



KLM AXIVA FINVEST LIMITED

KLM Axiva Finvest Limited (“Company”) was originally incorporated on April 28, 1997, as a public limited company under the provisions of the Companies Act, 1956 as “Needs Finvest Limited”. Thereafter, our Company was granted the certificate of commencement of business dated May 6, 1997. Subsequently, the name of our Company was changed to “KLM Axiva Finvest Limited” on receipt of a fresh Certificate of Incorporation dated February 29, 2016 from the Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad. The Corporate Identity Number of our Company is U65910TG1997PLC026983. Our Company is registered as a Non-Banking Financial Company with the Reserve Bank of India (“RBI”) under Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934).

Registered Office: Subodh Business Centre 408, Malik Chambers, Hyderguda, Hyderabad – 500 029, Telangana, India

Tel.: +91-040-48542753; **Fax:** NA; **Website:** www.klmaxiva.com

Corporate Office: 4th Floor, Door No.1871A24, VM Plaza, Palarivattom, Ernakulam- 682 025, Kerala, India.

Tel.: +91-484-4281 111; **Fax:** NA

For details of changes in name of the Company and Registered Office, please refer to the chapter “History and Certain Other Corporate Matters” on page 106.

Compliance Officer and Contact Person: Mr. Bibin M. Cherian; **Tel.:** +91-0484-4281118; **Fax:** NA; **E-mail:** co_secy@klmgroun.in

PUBLIC ISSUE BY KLM AXIVA FINVEST LIMITED OF SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES (“SECURED NCDs”) OF FACE VALUE OF ₹ 1,000 EACH (“NCDs”), AT PAR, UP TO ₹ 10,000 LAKHS, HEREINAFTER REFERRED TO AS THE “BASE ISSUE” WITHOUT AN OPTION TO RETAIN OVER-SUBSCRIPTION. THE ISSUE IS BEING MADE PURSUANT TO THE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008 AS AMENDED, THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER AS AMENDED TO THE EXTENT NOTIFIED.

PROMOTERS		
Ms. Biji Shibu and Ms. Princy Josekutty. For further details, refer to the chapter “Our Promoters” on page 118.		
GENERAL RISKS		
Investors are advised to read the Risk Factors carefully before taking an investment decision in the Issue. For taking an investment decision, the investors must rely on their own examination of the Issuer and the Issue, including the risks involved. Specific attention of the investors is invited to the chapter titled “Risk Factors” on page 13. This document has not been and will not be approved by any regulatory authority in India, including the RBI, the Securities and Exchange Board of India (“SEBI”), any registrar of companies or any stock exchange in India.		
COUPON RATE, COUPON PAYMENT FREQUENCY, MATURITY DATE, MATURITY AMOUNT & ELIGIBLE INVESTORS		
For details relating to Coupon Rate, Coupon Payment Frequency, Maturity Date and Maturity Amount of the NCDs, see chapter titled “Terms of the Issue” starting on page 162. For details relating to eligible investors please see “The Issue” on page 41.		
ISSUER’S ABSOLUTE RESPONSIBILITY		
The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.		
CREDIT RATING		
The NCDs proposed to be issued under this Issue have been rated ‘CARE BB’: Outlook Stable, by CARE Ratings Limited for an amount up to ₹ 10,000 Lakhs, vide its letter dated March 10, 2018 and reaffirmed vide letter dated September 4, 2018. The rating of NCDs by CARE indicates that instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. This rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. Please refer to page 235 for the rationale for the above rating.		
LISTING		
The NCDs offered through this Prospectus are proposed to be listed on the BSE Limited (“BSE”). Our Company has obtained ‘in-principle’ approval for the Issue from BSE vide their letter dated September 5, 2018. BSE shall be the Designated Stock Exchange for this Issue.		
PUBLIC COMMENTS		
This Draft Prospectus dated August 28, 2018 was filed with BSE on August 28, 2018 and with SEBI on August 29, 2018, pursuant to the Regulation 6(2) of the SEBI Debt Regulations for public comments for a period of 7 (seven) Working Days i.e. until 5 p.m. on September 5, 2018.		
LEAD MANAGER TO THE ISSUE	DEBENTURE TRUSTEE*	REGISTRAR TO THE ISSUE
VIVRO FINANCIAL SERVICES PRIVATE LIMITED 607/608 Marathon Icon, Opp. Peninsula Corporate Park, Off. Ganpatrao Kadam Marg, Veer Santaji Lane, Lower Parel, Mumbai - 400 013 Tel.: +91 22 6666 8040/42; Fax: +91 22 6666 8047 Email: klmaxiva@vivro.net Investor Grievance Email: investors@vivro.net Website: www.vivro.net Contact Person: Mr. Yogesh Malpani / Ms. Mili Khamar Compliance Officer: Mr. Jayesh Vithlani SEBI Registration No.: INM000010122 CIN: U67120GJ1996PTC029182	VISTRA ITCL (INDIA) LIMITED The IL&FS Financial Center, Plot No. C – 22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Tel: +91 22 2659 3333; Fax: +91 22 2653 3297 Email: itclcomplianceofficer@vistra.com Website: www.vistraitcl.com Investor Grievance Email: investorgrievancesitcl@vistra.com Contact Person: Mr. Jatin Chonani SEBI Registration Number: IND0000000578 CIN: U66020MH1995PLC095507	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31 and 32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032, India Tel: +91 40 6716 2222; Fax: +91 40 2343 1551 E-mail: eniward.ris@karvy.com Investor Grievance E-mail: klmaxiva.ncdipo@karvy.com Website: www.karvycomputershare.com Contact Person: Mr. M Murali Krishna SEBI Registration No.: INR000000221 CIN: U72400TG2003PTC041636
ISSUE SCHEDULE		
ISSUE OPENS ON SEPTEMBER 27, 2018	ISSUE CLOSES ON OCTOBER 26, 2018**	

* *Visitra ITCL (India) Limited, by its letter dated June 18, 2018, has given its consent for its appointment as Debenture Trustee to the Issue and for its name to be included in this Prospectus and in all the subsequent periodical communications sent to the holders of the Debenture issued pursuant to this Issue. For further details, please refer to “General Information – Debenture Trustee” on page 32.*

***The subscription list for the Issue shall remain open for subscription up to 5 p.m., with an option for early closure, up to a period of 30 days from the date of opening of the Issue, as may be decided at the discretion of the Board authorised committee of our Company subject to necessary approvals. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure is given as the case may be on or before such early date of closure or the initial Closing Date through advertisement/s in a leading national daily newspaper. For further details, please refer to “General Information – Issue Programme” on page 35.*

A copy of the Prospectus and written consents of our Directors, our Company Secretary and Compliance Officer, our Chief Financial Officer, our Auditor, the Lead Manager, the Registrar to the Issue, Escrow Collection Bank(s), Refund Bank, Credit Rating Agencies, the legal advisor, the Bankers to our Company, the Debenture Trustee, and the Syndicate Member to act in their respective capacities has been filed with the Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad, in terms of Section 26 of the Companies Act, 2013 along with the requisite endorsed/certified copies of all requisite documents. For further details, please refer to the chapter titled “Material Contracts and Documents for Inspection” beginning on page 230.

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires the following terms shall have the following meanings ascribed thereto in this Prospectus. Reference to any statutes, regulations and policies shall include amendments thereto, from time to time.

All references to “Issuer”, “we”, and “us”, “our” and “our Company” are to KLM Axiva Finvest Limited.

