 6 : Other Long Term Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest accrued but not due on borrowings	121,694	2,370,412
Total	121,694	2,370,412

Note 7 : Long Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Provision for Employee Benefits		
Provision for Gratuity	4,127,375	2,854,745
Other Provisions		
Provision for Standard Assets	3,633,176	2,190,625
Provision for Non-Performing Assets	1,081,404	984,368
Total	8,841,955	6,029,738

Note 8 : Short Term Borrowings

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks (Refer Note 8.1)	138,215,578	90,330,783
B. Unsecured:		
a. Commercial Papers (Refer Note 8.2)	-	67,123,218
Total	138,215,578	157,454,001

8.1 Refer Note 5.2 for details of Security, tenor and repayment terms

8.2 Face Value of Commercial Paper Outstanding as on 31.03.2016 was Rs.NIL-
(31.03.2015 – Rs. 75,000,000)**Note 9 : Trade Payables**

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Total outstanding dues of creditors other than micro enterprises and small enterprises	5,717,853	5,642,754
Total	5,717,853	5,642,754

Note 10 : Other Current Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Current Maturities of Long Term Borrowings (Refer Note 10.1)		
- from Banks	180,727,472	129,884,413
- from Other Parties	129,022,081	174,679,337
On Debentures	17,275,000	60,906,000
On Loan from Directors	20,822,000	5,503,000
Interest accrued but not due on borrowings	17,666,447	8,381,583
Unclaimed Dividend	790,115	831,776
Unpaid matured debentures	1,071,000	1,317,000
Interest accrued on unpaid matured Debentures	286,338	300,669
Unpaid Loan from Directors	200,000	41,000
Interest accrued on unpaid Loan from Directors	54,000	14,107
Statutory due Payable	3,336,986	3,185,456
Total	371,251,439	385,044,341

10.1 Refer Note 5.2 & 5.3 for details of security, tenor and repayment terms.

Note 11 : Short Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Provision for Employee Benefits		
Provision for Gratuity	302,065	220,091
Other Provisions		
Provision for Standard Assets	1,230,453	1,037,631
Provision for Non-Performing Assets	4,785,681	3,397,709
Proposed Dividend - Equity	-	16,531,397
Provision for Distribution tax on Dividend	-	3,365,792
Provision for Income Tax	5,895,877	5,872,142
Total	12,214,076	30,424,762

Provision for Income Tax comprises net off TDS and Advance Tax Rs. 122,347,185/- (31.03.2015 – Rs.85,500,679/-)

Note 12 : Fixed Assets

	Gross Block			Depreciation			Net Block				
	Balance as at 01.04.2015	Addition	Deletion	Balance as at 31.03.2016	Balance as at 01.04.2015	For the Year	Transition Reverse	Deduction	Balance as at 31.03.2016	Balance as at 31.03.2015	
(I) Tangible Assets											
Furniture & Fixtures	8,136,122	7,091,344	-	15,227,466	3,962,149	2,047,176	-	-	6,009,325	9,218,141	4,173,973
Computers	3,971,987	2,284,700	-	6,256,687	2,675,171	1,366,879	-	-	4,042,050	2,214,637	1,296,816
Office Equipments	779,409	879,638	-	1,659,047	559,018	355,624	-	-	914,642	744,405	220,391
Vehicles	3,762,795	5,840,000	-	9,602,795	2,148,791	1,200,427	-	-	3,349,218	6,253,577	1,614,004
Total	16,650,313	16,095,682	-	32,745,995	9,345,129	4,970,106	-	-	14,315,235	18,430,760	7,305,184
(II) Intangible Assets											
Computer Software	837,903	331,156	-	1,169,059	368,512	143,421	-	-	511,933	657,127	469,391
Total	17,488,216	16,426,838	-	33,915,054	9,713,641	5,113,527	-	-	14,827,168	19,087,887	7,774,575
Previous Year	13,775,368	4,214,869	502,021	17,488,216	6,443,301	3,618,843	61,389	409,892	9,713,641	7,774,575	7,332,067

Note 13 : Non-current Investments

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Investment Property	355,615	-
Trade Investments in Subsidiary Company Five-Star Housing Finance Private Limited 15,000,000 equity share of Rs.10 each	150,000,000	-
Total	150,355,615	-

Note 14: Deferred Tax Assets (Net)

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Deferred Tax Asst		
a) Depreciation	1,246,299	-
b) Employee Benefits	1,533,029	1,045,137
c) Provision for Non Performing Assets	2,030,598	1,489,468
d) Provision for Standard Assts	1,683,302	1,097,284
e) Income derecognised on Non Performing Assets	3,594,542	2,756,314
Total (A)	10,087,770	6,388,203
Less: Deferred Tax Liability		
a) Depreciation (B)	-	810,144
Net Deferred Tax Asset (A) - (B)	10,087,770	5,578,059

Note 15 : Long Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Considered Good:		
A. Secured		
Loans	1,463,174,307	882,642,145
Total	1,463,174,307	882,642,145

The Long Term Receivables Under Financing Activities includes Non-Performing Loans of Rs.9,903,864 (31-03-2015 - Rs.6,476,422)

Note 16 : Long Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Unsecured, Considered Good		
Rental Deposit		
- To Related Parties	400,000	400,000
- To Others	6,765,650	4,585,000
Security Deposit	2,500,000	2,500,000
Security Deposit – Other NBFCs	-	3,229,167
Others	88,928	57,065
Total	9,754,578	10,771,232

Note 17 : Other Non Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest Accrued on Deposits with Banks and NBFCs	617,900	314,464
Total	617,900	314,464

Note 18 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Investments in Mutual Funds		
Reliance Liquid Fund - Treasury Plan	40,000,000	-
(Opening as on 01.04.2015 - Nil Units, Additions During F.Y.2015-16 - 77231 units, Redemptions During F.Y.2015-16 - 66396 Units and Closing as on 31.03.2016 - 10835 Units)		
Reliance Dynamic Bond Fund – Growth Plan	-	1,875,000
(Opening as on 01.04.2015 - 120435 Units, Additions During F.Y.2015-16 - Nil units, Redemptions During F.Y.2015-16 - 120435 Units and Closing as on 31.03.2016 - Nil Units)		
Total	40,000,000	1,875,000
Aggregate cost of investments		
- At Cost	40,000,000	1,875,000
- At Market Value (Net Asset Value)	40,037,005	2,288,867

Note 19 : Cash and Bank Balances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	3,108,914	5,276,939
(b) Balances with Banks		
(i) In Current accounts	20,758,596	21,326,368
(ii) In Deposit accounts with less than 3 months maturity	-	250,000,000
(iii) In Unpaid Dividend Accounts	790,115	831,776
Total	24,657,625	277,435,083
2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Maturity more than 12 months	6,000,000	9,750,000
Total	30,657,625	287,185,083

Note 20 : Short Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Considered Good:		
A. Secured		
Loans	518,079,321	432,502,980
Total	518,079,321	432,502,980

The Short Term Receivables Under Financing Activities includes Non-Performing Loans of Rs.26,200,633 (31-03-2015 - Rs.17,450,382)

Note 21 : Short Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Unsecured, Considered Good		
Rental Deposit		
- To Others	520,000	760,000
Branch Opening Advance	414,000	-
Security Deposit – Other NBFCs	3,907,164	12,325,029
Staff Advances	74,339	52,594
Others	1,048,215	1,147,199
Total	5,963,718	14,284,822

Note 22 : Other Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest Accrued on Deposits with Banks and NBFCs	476,196	3,754,695
Total	476,196	3,754,695

Note 23 : Revenue from Operations

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Interest Income	410,783,452	309,167,391
Processing Fees	18,309,479	9,491,937
Other operating income	33,725,210	11,228,059
Total	462,818,141	329,887,387

Note 24: Other Income

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Dividend	-	65,869
Interest on Bank Deposits	6,298,469	3,942,541
Interest on NBFC Deposits	813,828	1,636,467
Profit on Redemption of Mutual Fund Units	2,513,125	429,606
Profit on sale of Tangible Assets	-	59,371
Other non-operating Income	636,850	15,284
Total	10,262,272	6,149,138

Note 25 : Finance Costs

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Interest on		
(i) Bank Loans	56,893,323	28,446,657
(ii) Corporate Loans	43,866,474	49,324,583
(iii) Debentures	20,344,160	13,370,251
(iv) Other Loans	3,379,673	3,244,823
Discounting Charges on Commercial Paper	7,876,782	1,254,218
Other Borrowing Costs	8,368,551	8,070,977
Total	140,728,963	103,711,509

Note 26 : Employee Benefit Expenses

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Salaries, Commission and Bonus	71,572,082	44,330,667
Contribution to Provident Fund, ESI and Gratuity	5,150,276	3,584,047
Staff welfare expenses	1,687,878	936,595
Total	78,410,236	48,851,309

Note 27 : Other Expenses

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Rent	7,280,517	5,003,695
Electricity Charges	905,136	525,441
Rates and Taxes	463,555	444,556
Communication Expenses	3,220,806	1,976,565
Consultancy Fees	3,104,787	1,876,000
Printing and Stationery	3,126,804	1,746,886
Directors Sitting Fees	250,000	355,000
Repairs and Maintenance	2,329,516	1,196,111
Audit Fees - Statutory Audit	500,000	500,000
- Tax Audit	200,000	200,000
- Other Services	15,000	7,500
Traveling Expenses	713,228	980,390
Insurance	341,422	360,489
Service Tax	6,733,900	3,919,304
Collection Charges	3,751,243	1,456,014
Rating Fees	627,179	625,000
Corporate Social Responsibility Activities	300,000	500,000
Other Donations	5,000	9,500
Miscellaneous Expenses	4,495,716	1,752,599
Total	38,363,809	23,435,050

Note 28 : Provisions, Loan Losses and Other Charges

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Bad Debts	4,156,197	2,327,387
Provision for Non-Performing Assets	1,485,008	1,347,390
Provision for Standard Assets	1,635,373	771,067
Total	7,276,578	4,445,844

Note 29 : Additional information to the financial statements**29.1. 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"

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

₹

<i>Asset Classification</i>	<i>Loan Outstanding as at 31.03.2016</i>	<i>Provision for Assets as at 31.03.2016</i>	<i>Loan Outstanding as at 31.03.2015</i>	<i>Provision for Assets as at 31.03.2015</i>
Standard Assets	1,945,149,132	4,863,629	1,291,389,390	3,228,256
Sub-Standard Assets	30,589,676	3,059,158	18,923,086	1,892,311
Doubtful Assets	5,514,821	2,807,927	4,832,649	2,472,659
Loss Assets	-	-	-	-
Total	1,981,253,629	10,730,714	1,315,145,125	7,593,226

29.3. Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated August 1, 2008**29.3.1. Capital Adequacy Ratio**

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
CRAR (%)	39.14	52.17
CRAR – Tier I Capital (%)	39.14	52.17
CRAR – Tier II Capital (%)	-	-

29.3.2. Exposure to Real Estate Sector

₹ in Lakhs

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
(A) (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 Rs. 15 Lakhs	4557.11	2838.31
- Individual housing loans more than Rs. 15 Lakhs	214.05	243.10
(ii) Commercial Real Estates - Lending secured by mortgages on commercial real estates (office building, retain space, multipurpose commercial premises, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and constructions, etc)		
Fund Based	-	-
Non Fund Based	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
(B) Indirect Exposure Fund based and Non-fund based exposure on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

29.3.3. Asset Liability Management**Maturity pattern of certain items of assets and liabilities****2015 - 2016**

₹ 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	Total
Liabilities								
Borrowing from Banks								
/ Financial Institutions/CP	247.80	301.56	263.54	1267.61	2339.68	3324.87	1679.97	9425.03
Market Borrowings	82.05	22.82	6.52	6.87	275.42	1342.79	1714.29	3450.76
Assets								
Advances	484.01	466.33	473.10	1436.61	2261.95	8016.13	4823.99	19812.54
Investments	400.00	0.00	0.00	10.00	0.00	50.00	-	1503.56

Maturity pattern of certain items of assets and liabilities**2014 - 2015**

₹ 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	Total
Liabilities								
Borrowing from Banks								
/ Financial Institutions/CP	204.77	248.33	322.93	1724.16	2117.79	2949.12	53.32	7620.42
Market Borrowings	37.89	26.09	34.16	119.75	434.78	496.77	0.00	1149.44
Assets								
Advances	365.01	361.42	366.55	1107.04	2125.32	5673.31	2511.90	13151.98
Investments	1525.93	1012.50	0.00	82.45	58.61	92.30	0.00	2771.79

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.3,051,745/- (Year ended 31st March 2015 Rs.1,760,064) 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.

<i>Contribution to</i>	<i>2015-16</i>	<i>2014-15</i>	<i>2013-14</i>	<i>2012-13</i>	<i>2011-12</i>
Provident Fund	3,051,745	1,760,064	927,315	534,617	389,775
Employees State Insurance	713,124	521,502	459,914	248,274	210,228

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 2016. Gratuity provision has been made based on the actuarial valuation ₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Present Value of the Obligation at the beginning of the period.	3,074,836	1,773,685
Interest Cost	238,729	161,405
Service Cost	537,195	306,663
Part Service Cost – (Vested Benefits)	-	-
Actuarial Loss/(gain) on obligation (Balancing Figure)	607,093	833,083
Benefits Paid	(28,413)	-
Projected Benefit Obligation as at the End of the Year	4,429,440	3,074,836
Changes in the Fair Value of Plan Assets		
Expected Returns on Plan Assets at the Beginning of the Year	-	-
Employer's Contribution	28,413	-
Benefits Paid	(28,413)	-
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	4,429,440	3,074,836
Fair Value of the Plan Assets at the Year end	-	-
Liability Recognised in the Balance sheet	4,429,440	3,074,836