General Terms

Term	Description
“Issuer” or “the Company” or “our Company” or “KLM Axiva”	KLM Axiva Finvest Limited having its registered office at Subodh Business Centre, 408, Malik Chambers, Hyderguda, Hyderabad, Telangana-500029

Company Related Terms

Term	Description
AoA/Articles/Articles of Association	Articles of Association of our Company, as amended
Board/Board of Directors/BoD	The Board of Directors of our Company and includes any Committee thereof
Corporate Office	4th Floor, Door No.1871A24, VM Plaza, Palarivattom, Ernakulam- 682 025, Kerala, India
Debenture Committee	The committee re-constituted by the Board of Directors of our Company by a board resolution dated March 20, 2018
Equity Shares	Equity shares of face value of ₹10 each of our Company
Finance Committee	The committee re-constituted by the Board of Directors of our Company by a board resolution dated January 22, 2017
Group Companies	Companies identified as our Related parties for the financial statements ended March 31, 2018 and also other companies as considered material by our Board are KMLM Financial Services Limited, KLM Tiana Gold & Diamonds Private Limited and Payyoli Granites Private Limited
Loan Assets	Assets under financing activities
Memorandum/MoA/Memorandum of Association	Memorandum of Association of our Company, as amended
Net Loan Assets	Assets under financing activities net of Provision for non-performing assets
Promoters	Ms. Biji Shibu and Ms. Princy Josekutty
Reformatted Financial Statements	The statement of reformatted audited assets and liabilities of our Company, and the related statement of reformatted statement of profit and loss of our Company and the related statement of reformatted cash flow of our Company for the Financial Years ending March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 have been prepared by M/s. Balan & Co., our Statutory Auditors, which are extracted from the audited financial statements for the Financial Years ending March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 and the notes thereto.
RoC/Registrar of Companies Registered Office	The Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad Subodh Business Centre 408, Malik Chambers, Hyderguda, Hyderabad - 500 029, Telangana, India
Statutory Auditor(s)/Auditor(s)	M/s. Balan & Co., Chartered Accountants

Issue Related Terms

Term	Description
Allotment Advice	The communication sent to the Allottees conveying the details of NCDs allotted to the Allottees in accordance with the Basis of Allotment.
Allotment/Allotted	Unless the context otherwise requires, the allotment of the NCDs pursuant to the Issue to the Allottees.

Term	Description
Allottee	The successful Applicant to whom the NCDs are being/have been Allotted pursuant to the Issue.
Applicant/Investor	Any prospective applicant who makes an Application pursuant to the Prospectus, Abridged Prospectus and the Application Form. For more information on eligibility of the prospective applicant please refer to the chapter titled “ <i>Issue Procedure</i> ” beginning on page 167.
Application	An application to subscribe to NCDs offered pursuant to the Issue by submission of a valid Application Form and payment of the Application Amount by any of the modes as prescribed under this Prospectus.
Application Amount	The amount of money that is paid by the Applicant while making the Application in the Issue by way of a cheque or demand draft or the amount blocked in the ASBA Account.
Application Form	The form used by an Applicant to apply for NCDs through the ASBA or non-ASBA process in terms of the Prospectus.
Application Supported by Blocked Amount/ASBA, ASBA Application	Shall mean the Application (whether physical or electronic) used by an investor to make an Application authorising the SCSB to block the amount payable on Application in its specified bank account maintained with such SCSB.
ASBA Account	An account maintained with a SCSB which will be blocked by such SCSB to the extent of the Application Amount in relation to the Application Form made in ASBA mode.
Bankers to the Issue/Escrow Collection Banks	The banks which are registered with SEBI as Bankers to the Issue, with whom the Escrow Accounts and/or Public Issue Accounts and/or Refund Accounts will be opened as disclosed in the chapter “ <i>General Information</i> ” on page 30.
Base Issue	₹ 10,000 lakhs without an option to retain over-subscription
Basis of Allotment	The basis on which NCDs will be allotted to successful applicants under the Issue and which is described in “ <i>Issue Procedure – Basis of Allotment for NCDs</i> ” on page 186.
Business Days	All days excluding Saturdays, Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881.
CARE	Credit Analysis and Research Limited
CRISIL	CRISIL Limited
Debenture Trusteeship Agreement	Debenture Trusteeship Agreement dated May 5, 2018 entered into between our Company and the Debenture Trustee.
Debentures/NCDs	Secured NCDs issued pursuant to the Issue
Deemed Date of Allotment	The date of issue of the Allotment Advice, or such date as may be determined by the Board or a duly constituted committee thereof, and notified to the Exchange. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment
Demographic Details	The demographic details of an Applicant such as his address, bank account details, category, PAN for printing on refund/interest orders or used for refunding through electronic mode as applicable.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository(ies)	National Securities Depository Limited (NSDL) and/or Central Depository Services (India) Limited (CDSL)
Designated Branches	Such branches of the SCSBs which shall collect the Application Forms used by the ASBA Applicants and a list of which is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other web-link as may be prescribed by SEBI from time to time
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Public Issue Account or the amount blocked by the SCSBs is transferred from the ASBA Accounts specified by the ASBA Applicants to the Public Issue Account, as the case may be, following which the Board of Directors/or duly authorised Committee of Directors approves the Allotment of the NCDs
Designated Stock Exchange/DSE	BSE Limited
DP/Depository Participant	A depository participant as defined under the Depositories Act
Draft Prospectus/Draft Offer Document	The Draft Prospectus dated August 28, 2018, filed with the Designated Stock Exchange for receiving public comments and with SEBI in accordance with the

Term	Description
	provisions of the Companies Act, 2013, as applicable on the date of this Prospectus and the SEBI Debt Regulations.
Escrow Account	Accounts opened in connection with the Issue with the Escrow Collection Bank(s) and in whose favour the applicant will issue cheques or bank drafts in respect of the Application Amount while submitting the Application
Escrow Agreement	Agreement dated September 17, 2018, entered into amongst our Company, the Registrar, the Escrow Collection Bank and Lead Manager for collection of the Application Amount and for remitting refunds, if any, of the amounts collected, to the applicants (excluding the ASBA Applicants) on the terms and conditions contained thereof
Existing Secured Creditors	The South Indian Bank Limited, debenture holders of the privately placed secured non-convertible debentures
Institutional Portion	Portion of Applications received from Category I of persons eligible to apply for the issue which includes Resident Public Financial Institutions as defined in Section 2(72) of the Companies Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs, Provident Funds of minimum corpus of ₹ 2,500 lakhs, Pension Funds of minimum corpus of ₹ 2,500 lakhs, Systemically Important Non-Banking Financial Companies, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs, Venture Capital funds and/or Alternative Investment Funds registered with SEBI; Insurance Companies registered with the IRDA, National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India), Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India Mutual Funds, registered with SEBI.
Issue	Public issue by our Company of Secured redeemable NCDs up to ₹ 10,000 lakhs without an option to retain over-subscription.
Issue Closing Date	October 26, 2018
Issue Opening Date	September 27, 2018
Lead Manager	Vivro Financial Services Private Limited
Market Lot	1 NCD
Maturity Amount	In respect of NCDs Allotted to NCD Holders, the repayment of the face value of the NCD along with interest that may have accrued as on the redemption date
NCD Holder/Debenture Holder	Any debenture holder who holds the NCDs issued in this Issue and whose name appears on the beneficial owners list provided by the Depositories
Non-Institutional Portion	Category II of persons eligible to apply for the Issue which includes Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs, Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorized to invest in the NCDs, Trust Including Public/private charitable/religious trusts which are authorised to invest in the NCDs, Association of Persons, Scientific and/or industrial research organisations, which are authorised to invest in the NCDs, Partnership firms in the name of the partners, Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009), Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ₹5 lakhs.
Prospectus/Offer Document	This Prospectus dated September 17, 2018 has been filed with the RoC in accordance with the SEBI Debt Regulations, containing inter alia the coupon rate for the NCDs and certain other information.
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account(s) and from ASBA Accounts with the SCSBs on the Designated Date.
Record Date	The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 10 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchange, as the case may be.