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Expenses recognised in the statement of profit & Loss:		
Current Service cost	537,195	306,663
Interest Cost	238,729	161,405
Expected Return on Plan Assets	-	-
Net Actuarial (Gains) / Losses Recognized in the Year	607,093	833,083
Past Service Cost – Vested Benefits	-	-
Expenses recognised in the statement of profit & loss:	1,383,017	1,301,151
Assumptions Discount Rate	7.80%	7.80%
Future Salary Increase	5.00%	5.00%
Attrition Rate	7.00%	7.00%
Expected Rate of Return on Plan Assets	NA	NA

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

<i>Particulars</i>	<i>2015-16</i>	<i>2014-15</i>	<i>2013-14</i>	<i>2012-13</i>	<i>2011-12</i>
Defined Benefit Obligations	4,429,440	3,074,836	1,773,685	1,745,881	2,256,671
Plan Assets	-	-	-	-	-
Surplus (Deficit)	(4,429,440)	(3,074,836)	(1,773,685)	(1,745,881)	(2,256,671)
Expenses adjustments on plan liabilities	(607,093)	(565,052)	198,878	(125,355)	95,216
Expenses adjustments on plan assets	-	-	-	-	-

30.2. Related Party Transactions**30.2.a. Related Parties:**

Key Management Personnel: Mr.D. Lakshmipathy, Chairman and Managing Director

Relatives of Key Management Personnel:

Mr.D. Lakshmipathy	L. Hema	Wife
	R. Deenadayalan	Father
	D. Varalakshmi	Mother
	B. Sudha	Sister

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)

Companies, directly or indirectly, holding more than 20% of the voting power of the company:

Matrix Partners India Investment Holdings II, LLC

Subsidiary Company:

Five-Star Housing Finance Private Limited

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

₹

<i>Transactions</i>	<i>Key Management Personnel as at 31.03.2016</i>	<i>Key Management Personnel as at 31.03.2015</i>	<i>Relatives of Key Management Personnel as at 31.03.2016</i>	<i>Relatives of Key Management Personnel as at 31.03.2015</i>	<i>Others 31.03.2016</i>	<i>Others 31.03.2015</i>
Expenses:						
Interest	-	-	222,187	105,038	-	-
Salary	6,021,600	4,216,500	-	-	-	-
Commission/ Remuneration	-	3,000,000	-	-	-	-
Rent	864,000	864,000	-	-	-	-
Assets						
Investment in Subsidiary	-	-	-	-	150,000,000	-
Rent Advance	400,000	400,000	-	-	-	-
Liabilities						
Issue of Equity Shares	5,000,000	-	-	-	-	12,000,000
Receipt of Share Premium	60,000,000	-	-	-	-	144,000,000
Equity Share Capital	25,187,300	19,378,300	21,827,600	21,667,600	39,402,400	39,402,400
Borrowings	-	-	1,780,000	1,670,000	-	-

30.3. 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.72,80,517/- (Previous Year Rs5,003,695/-) was debited to the statement of Profit and Loss towards lease rentals and other charges for the office premises during the current year.

30.4. Earnings per share

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Profit after tax (Rs.)	134,148,780	99,219,623
Weighted Average Number of Equity Shares		
- Basic (No.)	10,427,322	9,184,110
- Diluted (No.)	10,427,322	9,184,110
Earnings Per Share (EPS)		
- Basic (No.)	12.87	10.80
- Diluted (No.)	12.87	10.80
Face Value of Shares (Rs.)	10	10

30.5. Expenditure in foreign currency on payment basis

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Processing Fee	836,801	-
Reimbursement of expenses	755,696	-

30.6. Contingent liability**Contested Claims Not Provided for:**

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Income Tax issue where the Company is in appeal	673,698	673,698
Disputed claims against the company lodged by parties under litigation.	5,004,000	5,004,000

30.7. 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"

30.8. Pending Litigations

The Pending Litigations as on 31st March 2016 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.

30.9. Provision for Loan Accounts

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

30.10. Capital Commitment

Estimated amount of contracts remaining to be executed on capital account is Rs.21,018/- (Net of advances of Rs.19,000/-)

30.11. Corporate Social Responsibility Activities

The Company has spent an amount of Rs.300,000/- towards Corporate Social Responsibility activities under section 135 of Companies Act, 2013 in areas covered under setting up oldage home, day care centre and such other facilities for senior citizens.

30.12. 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

L. Ravi Sankar

Partner

Membership No. 025929

D. Lakshmi pathy

Chairman & Managing Director

B. Haribabu

Director

Place : Chennai

Date: 24.05.2016

G. Srikanth

Chief Financial Officer Company Secretary

V. Nikita

SCHEDULE TO THE BALANCE SHEET OF A NON-DEPOSIT TAKING NON-BANKING FINANCE COMPANY

As required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

₹

<i>Particulars</i>	<i>Amount Outstanding</i>	<i>Amount Overdue</i>
Liabilities Side :		
1. Loans and advances availed by the NBFCs*		
a. Debentures:		
Secured	320,846,000	-
Unsecured	-	-
(Other than falling within the meaning of public deposits)	-	-
b. Deferred Credits	-	-
c. Term Loans	-	-
d. Inter-Corporate loans and borrowings	388,834,435	-
e. Commercial Paper	-	-
f. Other Loans (Specify nature)		
- Bank Borrowings	553,650,795	-
- Loan from Directors / Relatives of Directors	24,230,000	-
Assets Side :		
2. Break up of Loans and Advances including bills receivables		
a. Secured	1,981,327,968	-
b. Unsecured	18,022,742	-
3. Breakup of Leased Assets and Stock on hire and other assets counting towards AFC activities	-	-
I. Lease Assets including lease rentals under sundry debtors	-	-
a. Financial Lease	-	-
b. Operating Lease	-	-
II. Stock on hire including hire charges under sundry debtors	-	-
a. Assets on Hire	-	-
b. Repossessed Assets	-	-
III. Hypothecation loans counting towards AFC activities	-	-
a. Loans where assets have been repossessed	-	-
b. Loans other than (a) above	-	-

<i>Particulars</i>	<i>Cost</i>	<i>Market Value</i>
4. 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	-	-
2. Unquoted :		
(i) Shares:		
(a) Equity :	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	40,000,000	40,037,005
(iv) Government Securities	-	-
Long Term Investments		
(i) Shares:	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
2. Unquoted :		
(i) Shares:		
(a) Equity :	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of Mutual Funds	-	-
(iv) Government Securities	-	-
Total	40,000,000	40,037,005

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

Category	Amount Net of Provisions		Total
	Secured	Unsecured	
1. Related Parties			
a. Subsidiaries	-	-	
b. Companies in the same group	-	-	
c. Other Related Parties	-	-	
2. Other than related parties	1,981,327,968	18,022,742	1,999,350,709
Total	1,981,327,968	18,022,742	1,999,350,709

Investor group-wise classification of all Investments (Current and long term) in shares and securities :

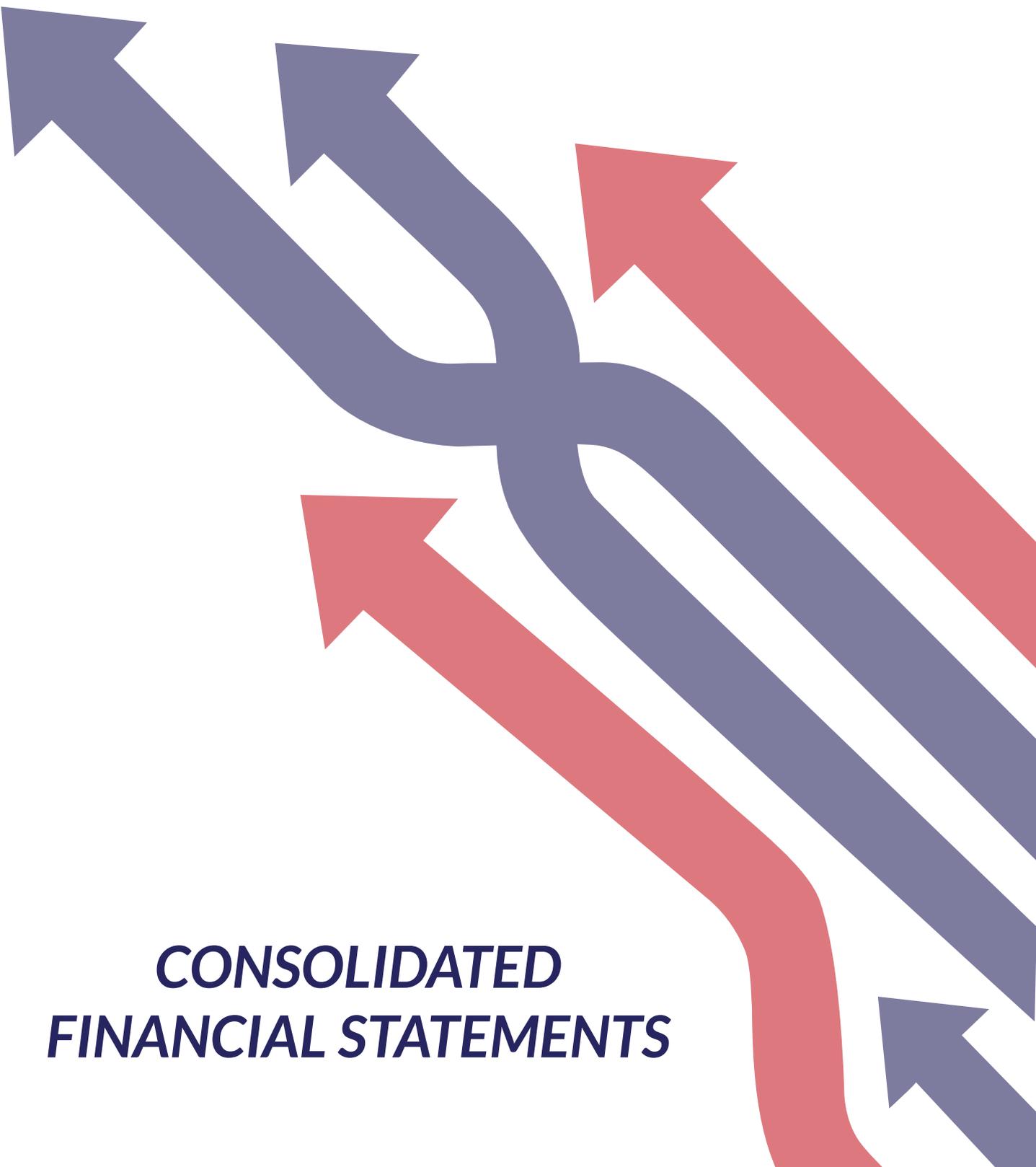
₹

Category	Market value Break up or fair Value or NAV	Book Value (Net of Provisions)
1. Related Parties **	-	-
a. Subsidiaries	-	-
b. Companies in the same group	-	-
c. Other Related Parties	-	-
2. Other than related parties	40,037,005	40,000,000
Total	40,037,005	40,000,000

**** As per accounting Standards**

7. Other Informations: ₹

Particulars	Amount
I. Gross non performing assets	
a. Related parties	-
b. Other than related parties	36,104,497
II. Net Non Performing Assets	
a. Related parties-	-
b. Other than related parties	30,237,412
III. Assets acquired in satisfaction of debt (during the year)	-

The image features a white background with several thick, stylized arrows. There are three blue arrows and three red arrows. The arrows are arranged in a dynamic, overlapping pattern. One blue arrow points towards the top-left, another blue arrow points towards the top-right, and a third blue arrow points towards the bottom-right. Similarly, one red arrow points towards the top-right, another red arrow points towards the bottom-left, and a third red arrow points towards the bottom-right. The arrows have a slight curve and a 3D effect, giving them a sense of movement and direction.

***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, 2016, 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. 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 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Group as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the 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.

(e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 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, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our "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:

i. the Consolidated financial statements disclose the effect of pending litigations on the consolidated financial position of the Group— as mentioned in Note 29.6;

ii. 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 29.7 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.

iii. there has been no delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar

Chennai
24th May 2016

Partner
Membership No. 025929

**“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, 2016, 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, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Chennai
24th May 2016

For BRAHMAYYA & Co
Chartered Accountants
Firm Regn. No.000511S
L.Ravi Sankar
Partner
Membership No. 025929

Consolidated Balance Sheet as at 31st March 2016

₹

<i>Particulars</i>	<i>Note No.</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Share Capital	3	107,000,000	102,000,000
(b) Reserves and surplus	4	807,722,895	610,515,444
		914,722,895	712,515,444
2. Non-current liabilities			
(a) Long term borrowings	5	800,228,098	347,201,603
(b) Other Long term Liabilities	6	121,694	2,370,412
(c) Long term provisions	7	8,841,955	6,029,738
		809,191,747	355,601,753
3. Current liabilities			
(a) Short Term borrowings	8	138,215,578	157,454,001
(b) Trade payables: Total outstanding dues of			
(A) Micro Enterprises & Small Enterprises		-	-
(B) Creditors other than Micro enterprises & small enterprises	9	5,729,303	5,642,754
(c) Other current liabilities	10	371,251,439	385,044,341
(d) Short term provisions	11	13,157,303	30,424,762
		528,353,623	578,565,858
Total		2,252,268,265	1,646,683,055
B ASSETS			
1 Non- current assets			
(a) Fixed assets			
(i) Tangible assets	12	18,430,760	7,305,184
(ii) Intangible assets	12	657,127	469,391
(b) Non-Current Investments	13	355,615	-
(c) Deferred tax assets(net)	14	10,087,770	5,578,059
(d) Long term receivables under financing activity	15	1,463,174,307	882,642,145
(e) Long term loans and advances	16	9,754,578	10,771,232
(f) Other Non Current Assets	17	2,255,336	314,464
		1,504,715,493	907,080,475
2 Current assets			
(a) Current Investments	18	40,000,000	1,875,000
(b) Cash and Bank Balances	19	178,599,823	287,185,083
(c) Short term receivables under financing activity	20	518,079,321	432,502,980
(d) Short term loans and advances	21	5,963,718	14,284,822
(e) Other Current Assets	22	4,909,910	3,754,695
		747,552,772	739,602,580
Total		2,252,268,265	1,646,683,055