Term	Description
	In case Record Date falls on a day when stock exchange is having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.
Refund Account	The account opened with the Escrow Banks, from which refunds, if any, of the whole or part of the Application Amount (excluding the ASBA Applicant) shall be made
Refund Bank	The Banker to the Issue, with whom the Refund Account(s) will be opened, which shall be specified in the Prospectus.
Registrar to the Issue/Registrar	Karvy Computershare Private Limited
SCSBs or Self Certified Syndicate Banks	The banks registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 offering services in relation to ASBA, including blocking of an ASBA Account, and a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other web-link as may be prescribed by SEBI from time to time. A list of the branches of the SCSBs where ASBA Applications submitted to the Lead Manager, Members of the Syndicate or the Trading Member(s) of the Stock Exchange, will be forwarded by such Lead Manager, Members of the Syndicate or the Trading Members of the Stock Exchange is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other web-link as may be prescribed by SEBI from time to time
SEBI Debt Regulations/ Debt Regulations/ SEBI Regulations	Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended from time to time.
SEBI Listing Regulations/ Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
Security	The principal amount of the Secured NCDs to be issued in terms of this Prospectus together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking <i>pari passu</i> charge with the Existing Secured Creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value of one time of the Secured NCDs outstanding plus interest accrued thereon and first ranking <i>pari passu</i> charge on the immovable property situated at Theni District, Periyakulam Reg. Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1.
Secured Debenture Trust Deed	The trust deed to be executed by our Company and the Debenture Trustee for creating the security over the Secured NCDs issued under the Issue.
Stock Exchange	BSE Limited
Subordinated Debt	Subordinated Debt means a fully paid up capital instrument, which is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of the NBFC. The book value of such instrument shall be subjected to discounting as provided hereunder: The book value of such instrument shall be subjected to discounting as provided hereunder: Remaining maturity of the instruments - rate of discount (a) up to one year - 100% (b) more than one year but up to two years - 80% (c) more than two years but up to three years - 60% (d) more than three years but up to four years - 40% (e) more than four years but up to five years - 20% to the extent such discounted value does not exceed fifty percent of Tier I capital.
Syndicate ASBA	An application submitted by an ASBA Applicant through the Members of Syndicate and Trading Members of the Stock Exchange(s) at the Syndicate ASBA Application Locations.
Syndicate ASBA Application Locations	Application centres at Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the Members of

Term	Description
	the Syndicate shall accept ASBA Applications.
Syndicate Branches	SCSB In relation to ASBA Applications submitted to a member of the Syndicate, such branches of the SCSBs at the Syndicate ASBA Application Locations named by the SCSBs to receive deposits of the Application Forms from the members of the Syndicate, and a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time.
Trading Member(s)	Individuals or companies registered with SEBI as “trading member(s)” under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, and who hold the right to trade in stocks listed on stock exchanges, through which investors can buy or sell securities listed on stock exchanges whose list is available on stock exchanges.
Transaction Registration Slip/TRS	The acknowledgement slip or document issued by any of the Members of the Syndicate, the SCSBs, or the Trading Members as the case may be, to an Applicant upon demand as proof of upload of the Application on the application platform of the Stock Exchange.
Tripartite Agreement(s)	Agreements as entered into between the Issuer, Registrar and each of the Depositories under the terms of which the Depositories shall act as depositories for the securities issued by our Company
Trustees/Debenture Trustee	Trustees for the holders of the NCDs, in this case being Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited).
Wilful Defaulter	An issuer who is categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI and includes an issuer whose director or promoter is categorised as such.
Working Days	All days excluding Sundays or a holiday of commercial banks in Mumbai and/or Kochi, except with reference to Issue Period, where Working Days shall mean all days, excluding Saturdays, Sundays and public holiday in India. Furthermore, for the purpose of post issue period, i.e. period beginning from Issue Closing Date to listing of the securities, Working Days shall mean all days excluding Sundays or a holiday of commercial banks in Mumbai and/or Kochi or a public holiday in India, however, with reference to payment of interest/redemption of NCDs, Working Days shall mean those days wherein the money market is functioning in Mumbai.

Business/Industry Related Terms

Term	Description
ALM	Asset Liability Management
ALCO	Asset Liability Committee
AUM	Assets Under Management
Average Cost of Borrowing	Amount that is calculated by dividing the interest paid during the period by average of the monthly outstanding
CRAR	Capital to Risk Weighted Assets Ratio
DSA	Direct Sales Agent
Gross Spread	Yield on the average minus the cost of funds
HFC	Housing Finance Company
IND AS	Indian Accounting Standards
KYC/KYC Norms	Customer identification procedure for opening of accounts and monitoring transactions of suspicious nature followed by NBFCs for the purpose of reporting it to appropriate authority
Loan Book	Outstanding loans net of provisions made for NPAs
LTV	Loan to value
Master Directions	RBI’s Master Direction - Non-Banking Financial Company – Non - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016, as amended
MSME	Micro, Small and Medium Enterprises
NAV	Net Asset Value
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act, 1934
NBFC-D	NBFC registered as a deposit accepting NBFC
NBFC-ND	NBFC registered as a non-deposit accepting NBFC

Term	Description
NBFC-ND-NSI	Non Systemically Important NBFC-ND, i.e. a non-banking financial company not accepting / holding public deposits and which is not systemically important i.e. not having total assets of ₹50,000 lakhs and above as per the last audited balance sheet
NII	Net Interest Income
NOF	Net Owned Fund
NPA	Non-Performing Asset
OLC	Overdue Loan Cell
Secured Loan Book	Secured loan given against hypothecation of asset
SME	Small and Medium Enterprises
Tier I Capital	Tier I Capital means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiary and companies in the same group exceeding, in aggregate, ten percent of the owned fund
Tier II Capital	Tier II capital includes the following: (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of fifty-five percent; (c) General Provisions (including that for Standard Assets) and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt; and To the extent, the aggregate does not exceed Tier I capital.

Conventional and General Terms or Abbreviations

Term	Description
AGM	Annual General Meeting
AML	Anti-Money Laundering
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CGST Act	Central Goods and Services Tax Act, 2017.
Companies Act, 1956	The Companies Act, 1956 to the extent in force
Companies Act/ Companies Act 2013	The Companies Act, 2013 (to the extent notified) read with rules framed by the Government of India from time to time
CIBIL	Credit Information Bureau (India) Limited
DIN	Director Identification Number
DRR	Debenture Redemption Reserve
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FDI Policy	FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy
FEMA	Foreign Exchange Management Act, 1999
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017
FFMC	Full Fledged Money Changer
Financial Year/FY	Financial Year ending March 31
FPI	Foreign Institutional Investors defined under the SEBI (Foreign Institutional Investors) Regulations, 1995 registered with SEBI and as repealed by Foreign Portfolio Investors defined under the SEBI (Foreign Portfolio Investors) Regulations, 2014
GDP	Gross Domestic Product
GoI	Government of India
G-Sec	Government Securities
GST	Goods and services tax.
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards

Term	Description
IFSC	Indian Financial System Code
IGST Act	Integrated Goods and Services Tax Act, 2017
IND AS	The Indian Accounting Standards referred to in the Companies (Indian Accounting Standard) Rules, 2015, as amended.
Indian GAAP	Generally Accepted Accounting Principles in India
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know Your Customer
MCA	Ministry of Corporate Affairs, Government of India
MICR	Magnetic Ink Character Recognition
MIS	Management Information System
MoU	Memorandum of Understanding
NA	Not Applicable
NACH	National Automated Clearing House
NEFT	National Electronic Funds Transfer
NII(s)	Non-Institutional Investor(s)
NIM	Net Interest Margin
NRI	Non-Resident Indian
NSDL	National Securities Depository Limited
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RM	Relationship Manager
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	The Securities and Exchange Board of India Act, 1992
SGST Act	State Goods and Services Tax Act, 2017, as enacted by various state governments.
TDS	Tax Deducted at Source
WDM	Wholesale Debt Market