Significant Accounting Policies and Notes to the Accounts 2 to 29
As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

For and on behalf of Board of Directors**D. Lakshmiopathy**

Chairman & Managing Director

B. Haribabu

Director

Place : Chennai

Date: 24.05.2016

G. Srikanth

Chief Financial Officer

V. Nikita

Company Secretary

Consolidated Statement of Profit & Loss for the Year ended 31st March 2016

₹

Particulars	Note No.	2015 - 2016	2014 - 2015
Revenue			
Revenue from Operations	23	462,818,141	329,887,387
Other income	24	15,188,621	6,149,138
Total Revenue		478,006,762	336,036,525
Expenses			
Finance costs	25	140,728,963	103,711,509
Employee benefit expenses	26	78,410,236	48,851,309
Other expenses	27	38,383,266	23,435,050
Provision, loan loss and other charges	28	7,276,578	4,445,844
Depreciation	12	5,113,527	3,618,843
Preliminary Expenses written off		409,359	-
Total Expenses		270,324,929	184,062,555
Profit Before Tax		207,681,833	151,973,970
Tax expenses			
Current tax expenses		74,984,093	54,694,831
Deferred tax		(4,509,711)	(1,940,484)
		70,474,382	52,754,347
Profit for the Year		137,207,451	99,219,623
Earnings per share - (Refer Note 29.4)			
Weighted Average number of Shares (Face Value Rs.10/- per share)		10,427,322	9,184,110
Basic (of Rs.10/- each)		13.16	10.80
Diluted		13.16	10.80

Significant Accounting Policies and Notes to the Accounts 2 to 29
As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants
Firm Registration Number 000511S

L. Ravi Sankar

Partner
Membership No. 025929

Place : Chennai
Date: 24.05.2016

For and on behalf of Board of Directors

D. Lakshmiopathy
Chairman & Managing Director

B. Haribabu
Director

G. Srikanth
Chief Financial Officer

V. Nikita
Company Secretary

Consolidated Cash Flow Statement for the Year ended 31st March 2016

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Particulars	Year ended 31.03.2016	Year ended 31.03.2015
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	137,207,451	99,219,623
Add: Provision for Taxation	70,474,382	52,754,347
Add: Preliminary Expenses written off	409,359	-
	208,091,192	151,973,970
Add: Financial Expenses	140,728,963	103,711,510
	348,820,155	255,685,480
Depreciation	5,113,527	3,618,843
Provision against Non - Performing assets	1,485,008	1,347,390
General Provision on Standard Assets	1,635,373	771,067
Provision for Gratuity	1,354,604	1,301,151
(Profit)/ loss on sale of Fixed Assets	-	(59,371)
Operating Profit Before Working Capital Changes	358,408,667	262,664,560
(Increase) Decrease in Loans and Advances	(666,108,504)	(307,135,246)
(Increase) Decrease in Other Receivables	9,337,758	2,550,426
(Increase) Decrease in Other Current Assets	(1,155,215)	(2,135,686)
(Increase) Decrease in Other Non Current Assets	(303,436)	360,856
Increase (Decrease) in Current Liabilities	196,418	4,062,706
Preliminary Expenses Paid	2,046,795	-
Increase (Decrease) in Other Current Liabilities	(61,437)	(1,418,681)
	(660,141,211)	(303,715,625)
	(301,732,544)	(41,051,065)
Financial Expenses	(133,692,818)	(106,988,787)
Direct Taxes Paid	(74,017,131)	(50,330,536)
	(207,709,949)	(157,319,323)
Net Cash from Operating Activities (A)	(509,442,493)	(198,370,388)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(16,426,838)	(4,214,869)
Sale of Fixed Assets	-	151,500
Investments in Fixed Deposit	3,750,000	(5,000,000)
(Purchase) / Sale of Current Investments	(38,125,000)	5,733,257
(Purchase) / Sale of Non Current Investments	(355,615)	-
Net Cash from Investing Activities (B)	(51,157,453)	3,330,112

<i>Particulars</i>	<i>Year ended 31.03.2016</i>	<i>Year ended 31.03 2015</i>
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term & Medium Term		
Increase in Share Capital	5,000,000	12,000,000
Increase in Share Premium	60,000,000	144,000,000
Proceeds from Issue of Debentures	300,000,000	17,500,000
Debentures Redeemed	(64,970,000)	(68,179,000)
Increase (Decrease) in Term Loans from Banks & Others	194,495,495	156,646,700
Increase (Decrease) in Loan from Directors	(4,811,000)	1,066,000
Increase (Decrease) in Other Borrowings	(67,123,218)	67,123,218
Short Term		
Increase (Decrease) in Bank Borrowings	53,070,599	60,013,015
Dividend paid (Including Corporate Dividend Tax)	(19,897,189)	(15,191,401)
Net Cash from Financing Activities (C)	455,764,687	374,978,532
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(104,835,259)	173,278,032
Cash and Cash Equivalents at the Beginning of the Year	277,435,082	104,157,050
Cash and Cash Equivalents at the End of the Year	172,599,823	277,435,082
Components of Cash and Cash Equivalents at the end of the Year		
Cash on Hand	3,108,914	5,276,939
Cash with Scheduled Banks	169,490,909	272,158,143
Cash and Cash Equivalents	172,599,823	277,435,082

As per our report of even date attached

For Brahmayya & Co.

Chartered Accountants

Firm Registration Number 000511S

L. Ravi Sankar

Partner

Membership No. 025929

Place : Chennai

Date: 24.05.2016

For and on behalf of Board of Directors

D. Lakshmi pathy

Chairman & Managing Director

B. Haribabu

Director

G. Srikanth

Chief Financial Officer

V. Nikita

Company Secretary

1. Corporate information

Five-Star Business Credits Limited (the Company) is a Registered Non Banking Finance Company (NBFC) with Reserve Bank of India (RBI). The Company follows RBI guidelines applicable for NBFCs. The Company is a public limited company with Registered & Head Office at Kilpauk, Chennai.

The Company has been in business for 32 years providing finance for Small Business Loans and 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 by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

The Parent Company, Five-Star Business Credits 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). 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 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. Depreciation / Amortisation

Depreciation on Fixed Assets is provided in accordance with useful life specified in the schedule II of the Companies Act, 2013. Depreciation for additions and deletions are provided on a pro-rata basis.

Intangible Assets are amortised over the expected useful life of 5 years.

2.4. Revenue recognition

Interest Income is recognised 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 recognised only when realised and any interest accrued until the asset became a Non performing Asset and remaining overdue is de-recognised by reversing the interest income.

Processing Fees, Penal Interest, Cheque bounce charges and other charges are recognised as income upon certainty of receipt

Income and expenditure from other activities and services are recognised on accrual basis.

2.5. Tangible fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expense related to the acquisition and installation of the asset.

2.6. 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.

2.7. Investments

Investments are classified as Current and Non Current based on their nature and intended holding period. Non Current Investments are valued at cost, Current Investments are valued at lower of cost or net realisable value.

2.8. Employee benefits

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

Defined contribution plans

Contributions to the Employees Provident Fund Scheme maintained by the Central Government and the Company's contribution to the fund are charged to the revenue.

Defined benefit plans

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 recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised 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.

2.9. 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.

2.10. 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.

2.11. 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.

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.

2.12. Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. 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.

2.13. 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.

2.14. Basis of Consolidation

2.14.a. The financial statements of the Subsidiary Company "Five-Star Housing Finance Private Limited" have been consolidated on the basis of AS-21 given by ICAI.

2.14.b. The Financial Statements of the Parent Company and its Subsidiary Company have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in realised profits / losses.

Notes forming part of Financial Statements

Note 3 Share Capital

<i>Particulars</i>	<i>As at 31.03.2016</i>		<i>As at 31.03.2015</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
(a). Authorised Equity Shares of Rs.10 each	12,000,000	120,000,000	12,000,000	120,000,000
(b) Issued, Subscribed and fully paid up Equity Shares of Rs.10 each	10,700,000	107,000,000	10,200,000	102,000,000

Notes:

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

<i>Particulars</i>	<i>As at 31.03.2016</i>		<i>As at 31.03.2015</i>	
	<i>No. of Shares</i>	<i>₹</i>	<i>No. of Shares</i>	<i>₹</i>
Equity Shares				
Opening Balance	10,200,000	102,000,000	9,000,000	90,000,000
Add - Shares Issued During the Year	500,000	5,000,000	1,200,000	12,000,000
Closing Balance	10,700,000	107,000,000	10,200,000	102,000,000

Note 4 Reserves and Surplus

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
(a) Securities premium account		
Opening balance	349,905,000	205,905,000
Add: Premium on shares issued during the year	60,000,000	144,000,000
Closing Balance	409,905,000	349,905,000
(b) Statutory Reserve		
Balance at the beginning of the year	69,700,000	49,716,698
Add: Amount transferred from surplus In the statement of profit and loss	27,560,000	19,983,302
Closing Balance	97,260,000	69,700,000
(c) General Reserve		
Balance at the beginning of the year	38,400,000	28,400,000
Add: Amount transferred from surplus In the statement of profit and loss	13,860,000	10,000,000
Closing Balance	52,260,000	38,400,000
(d) Surplus in the statement of Profit and Loss		
Balance at the beginning of the year	152,510,444	103,211,835
Less: Transition Reserve on Depreciation under Companies Act, 2013	-	40,523
	152,510,444	103,171,312
Add: Profit for the year	137,207,451	99,219,623
Less: Appropriations		
Transfer to Statutory Reserve	27,560,000	19,983,302
Transfer to General Reserve	13,860,000	10,000,000
Dividend	-	16,531,397
Distribution tax on Dividend	-	3,365,792
Net Surplus in the statement of Profit and Loss	248,297,895	152,510,444
Total Reserves and surplus	807,722,895	610,515,444

Note 5 : Long Term Borrowings

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A. Secured:		
a. Redeemable Non Convertible Debentures	302,500,000	23,839,000
b. Term Loans:		
- From Banks	234,707,744	176,688,952
- From Other Parties	259,812,354	123,335,651
B. Unsecured:		
a. Loan from Related Parties	3,208,000	23,338,000
	800,228,098	347,201,603

Note 6 : Other Long Term Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest accrued but not due on borrowings	121,694	2,370,412
Total	121,694	2,370,412

Note 7 : Long Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Provision for Employee Benefits		
Provision for Gratuity	4,127,375	2,854,745
Other Provisions		
Provision for Standard Assets	3,633,176	2,190,625
Provision for Non-Performing Assets	1,081,404	984,368
Total	8,841,955	6,029,738

Note 8 : Short Term Borrowings

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
A. Secured:		
a. Cash Credit facilities with Scheduled Banks	138,215,578	90,330,783
B. Unsecured:		
a. Commercial Papers	-	67,123,218
Total	138,215,578	157,454,001

Note 9 : Trade Payables

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Total outstanding dues of creditors other than micro enterprises and small enterprises	5,729,303	5,642,754
Total	5,729,303	5,642,754

Note 10 : Other Current Liabilities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Current Maturities of Long Term Borrowings		
- from Banks	180,727,472	129,884,413
- from Other Parties	129,022,081	174,679,337
On Debentures	17,275,000	60,906,000
On Loan from Directors	20,822,000	5,503,000
Interest accrued but not due on borrowings	17,666,447	8,381,583
Unclaimed Dividend	790,115	831,776
Unpaid matured debentures	1,071,000	1,317,000
Interest accrued on unpaid matured Debentures	286,338	300,669
Unpaid Loan from Directors	200,000	41,000
Interest accrued on unpaid Loan from Directors	54,000	14,107
Statutory due Payable	3,336,986	3,185,456
Total	371,251,439	385,044,341

Note 11 : Short Term Provisions

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Provision for Employee Benefits		
Provision for Gratuity	302,065	220,091
Other Provisions		
Provision for Standard Assets	1,230,453	1,037,631
Provision for Non-Performing Assets	4,785,681	3,397,709
Proposed Dividend - Equity	-	16,531,397
Provision for Distribution tax on Dividend	-	3,365,792
Provision for Income Tax	6,839,104	5,872,142
Total	13,157,303	30,424,762

Provision for Income Tax comprises net off TDS and Advance Tax Rs. 122,347,185/- (31.03.2015 – Rs.85,500,679/-)

Note 12 : Fixed Assets

	Gross Block				Depreciation			Net Block			
	Balance as at 01.04.2015	Addition	Deletion	Balance as at 31.03.2016	Balance as at 01.04.2015	For the Year	Transition Reverse	Deduction	Balance as at 31.03.2016	Balance as at 31.03.2015	
(I) Tangible Assets											
Furniture & Fixtures	8,136,122	7,091,344	-	15,227,466	3,962,149	2,047,176	-	-	6,009,325	9,218,141	4,173,973
Computers	3,971,987	2,284,700	-	6,256,687	2,675,171	1,366,879	-	-	4,042,050	2,214,637	1,296,816
Office Equipments	779,409	879,638	-	1,659,047	559,018	355,624	-	-	914,642	744,405	220,391
Vehicles	3,762,795	5,840,000	-	9,602,795	2,148,791	1,200,427	-	-	3,349,218	6,253,577	1,614,004
Total	16,650,313	16,095,682	-	32,745,995	9,345,129	4,970,106	-	-	14,315,235	18,430,760	7,305,184
(II) Intangible Assets											
Computer Software	837,903	331,156	-	1,169,059	368,512	143,421	-	-	511,933	657,127	469,391
Total	17,488,216	16,426,838	-	33,915,054	9,713,641	5,113,527	-	-	14,827,168	19,087,887	7,774,575
Previous Year	13,775,368	4,214,869	502,021	17,488,216	6,443,301	3,618,843	61,389	409,892	9,713,641	7,774,575	7,332,067