Notwithstanding the foregoing:

1. In the chapter titled “*Summary of Main Provisions of the Articles of Association*” beginning on page 218, defined terms have the meaning given to such terms in that section.
2. In the chapter titled “*Financial Statements*” beginning on page 120, defined terms have the meaning given to such terms in that chapter.
3. In the paragraphs titled “*Disclaimer Clause of BSE*” on page 195 in the chapter “*Other Regulatory and Statutory Disclosures*” beginning on page 194, the defined terms shall have the meaning given to such terms in those paragraphs.
4. In the chapter titled “*Statement of Possible Tax Benefits available to the Debenture Holders*” beginning on page 62, defined terms have the meaning given to such terms in that chapter.
5. In the chapter titled “*Key Regulations and Policies*” beginning on page 203, defined terms have the meaning given to such terms in that chapter.
6. In the chapter titled “*Our Business*” beginning on page 91, defined terms have the meaning given to such terms in that chapter.

PRESENTATION OF FINANCIAL, INDUSTRY AND OTHER INFORMATION

Certain Conventions

In this Prospectus, unless otherwise specified or the context otherwise indicates or implies the terms, all references to “KLM”, “Issuer”, “we”, “us”, “our” and “our Company” are to KLM Axiva Finvest Limited.

All references to “India” are to the Republic of India and its territories and possessions and all references to the “Government” or the “State Government” are to the Government of India, central or state, as applicable.

Financial Data

Our Company publishes its financial statements in Rupees. Our Company’s financial statements are prepared in accordance with Indian GAAP, the applicable provisions of Companies Act, 1956 and the Companies Act 2013.

The Reformatted Financial Statements are included in this Prospectus, as issued by our Company’s Statutory Auditors, M/s Balan & Co, Chartered Accountants in the chapter titled “*Financial Statements*” beginning at page 120. Unless stated otherwise, the financial data in this Prospectus is derived from our audited financial statements, prepared in accordance with Indian GAAP and the Companies Act, 2013 for the financial years ended on March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 .

In this Prospectus, any discrepancies in any table, including “*Capital Structure*” and “*Objects of the Issue*” between the total and the sum of the amounts listed are due to rounding off. All the decimals have been rounded off to two decimal places.

There are significant differences between Indian GAAP, US GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited.

Currency and units of Presentation

In this Prospectus, all references to ‘Rupees’/ ‘Rs.’/ ‘INR’/ ‘₹’ are to Indian Rupees, the official currency of the Republic of India.

Except where stated otherwise in this Prospectus, all figures have been expressed in ‘lakhs’. All references to ‘lakh/lakhs’ means ‘one hundred thousand’ and ‘crore’ means ‘ten million’ and ‘billion/bn./billions’ means ‘one hundred crores’.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although our Company believes that industry data used in this Prospectus is reliable, it has not been independently verified. Also, data from these sources may not be comparable. Similarly, internal reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain statements that are not statements of historical fact and are in the nature of “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “continue”, “expect”, “estimate”, “intend”, “objective”, “plan”, “potential”, “project”, “will”, “will continue”, “will pursue”, “will likely result”, “will seek to”, “seek” or other words or phrases of similar import. All statements regarding our expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, revenue and profitability and other matters discussed in this Prospectus that are not historical facts.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results, performance or achievements to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to our businesses and our ability to respond to them, our ability to successfully implement our strategies, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

Important factors that could cause actual results to differ materially from our expectations include, but not limited to, the following:

1. Any increase in the levels of non-performing assets (“**NPA**”) on our loan portfolio, for any reason whatsoever, would adversely affect our business and results of operations;
2. Any volatility in interest rates which could cause our Gross Spreads to decline and consequently affect our profitability;
3. Changes in the value of Rupee and other currency changes;
4. Unanticipated turbulence in interest rates or other rates or prices; the performance of the financial and capital markets in India and globally;
5. Our ability to compete effectively and access funds at competitive cost
6. General economic and business conditions in India and globally
7. Changes in political conditions in India;
8. The rate of growth of our Loan Assets;
9. The outcome of any legal or regulatory proceedings we are or may become a party to;
10. Changes in Indian and/or foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations;
11. Any changes in connection with policies, statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact our lending rates and our ability to enforce our collateral;
12. Emergence of new competitors;
13. Performance of the Indian debt and equity markets;
14. Occurrence of natural calamities or natural disasters affecting the areas in which our Company has operations;

15. The performance of the financial markets in India and globally;
16. Volatility in global bullion prices; and
17. Other factors discussed in this Prospectus, including under the chapter titled “*Risk Factors*” beginning on page 13.

For further discussion of factors that could cause our actual results to differ from our expectations, please refer to the chapter titled “*Risk Factors*” and chapters titled “*Industry Overview*” and “*Our Business*” beginning on pages 13, 71 and 91, respectively.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward looking statements speak only as on the date of this Prospectus. The forward-looking statements contained in this Prospectus are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct or will hold good at all times. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialise, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. Neither our Company or the Lead Manager, nor any of its affiliates have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. Our Company and Lead Manager will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchange.

SECTION II - RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Prospectus including the sections titled “Our Business” and “Financial Information” at pages 91 and 120, respectively, before making any investment decision relating to the NCDs. If any of the following risks or other risks that are not currently known or are now deemed immaterial, actually occur, our business, financial condition and result of operation could suffer, the trading price of the NCDs could decline and you may lose all or part of your interest and / or redemption amounts. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. The ordering of the risk factors is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. This Prospectus contains forward looking statements that involve risk and uncertainties. Our Company’s actual results could differ materially from those anticipated in these forward looking statements as a result of several factors, including the considerations described below and elsewhere in this Prospectus.

Unless otherwise stated, financial information used in this section is derived from the Reformatted Financial Statements as of and for the years ended March 31, 2014, 2015, 2016, 2017 and 2018 prepared under the Indian GAAP.

Risks relating to our Business and our Company

1. *We have received Show-Cause Notice from RBI and any adverse action taken could affect our business and operations.*

RBI issued a Show-Cause Notice dated March 16, 2018 (“**SCN**”) under Section 45-IA(6) and Section 58(B) of the RBI Act, against our Company, in relation to alleged violations and non-compliance in the functioning of our Company. In the SCN, RBI has alleged that our Company failed to communicate the name, designation and address of the Principal Officer to the Financial Intelligence Unit-India (“**FIU-IND**”) as directed by RBI by its various directions including Master Circular - Know Your Customer Guidelines DNBR (PD) CC No. 051/03.10.19/2015-16 dated July 1, 2015 and the Know Your Customer (Directions), 2016 (“**KYC Directions**”). Further, RBI alleges that it had issued several reminders, namely, letter No. DNBS (H) CMS/1713/04.08.025/2016-17 dated May 10, 2017 and email dated February 28, 2018. Furthermore, RBI also alleges that our Company has been included by the FIU-IND in its list of “High Risk Financial Institutions” for non-compliance with the provisions of Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (“**PML Rules**”) and the directions and guidelines issued by RBI under Rule 9 (14) of the PML Rules. In the SCN, the RBI asked our Company to show cause on or before March 28, 2018 as to why the Certificate of Registration issued to our Company should not be cancelled under Section 45-IA(6) of the RBI Act and penal action should not be initiated against our Company for the offences punishable under Section 58 B of the RBI Act.