Note 13 : Non-current Investments

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Investment Property	355,615	-
Total	355,615	-

Note 14: Deferred Tax Assets (Net)

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Deferred Tax Assst		
a) Depreciation	1,246,299	-
b) Employee Benefits	1,533,029	1,045,137
c) Provision for Non Performing Assets	2,030,598	1,489,468
d) Provision for Standard Assts	1,683,302	1,097,284
e) Income derecognised on Non Performing Assets	3,594,542	2,756,314
Total (A)	10,087,770	6,388,203
Less: Deferred Tax Liability		
a) Depreciation (B)	-	810,144
Net Deferred Tax Asset (A) - (B)	10,087,770	5,578,059

Note 15 : Long Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Considered Good:		
A. Secured		
Loans	1,463,174,307	882,642,145
Total	1,463,174,307	882,642,145

Note 16 : Long Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Unsecured, Considered Good		
Rental Deposit		
- To Related Parties	400,000	400,000
- To Others	6,765,650	4,585,000
Security Deposit	2,500,000	2,500,000
Security Deposit – Other NBFCs	-	3,229,167
Others	88,928	57,065
Total	9,754,578	10,771,232

Note 17 : Other Non Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest Accrued on Deposits with Banks and NBFCs	617,900	314,464
Unamortised Preliminary Expenses	1,637,436	-
Total	2,255,336	314,464

Note 18 : Current Investments (Valued at Lower of Cost or Net Realisable Value)

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Investments in Mutual Funds		
Reliance Liquid Fund - Treasury Plan	40,000,000	-
Reliance Dynamic Bond Fund – Growth Plan	-	1,875,000
Total	40,000,000	1,875,000
Aggregate cost of investments		
- At Cost	40,000,000	1,875,000
- At Market Value (Net Asset Value)	40,037,005	2,288,867

Note 19 : Cash and Bank Balances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
1. Cash and Cash Equivalents:		
(a) Cash on Hand	3,108,914	5,276,939
(b) Balances with Banks		
(i) In Current accounts	23,700,794	21,326,368
(ii) In Deposit accounts with less than 3 months maturity	145,000,000	250,000,000
(iii) In Unpaid Dividend Accounts	790,115	831,776
Total	172,599,823	277,435,083
2. Other Bank Balances:		
(a) Deposits with Banks:		
(i) Maturity more than 12 months	6,000,000	9,750,000
Total	178,599,823	287,185,083

Note 20 : Short Term Receivables Under Financing Activities

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Considered Good:		
A. Secured		
Loans	518,079,321	432,502,980
Total	518,079,321	432,502,980

Note 21 : Short Term Loans and Advances

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Unsecured, Considered Good		
Rental Deposit		
- To Others	520,000	760,000
Branch Opening Advance	414,000	-
Security Deposit – Other NBFCs	3,907,164	12,325,029
Staff Advances	74,339	52,594
Others	1,048,215	1,147,199
Total	5,963,718	14,284,822

Note 22 : Other Current Assets

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Interest Accrued on Deposits with Banks and NBFCs	4,909,910	3,754,695
Total	4,909,910	3,754,695

Note 23 : Revenue from Operations

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Interest Income	410,783,452	309,167,391
Processing Fees	18,309,479	9,491,937
Other operating income	33,725,210	11,228,059
Total	462,818,141	329,887,387

Note 24: Other Income

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Dividend	-	65,869
Interest on Bank Deposits	11,224,818	3,942,541
Interest on NBFC Deposits	813,828	1,636,467
Profit on Redemption of Mutual Fund Units	2,513,125	429,606
Profit on sale of Tangible Assets	-	59,371
Other non-operating Income	636,850	15,284
Total	15,188,621	6,149,138

Note 25 : Finance Costs

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Interest on		
(i) Bank Loans	56,893,323	28,446,657
(ii) Corporate Loans	43,866,474	49,324,583
(iii) Debentures	20,344,160	13,370,251
(iv) Other Loans	3,379,673	3,244,823
Discounting Charges on Commercial Paper	7,876,782	1,254,218
Other Borrowing Costs	8,368,551	8,070,977
Total	140,728,963	103,711,509

Note 26 : Employee Benefit Expenses

₹

<i>Particulars</i>	2015 - 2016	2014 - 2015
Salaries, Commission and Bonus	71,572,082	44,330,667
Contribution to Provident Fund, ESI and Gratuity	5,150,276	3,584,047
Staff welfare expenses	1,687,878	936,595
Total	78,410,236	48,851,309

Note 27 : Other Expenses

₹

<i>Particulars</i>	2015 - 2016	2014 - 2015
Rent	7,280,517	5,003,695
Electricity Charges	905,136	525,441
Rates and Taxes	463,555	444,556
Communication Expenses	3,220,806	1,976,565
Consultancy Fees	3,104,787	1,876,000
Printing and Stationery	3,127,754	1,746,886
Directors Sitting Fees	250,000	355,000
Repairs and Maintenance	2,329,516	1,196,111
Audit Fees - Statutory Audit	511,450	500,000
- Tax Audit	200,000	200,000
- Other Services	15,000	7,500
NHB Application Fees	10,000	-
Traveling Expenses	713,228	980,390
Insurance	341,422	360,489
Service Tax	6,733,900	3,919,304
Collection Charges	3,751,243	1,456,014
Rating Fees	627,179	625,000
Corporate Social Responsibility Activities	300,000	500,000
Other Donations	5,000	9,500
Miscellaneous Expenses	4,495,716	1,752,599
Total	38,386,266	23,435,050

Note 28 : Provisions, Loan Losses and Other Charges

₹

<i>Particulars</i>	2015 - 2016	2014 - 2015
Bad Debts	4,156,197	2,327,387
Provision for Non-Performing Assets	1,485,008	1,347,390
Provision for Standard Assets	1,635,373	771,067
Total	7,276,578	4,445,844

Note 29 : General**29.1.**

During the Financial Year the company has incorporated a wholly owned subsidiary company “Five-Star Housing Finance Private Limited”, which is in the business of Housing Finance.

29.2.