Our Company vide its letter dated March 23, 2018 (“**Reply**”) with its reference to DNBS (H) CMS/1297/00.00.056/2016-17 dated March 16, 2018, responded to the SCN and submitted that our Company has applied for reporting entity registration with FIU-IND on February 26, 2018 and received the FIUREID on March 22, 2018. Further, our Company has sent the documents through registered post to FIU-IND. There is no further communication in this regard.

2. *Our Company, our Promoter and Directors and our Group companies have been subject to search and seizure operations conducted by the Indian income tax authorities.*

Search and seizure proceedings were initiated by the Income Tax Department under Section 132 of the Income-Tax Act, 1961 (the “**IT Search and Seizure Proceedings**”) on October 5, 2015 in the business premises of our Company and our Group Companies namely KMLM Chits India Limited and KLM Fincorp Limited at Kothamangalam, Thirupunithura, Piravom and Kaloore. Simultaneously, search was also conducted in the residential premises of Mr. Shibu Thekkumpurathu Varghese, Director of the Company and Mr. Josekutty Xavier, Director of the Company. Further, a survey under section 133A of the I.T. Act was conducted in the business premises of our Company at Kolenchery, Aluva, Thodupuzha, Pala, Athani, Thirussur, Muvattupuzha, Perumbavoor and Pallithazham. During the search, certain documents and items were seized by the department and sworn statements were recorded from Mr. Shibu Thekkumpurathu Varghese, Mr. Josekutty Xavier, and

other employees of our Company, KMLM Chits India Limited and KLM Fincorp Limited. It was alleged that our Company has generated undisclosed income and utilized the same over the period. Pursuant to the IT Search and Seizure Proceedings, our Company received notices on November 30, 2017 under section 148 of the IT Act issued by the Deputy Commissioner of Income Tax, Centre Circle, Kochi, stating that income tax returns should be filed in 30 days for assessment of income.

In response to these notices received above, our Company, our Group Companies, KMLM Chits India Limited and KLM Fincorp Limited and Mr. Shibu Thekkumpurathu Varghese, Director of the Company and Mr. Josekutty Xavier, Director of the Company (Collectively referred as “**Applicants**”) have filed income tax returns and subsequently approached Income tax Settlement Commission, Chennai Bench. Further, the Settlement Commission allowed the settlement applications of Applicants and presently the matter is pending before the Commissioner of Income Tax, Ernakulum. For details, please see section entitled “*Outstanding Litigation*” on page 190. There can be no assurance that the Income Tax Department will accept the revised returns of income or proposal by the Applicants and that there will be no additional tax liability imposed on the Applicants. Any adverse determination in such proceedings may have a material adverse effect on our financial condition and cash flows.

3. *Our financial performance is particularly vulnerable to interest rate volatility. If we are unable to manage interest rate risk in the future it could have an adverse effect on our net interest margin, thereby adversely affecting business and financial condition of our company.*

Our results of operations are substantially dependent upon the level of our Net Interest Margins. Interest income from our financing activities is the largest component of our total income, and constituted 97.23%, 99.81%, 99.64% and 99.89% of our total income in Fiscal 2018, Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively. As of March 31, 2018 and March 31, 2017, our loan book was ₹ 19,423.29 lakhs and 9,135.68 lakhs respectively. We borrow and lend funds on both fixed and floating rates. Volatility in interest rates can materially and adversely affect our financial performance. In a rising interest rate environment, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted.

Accordingly, our operations are susceptible to fluctuations in interest rates. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic and international economic and political conditions, inflation and other factors. Rise in inflation, and consequent changes in Bank rates, Repo rates and Reverse Repo rates by the RBI have led to an increase in interest rates on loans provided by banks and financial institutions, and market interest rates in India have been volatile in recent periods.

We do not hedge our exposure to interest rate changes. We cannot assure you that we can adequately manage our interest rate risk in the future. Further, changes in interest rates could affect the interest rates charged on interest earning assets and the interest rates paid on interest bearing liabilities in different ways. Thus, our results of operations could be affected by changes in interest rates and the timing of any re-pricing of our liabilities compared with the re-pricing of our assets.

4. *Our business requires substantial capital, and any disruption in funding sources would have a material adverse effect on our liquidity and financial condition.*

As an NBFC, our liquidity and on-going profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. Our funding requirements historically have been met from issuance of redeemable non-convertible debentures, the issue of subordinated Debts and equity shares. Thus, our business depends and will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the regulatory environment and policy initiatives in India, investors' and/or lenders' perception of demand for debt and equity securities of NBFCs, and our current and future results of operations and financial condition. While our borrowing costs have been competitive in the past, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. This may adversely impact our business, prospects, cash flow, results of operations and financial condition.

Restrictive or penal order may be passed against us by the RBI in future proceedings that could hamper our operations or services, or a part thereof, or levy penalties in connection therewith, which may in turn adversely affect our operations and profitability. Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. Such conditions may

lead to a disruption in our primary funding sources at competitive costs and would have a material adverse effect on our liquidity and financial condition.

5. *High levels of customer defaults or delays in repayment of loans could adversely affect our business, financial condition and results of operations.*

Our business involves lending money and accordingly we are subject to customer default risks including default or delay in repayment of principal and/or interest on our loans. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition and results of operations will be adversely impacted.

In addition, our customer portfolio consists of individuals, small and medium enterprises and other group of the under banked community, who do not typically have easy access to financing from commercial banks or other organized lenders and often have limited credit history. Such borrowers generally are less financially resilient than larger corporate borrowers, and, as a result, they can be more adversely affected by declining economic conditions. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation on the part of our customers. Furthermore, unlike several developed economies, a nationwide credit bureau has only recently become operational in India, so there is less financial information available about the creditworthiness of our customers. It is therefore difficult to carry out precise credit risk analyses on our clients.

Our Company has in the past faced various instances of customers having defaulted and/or failed to repay dues in connection with loans and/or finance provided by our Company and has also initiated various legal proceedings in connection therewith. Further our Company also in certain cases restructured the terms and conditions of loans and/or finance provided by us, subject to applicable statutory and/or regulatory requirements. Further, another source of funding is repayment of loans by our customers. Any delays in repayment of loans by our customers in a timely manner or at all, could impact our funding plans.

Customer defaults could also adversely affect our levels of NPAs and provisioning of the same, which could in turn adversely affect our operations, cash flows and profitability. Our Gross NPAs have increased from ₹ 147.40 lakhs as at March 31, 2015 to ₹ 854.90 lakhs as at March 31, 2018 and our Net NPAs have increased from ₹ 132.66 lakhs as at March 31, 2015 to ₹ 764.47 lakhs as at March 31, 2018. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to continuously monitor the loan contracts, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations and financial condition.

6. *If we are unable to manage the level of NPAs in our Loan Assets, our financial position and results of operations may suffer.*

Our Gross NPAs have increased from ₹ 147.40 lakhs as at March 31, 2015 to ₹ 854.90 lakhs as at March 31, 2018 and our Net NPAs have increased from ₹ 132.66 lakhs to as at March 31, 2015 to ₹ 764.47 lakhs as at March 31, 2018. Our Gross NPAs as a percentage of total Loan Assets were 4.40%, 4.23%, 6.56% and 12.98% as of March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015 respectively, while our Net NPAs as a percentage of Net Loan Assets were 3.94%, 3.78%, 5.90% and 11.68% as of March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, respectively. The aforementioned increase in our gross NPA and net NPA is inter alia on account of the change in the policy in connection with the recognition of NPAs. We cannot be sure that we will be able to improve our collections and recoveries in relation to our NPAs or otherwise adequately control our level of NPAs in future. Moreover, as our loan portfolio matures, we may experience greater defaults in principal and/or interest repayments. Thus, if we are not able to control or reduce our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected. Furthermore, our current provisions may not be adequate when compared to the loan portfolios of other financial institutions, currently as at March 31, 2018 our total provisioning for NPAs is ₹ 90.42 lakhs. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of Gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, there could be an even greater, adverse impact on our results of operations.

7. *We have limited operating history and evolving business make it difficult to evaluate our business and future operating results on the basis of our past performance, and our future results may not meet or exceed our past performance.*

The present management has acquired our Company in the Fiscal 2014 from the erstwhile management to start financial services. Subsequently, we started offering various products such as gold loan, personal loan and MSME loan. As per the strategy of the Company, we have recently forayed into microfinance lending and vehicle loan. As a result of our limited operating history under the new management, there is limited historical operating information available to help prospective investors to evaluate our past performance as an entity. Given we have limited operating history in the loan finance business, we may face significant challenges in developing and institutionalizing our procedures and policies for that business. The loan finance business would require extensive monitoring, strict compliance with KYC requirements and prudent risk management. Our growth plans will place significant demands on our operational, credit, financial and other internal risk controls, making our management of asset quality increasingly important.

Our business in each sector and overall is growing and the results and amounts set forth in our financial statements may not provide a reliable indication of our future performance. Accordingly, you should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by both high growth companies and financial institutions that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully could materially adversely affect our business and operating results.

8. *We may not be able to recover, on a timely basis or at all, the full value of collateral or amounts which are sufficient to cover the outstanding amounts due under defaulted loans.*

Out of our Company's total gross loan portfolio of ₹ 19,423.29 lakhs as at March 31, 2018, 91.75% of the aggregate gross value of our loan book i.e. ₹ 17,821.66 lakhs is secured by collaterals and ₹ 1,601.63 lakhs representing 8.25% of the aggregate gross value of our loan book is unsecured loans. The value of collaterals is dependent on various factors *inter-alia* including (i) prevailing market conditions, (ii) the general economic and political conditions in India, (iii) growth of the real estate markets in India and the areas in which we operate, (iv) any change in statutory and/or regulatory requirements in connection with the real estate or the housing finance sectors and (v) in context to Gold loan business, the value of Gold, being the security, is dependent on the International Gold prices.

The value of the security provided to us, may be subject to reduction in value on account of other extraneous reasons. Consequently, the realizable value of the security for the loans provided by us, when liquidated, may be lower than principal amount outstanding along with interest and other costs recoverable from such customers.

Although we believe that we generally maintain a sufficient margin in the collateral value, if we have to enforce such pledges and if at the time of such enforcement, due to adverse market conditions, the market value of the pledged securities have fallen to a level where we are unable to recover the monies lent by us, along with interest accrued thereon and associated costs, the results of our operations would be adversely affected. In case of any shortfall in margins in connection with the securities pledged as collaterals, we typically call upon the relevant customer to provide further collateral to make up for the deficit in such margins. Furthermore, enforcing our legal rights by litigating against defaulting customers is generally a slow and potentially expensive process in India. Accordingly, it may be difficult for us to recover amounts owed by defaulting customers in a timely manner or at all.

9. *We are subject to laws and regulations governing the banking and financial services industry in India and changes in laws and regulations governing us could adversely affect our business, results of operations and prospects.*

We are subject to the RBI's guidelines on financial regulation of NBFCs, including capital adequacy, exposure and other prudential norms. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. Additionally, we are required to make various filings with the RBI, the Registrar of Companies and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. Further, pursuant to circular number RBI/2014-15/458 - DNBR(PD).CC.No 019 / 03.10.01 / 2014-15 dated February 6, 2015, all the NBFCs were directed to become member of all four Credit Information Companies and submit data (including historical data) to them. Our Company has obtained certificate of member with CRIF High Mark Credit Information Services Private Limited and Equifax Credit Information Services Private Limited. However, as on date of this Prospectus, our Company has not obtained the membership with Credit Information Bureau (India) Limited and Experian Credit Information Company of India Private Limited and is in process of filing an application for registration of the same. In case of continuous violation, RBI may initiate

an appropriate action against our Company including cancellation of the Certificate of Registration issued to the Company.

The laws and regulations governing the non-banking financial services industry in India have become increasingly complex and cover a wide variety of issues such as interest rates, liquidity, securitization, investments, ethical issues, money laundering and privacy. In some cases, there are overlapping regulations and enforcement authorities. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with such laws and regulations, which could materially and adversely affect our business and our financial performance. Compliance with many of the regulations applicable to our operations in India, including any restrictions on investments, lending and other activities currently being carried out by our Company, involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected. We are also subject to changes in Indian laws, regulations and accounting principles and practices. There can be no assurance that the laws governing the Indian financial services sector will not change in the future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not adversely affect our business and future financial performance.

10. *Our loan book comprises of unsecured loans forming a part of our Microfinance loan. Our inability to recover the amounts due from customers in connection with such loans in a timely manner or at all and/or to comply with applicable statutory/regulatory requirements in connection with such loans could adversely affect our operations and profitability.*

Our loan book comprises of unsecured loans forming a part of our Microfinance loans. Since such loans are unsecured, in case of customer defaults in connection with such loans, our ability to realise the amounts due to us for such loans would be restricted to initiating legal proceedings for recovery, as we will not have the benefit of enforcing any security interest related to such loans. There can be no guarantee as to the time that would be taken for the final disposal of such legal proceedings and/or our ability to obtain favourable decisions in connection therewith.

Because of the unsecured nature of our Microfinance loans, it is essential that our products are appropriately priced, taking into account a possible high rate of net charge-off and all other relevant factors. In making a decision whether to extend credit to prospective customers, and the terms on which we are willing to provide credit, including the price, we rely heavily on our credit scoring models, and our credit experience gained through monitoring the performance of customers over time. Our credit scoring models are based on previous historical experience. If our credit scoring models are not redeveloped as required or if they do not perform up to target standards we may experience increasing defaults or higher customer acquisition costs.

As of March 31, 2018, our unsecured lending book was ₹ 1,601.63 lakhs constituting 8.25% of our total loan book. Further, our corporate lending products generally do not have any definite end-use restrictions and our customer may utilise such loans for various purposes, which are often incapable of being monitored on a regular basis or at all.

11. *Our business operations involve transactions with relatively high risk borrowers. Any default from our customers could adversely affect our business, results of operations and financial condition.*

We offer a wide range of financial products and services that address the specific financing requirements of low and middle income individuals as well as micro, small, and medium enterprises. Similarly, our loans are principally focused on first time users with limited access to capital through formal banking channels. A significant portion of our customer base is typically less economically stable than large corporates, and as a result, is usually adversely affected by declining economic conditions. Earning capacity of customers in these segments depends on various macro and micro economic factors that affect them from time to time. We have a greater risk of loan defaults and losses in the event there are adverse economic conditions which may have a negative effect on the ability of our borrowers to make timely payments of their loans.

A significant portion of our target customers typically have limited access to credit with limited to no prior credit history. As a result, we are more vulnerable to customer default risks including delay in repayment of principal or interest on our loans. Although we have our own customised due diligence and credit analysis procedures, there can be no assurance that we will be able to ensure a lower delinquency rate. Our profitability depends on our ability to evaluate the right income levels of our customers, assess the credit risks and to price our loans accordingly. Our customers may default on their obligations as a result of various factors including bankruptcy, insolvency, lack of liquidity and/or failure of the business or commercial venture in relation to which such borrowings were sanctioned. Certain product segments and micro-enterprise loans in particular, are

mostly unsecured and are susceptible to higher levels of credit risks. Failure to maintain sufficient credit assessment policies, particularly for small and medium enterprise borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations and financial condition.