Additional information as required under schedule III to the Companies Act, 2013

<i>Particulars</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>
Parent - Five-Star Business Credits Limited	-	911,664,223	-	134,148,780
Less: Investments made in subsidiary Company	-	150,000,000	-	-
	83.27	761,664,223	100.00	134,148,780
Subsidiary - Indian Five-Star Housing Finance Private Limited	16.73	153,058,671	0.00	0
Total	83.27	914,722,894	100.00	134,148,780

29.3. Related Party Transactions**29.3.a. Related Parties:**

Key Management Personnel: Mr.D. Lakshmipathy, Chairman and Managing Director

Relatives of Key Management Personnel:

Mr.D. Lakshmipathy	L. Hema	Wife
	R. Deenadayalan	Father
	D. Varalakshmi	Mother
	B. Sudha	Sister

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

<i>Transactions</i>	<i>Key Management Personnel as at 31.03.2016</i> ₹	<i>Key Management Personnel as at 31.03.2015</i> ₹	<i>Relatives of Key Management Personnel as at 31.03.2016</i> ₹	<i>Relatives of Key Management Personnel as at 31.03.2015</i> ₹	<i>Others 31.03.2016</i> ₹	<i>Others 31.03.2015</i> ₹
Expenses:						
Interest	-	-	222,187	105,038	-	-
Salary	6,021,600	4,216,500	-	-	-	-
Commission /Remuneration	-	3,000,000	-	-	-	-
Rent 864,000	864,000	-	-	-	-	-
Assets						
Investment in Subsidiary	-	-	-	-	150,000,000	-
Rent Advance	400,000	400,000	-	-	-	-
Liabilities						
Issue of Equity Shares	5,000,000	-	-	-	-	12,000,000
Receipt of Share Premium Equity Share Capital	60,000,000	-	-	-	-	144,000,000
Borrowings	25,187,300	19,378,300	21,827,600	21,667,600	39,402,400	39,402,400
	-	-	1,780,000	1,670,000	-	-

29.4. Earnings per share

₹

<i>Particulars</i>	<i>2015 - 2016</i>	<i>2014 - 2015</i>
Profit after tax (Rs.)	137,207,451	99,219,623
Weighted Average Number of Equity Shares		
- Basic (No.)	10,427,322	9,184,110
- Diluted (No.)	10,427,322	9,184,110
Earnings Per Share (EPS)		
- Basic (No.)	13.16	10.80
- Diluted (No.)	13.16	10.80
Face Value of Shares (Rs.)	10	10

29.5. Contingent liability

Contested Claims Not Provided for:

₹

<i>Particulars</i>	<i>As at 31.03.2016</i>	<i>As at 31.03.2015</i>
Income Tax issue where the Company is in appeal	673,698	673,698
Disputed claims against the company lodged by parties under litigation.	5,004,000	5,004,000

29.6. Pending Litigations

The Pending Litigations as on 31st March 2016 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.

29.7. Provision for Loan Accounts

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

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

L. Ravi Sankar

Partner

Membership No. 025929

D. Lakshmipathy

Chairman & Managing Director

B. Haribabu

Director

Place : Chennai

Date: 24.05.2016

G. Srikanth

Chief Financial Officer

V. Nikita

Company Secretary

FORM AOC - 1

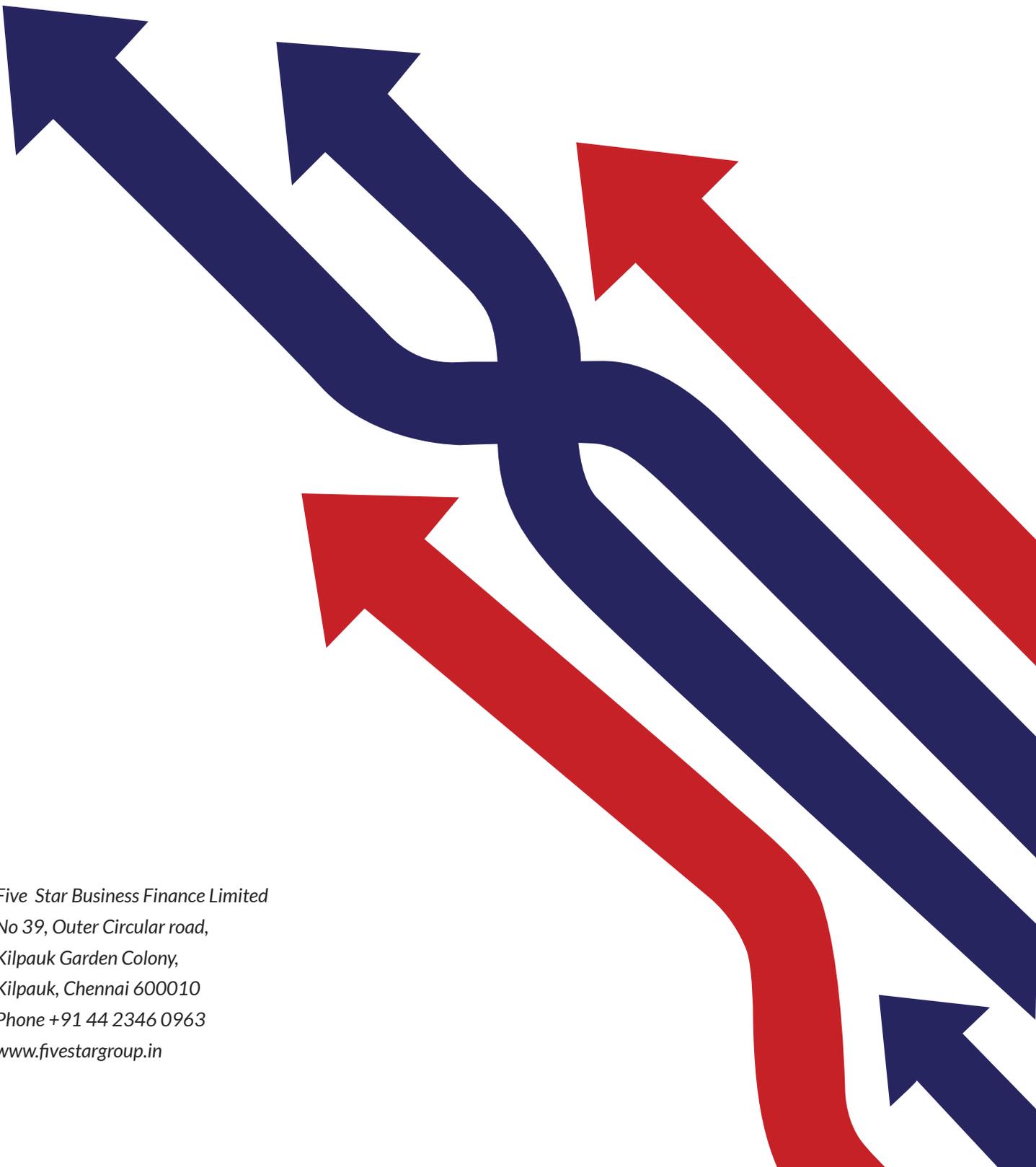
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiary

Part - A: Subsidiary

₹

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Five-Star Housing Finance Private Limited
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	150,000,000
5.	Reserves & Surplus	3,058,671
6.	Total Assets	154,013,348
7.	Total Liabilities	954,677
8.	Investments	NIL
9.	Turnover	NIL
10.	Profit before taxation	4,494,533
11.	Provision for taxation	1,435,862
12.	Profit after taxation	3,058,671
13.	Proposed dividend	NIL
14.	% of shareholding	100%



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