12. *We face increasing competition in our business which may result in declining margins if we are unable to compete effectively.*

We face competition in all our lines of business. Our primary competitors are other NBFCs, public sector banks, private sector banks, co-operative banks and foreign banks and the unorganized financiers who principally operate in the markets where we operate. Banks have access to low cost funds which enables them to enjoy higher margins and / or offer finance at lower rates. NBFCs do not have access to large quantities of low cost deposits, a factor which can render them less competitive. In addition, interest rate deregulation and other liberalization measures affecting the retail and small and medium enterprises finance sector, together with increased demand for capital by individuals as well as small and medium enterprises, have resulted in an increase in competition.

All of these factors have resulted in us facing increased competition from other lenders in each of our lines of businesses, including commercial banks and other NBFCs. Our ability to compete effectively will depend, to some extent, on our ability to raise low-cost funding in the future. Furthermore, as a result of increased competition in the finance sector, finance products are becoming increasingly standardized and variable interest rate and payment terms and lower processing fees are becoming increasingly common in the finance sector in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive finance industry. Increasing competition may have an adverse effect on our net interest margin, and, if we are unable to compete successfully, our market share may decline. If we are unable to compete effectively with other participants in the finance sector, our business, future financial performance and the trading price of the NCDs may be adversely affected.

13. *We are exposed to operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, customers or third parties, which could harm our results of operations and financial position.*

We also do cash collections to recover our dues. Such cash transactions expose us to the risk of theft, burglary and misappropriation or unauthorized transactions by our employees and fraud by employees, customers or third parties. Our insurance policies, security systems and measures undertaken to detect and prevent these risks may not be sufficient to prevent or deter such activities in all cases, which may adversely affect our operations and profitability. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill.

14. *If we are unable to manage our growth effectively, our business and reputation could be adversely affected.*

Pursuant to our growth strategies we have recently forayed into lending businesses. Our loan book has grown by a compounded annual growth rate, or CAGR, of 189.78% from ₹ 275.47 lakhs as of March 31, 2014 to ₹ 19,423.29 lakhs as of March 31, 2018. Our total income increased from ₹ 40.39 lakhs for financial year 2013-14 to ₹ 4,273.17 lakhs for financial year 2017-18 at a CAGR of 220.71%. Our net profit after tax increased from ₹ 16.52 lakhs for financial year 2013-14 to ₹ 568.65 lakhs financial year 2017-18, at a CAGR of 142.22%. There can be no assurance that we will be able to sustain our growth strategy successfully or that we will be able to expand further or diversify our product portfolio. If we grow our loan book too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition.

Expanding our products or entering into new jurisdictions with new or existing products can be costly and require significant management time and attention. Additionally, as our operations grow in size, scope and complexity and our product offerings increase, we will need to enhance and upgrade our systems and infrastructure to offer an increasing number of enhanced solutions, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

15. *We may experience difficulties in expanding our business into new regions and markets in India and introducing our complete range of products in each of our branches.*

Historically, our distribution networks are concentrated in Kerala, Tamil Nadu and Karnataka. As part of our growth strategy, we continue to evaluate attractive growth opportunities to expand our business into new regions and markets in India. Factors such as competition, culture, regulatory regimes, business practices and customs and customer requirements in these new markets may differ from those in our current markets and our experience in our current markets may not be applicable to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete with other banks and financial institutions that already have a presence in those geographies and markets and are therefore more familiar with local regulations, business practices and customs and have stronger relationships with customers. Our business may be exposed to various additional challenges including obtaining necessary governmental approvals, identifying and collaborating with local business and partners with whom we may have no previous working relationship; successfully gauging market conditions in local markets with which we have no previous familiarity; attracting potential customers in a market in which we do not have significant experience or visibility; being susceptible to local taxation in additional geographical areas of India and adapting our marketing strategy and operations to different regions of India in which different languages are spoken. Our inability to expand our current operations may adversely affect our business prospects, financial conditions and results of operations.

16. *Our business is based on the trust and confidence of our customers; any damage to that trust and confidence may materially and adversely affect our business, future financial performance and results of operations.*

We are dedicated to earning and maintaining the trust and confidence of our customers and we believe that the good reputation created thereby and inherent in the “*KLM*” brand name is essential to our business. The reputation of our Company and/or the “*KLM*” brand could be adversely affected by any threatened and/or legal proceedings and/or any negative publicity or news articles in connection with our Company or the “*KLM*” brand. As such, any damage to our reputation, or that of the “*KLM*” brand name, could substantially impair our ability to maintain or grow our business. If we fail to maintain brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. Any negative news affecting us might also affect our reputation and brand value.

17. *System failures or inadequacy and security breaches in computer systems may adversely affect our business.*

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control including a disruption of electrical or communications services. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing MIS systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we are located.

18. *We have expanded into new lines of business and if we are unable to successfully run the new businesses profitably, our results of operations and financial condition may be affected.*

As part of our growth strategy, we have also added additional products to our portfolio such as micro finance. We have limited experience in some of the recently launched products and business verticals which are partly targeted at a slightly different borrower segment. Our current strategy is to gain market share in strategically-selected target businesses, customer segments and geographies, however, there can be no assurance that we will be able to continue to successfully implement our strategy. If we grow our total credit exposure too rapidly or

fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have an adverse effect on the quality of our assets and our financial condition.

Factors such as competition, customer requirements, regulatory regimes, business practices and customs in these new markets may differ from those in our existing markets, and our experience in our existing markets may not be applicable to these new markets. In addition, as we enter new markets and geographical regions, we are likely to compete with not only other banks and financial institutions but also the local unorganized or semi-organized private financiers, who are more familiar with local regulations, business practices and customs, and may have stronger relationships with target customers. Our inability to expand our current operations may adversely affect our business, financial condition and results of operations.

19. *Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and lending markets and could also affect our interest margins, business, results of operations and financial condition.*

The cost and availability of debt capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Certain factors that influence our credit ratings may be outside of our control. Our long-term debt is presently rated “CARE BB” Stable, by CARE Ratings, which reflects the credit worthiness of our Company and also increases the confidence of the lender.

Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business and results of operations and cash flows. In addition, any downgrade in our credit ratings could increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future. Further, any downgrade in our credit ratings may also trigger an event of default or acceleration of certain of our future borrowings.

20. *Our measures to prevent money laundering may not be completely effective and we may be subject to scrutiny and penalties by the RBI for failure to implement effective measures. Moreover, various state government laws regulating money lending transactions could adversely affect our business, prospects, results of operations and financial condition.*

Our measures to prevent money laundering as required by the RBI, including KYC policies and the adoption of anti-money laundering policies and compliance procedures in all our branches may not be completely effective. There can be no assurance that attempts to launder money using us as a vehicle will not be made. Additionally, certain states in India have enacted laws to regulate money lending transactions, which may for instance establish a maximum rate of interest that can be charged. In the event, we are required to comply with the provisions of these state money lending laws, there may be severe civil and criminal penalties for non-compliance with the relevant money lending statutes. In the event that the government of any state in India requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty against us for prior non-compliance, our business and results of operations could be adversely affected.

21. *We depend on the accuracy and completeness of information about customers and counterparties for certain key elements of our credit assessment and risk management process. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and financial performance.*

In deciding whether to extend credit or enter into other transactions with customers, for certain key elements of the credit assessment process, we rely on information furnished to us by or on behalf of customers (including in relation to their financial transactions and past credit history). We may also rely on certain representations from our customers as to the accuracy and completeness of that information. For ascertaining the creditworthiness and encumbrances on collateral we may depend on the respective registrars and sub-registrars of assurances, credit information companies or credit bureaus, and on independent valuers in relation to the value of the collateral, and our reliance on any misleading information given, may affect our judgement of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect our business, prospects, results of operations and financial condition. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation. Our risk management measures may not be adequate to prevent or deter such activities in all cases, which may adversely affect our business prospects, financial condition and results of operations.

22. *Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our counterparts in India and in some developed countries.*

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data. Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, current, or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective. Our future success will depend, in part, on our ability to respond to new technological advances and evolving the NBFC standards and retail finance sector standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction-processing systems to customer requirements or evolving market standards.

23. *We are subjected to supervision and regulation by the RBI as a non - systemically important NBFC, and changes in RBI's regulations governing us could adversely affect our business.*

We are subject to the RBI's Master Direction Non – Banking financial Company, Non-Systemically Important Non- deposit taking Company (Reserve Bank) Directions, 2016 (“Master Directions – Non-Systemically NBFC”). The Master Directions – Non-Systemically NBFC further provides directions to all non-systemically important-NBFCs on classification of assets, requirements for provisioning and disclosures to be made in the balance sheet on provisions for bad and doubtful debt and provisions for depreciation in investments. The Master Directions – Non-Systemically NBFC further provides the requirements as to capital adequacy consisting of Tier-I and Tier-II capital with total Tier-II capital not exceeding 100% of the Tier-I capital at any time.

The Master Directions – Non-Systemically NBFC also provides directions on loan against gold jewellery, which include restriction on granting any loan or advance against bullion, gold coins or primary gold. NBFCs are also required to maintain a loan to value ratio not exceeding 75% of the loan granted against collateral of gold jewellery. NBFCs are required to disclose the percentage of such loans to their total assets in the balance sheet and NBFC. NBFCs are also required to carry out verification of ownership of gold jewellery, when the borrower pledges at one time or cumulatively more than 20 grams of gold. The Master Directions – Non-Systemically NBFC further provides directions on the manner in which auction of the pledged gold jewellery is required to be conducted. NBFCs are also required to disclose in the annual report, details of gold auction conducted during a financial year with details of loan account, outstanding amount, value fetched and details of participation of any sister concern of the NBFC in the auction.

There can be no assurance that the RBI and/or the Government will not implement regulations or policies, including policies or regulations or legal interpretations of existing regulations, relating to or affecting on classification of assets, requirements for provisioning and disclosures to be made in the balance sheet on provisions for bad and doubtful debt and provisions for depreciation in investments, or otherwise take action, that could have an adverse effect on non-systemically important-NBFCs. In addition, there can be no assurance that any changes in the laws and regulations relative to the Indian financial services industry will not adversely impact our business.

24. *Our success depends in large part upon our management team and key personnel and our ability to attract, train and retain such persons.*

Our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key operations personnel, developing managerial experience to address emerging challenges and ensuring a high standard of client service. In order to be successful, we must attract, train, motivate and retain highly skilled employees, especially branch managers and product executives. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, divert management resources and subject us to incurring additional human resource related expenditure. Hiring and retaining qualified and skilled managers are critical to our future, as our business model depends on our credit-appraisal and asset valuation mechanism, which are personnel-driven operations.

Moreover, competition for experienced employees in the finance sector can be intense. Our inability to attract and retain talented professionals, or the resignation or loss of key operations personnel, may have an adverse impact on our business and future financial performance.

25. Our Company, Directors and Promoters are subject to certain legal proceedings and any adverse decision in such proceedings may have a material adverse effect on our business, financial condition and results of operations.

We, our Directors and Promoters are subject to certain legal proceedings including civil suits, consumer litigations, tax litigations etc. We incur substantial cost in defending these proceedings before a court of law. Moreover, we are unable to assure you that we or our Promoter and Directors shall be successful in any or all of these actions. In the event, we or our Promoter and Directors suffer any adverse order, our reputation may suffer and may have an adverse impact on our business and results of operations. We cannot assure that an adverse order by any statutory or governmental authority would not have a negative impact on our profit and financial condition. For further details of the legal proceedings that we are subject to, please refer to the chapter titled “*Outstanding Litigations*” on page 190.

26. We have had negative net cash flows from our operating, investing and financing activities in the recent fiscal years. Any negative cash flows in the future may adversely affect our results of operations and financial condition.

We have had negative net cash flows from our operating, investing and financing activities during our last four fiscal years, the details of which are summarised below:

		(₹ in Lakh)			
Particulars		FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
Net cash generated from/ (used in) operating activities		(7,736.06)	(2,287.50)	(2,364.94)	(789.93)
Net cash generated from/ (used in) investing activities		(221.69)	(564.36)	(227.83)	(139.84)
Net cash generated from/ (used in) financing activities		9,183.90	3,396.06	2,056.91	1,287.61

Any negative cash flows in the future may adversely affect our results of operations and financial condition. For further details, please see the sections titled “*Financial Statements*” on page 120.

27. One of our Group Company, Payyoli Granites Private Limited had loss after tax for Fiscal 2014-15.

In the Fiscal 2014-15, one of our Group Companies, Payyoli Granites Private Limited, incurred losses after tax of ₹ 21.25 lakhs, primarily due to operating loss. There can be no assurance that our Group Companies will not incur losses in the future which may have an adverse effect on our reputation and business.

28. We may not be able to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business.

We require certain statutory and regulatory permits and approvals to operate our business, including a certificate of registration as an NBFC from the RBI, which requires us to comply with certain terms and conditions to continue our NBFC operations. The RBI conducts an annual financial inspection of our operations and financial records relating to our financial position every year under the RBI Act. Inspection by the RBI is a regular exercise and is carried out periodically by the RBI for NBFCs. If we fail to comply with the RBI’s observations in its annual inspections reports or in the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this licence or may place stringent restrictions on our operations. This may result in the interruption of all or some of our NBFC operations and have a material adverse effect on our business, financial condition and results of operations. We also obtain licenses and approvals to operate our various lines of business and in the future, we will be required to maintain such permits and approvals and obtain new permits and approvals for any proposed expansion strategy or diversification into additional business lines or new financial products. We may not be able to obtain such approval in a timely manner or at all.

In addition, our various offices are required to be registered under the relevant shops and establishments laws of the states. The shops and establishment laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on such activities. We may also incur substantial costs

related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

29. *Our insurance coverage may not be sufficient or may not adequately protect us against any or all hazards, which may adversely affect our business, results of operations, financial condition and cash flows.*

We maintain insurance coverage for our operations in normal course. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

We cannot assure you that any claim under the insurance policies maintained by us will be honored fully, in part or on time, or that we have obtained sufficient insurance to cover all our losses. In addition, our insurance coverage expires from time to time. We apply for the renewal of our insurance coverage in the normal course of our business, but we cannot assure you that such renewals will be granted in a timely manner, or at acceptable cost, or at all. For further details on our insurance arrangements, see “*Our Business – Insurance*” on page 105.

30. *We may be subject to regulations in respect of provisioning for non-performing assets. If such provisions are not sufficient to provide adequate cover for loan losses that may occur, this could have an adverse effect on our financial condition, liquidity and results of operations.*

RBI guidelines prescribe the provisioning required in respect of our outstanding loan portfolio. These provisioning requirements may require us to reserve lower amounts than the provisioning requirements applicable to financial institutions and banks in other countries. The provisioning requirements may also require the exercise of subjective judgments of management. The RBI vide the Master Directions provides for the regulatory framework governing NBFCs pertaining to provision for standard assets.

There are multiple factors that affect the level of NPAs in our Company. Various factors that are beyond our control, such as macro-economic factors (including a rise in unemployment, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates), regulatory hurdles and global competition as well as customer specific factors such as wilful default and mismanagement of a customer’s operations, may result in increasing NPA levels and may have an adverse impact on the quality of our loan portfolio. If we are unable to effectively control our NPA levels in the future, we will be required to increase our provisions, which may adversely affect our profitability and financial condition. The RBI regulates certain aspects of the recovery of non-performing loans, such as the use of recovery agents. Any limitation on our ability to recover, control and reduce non-performing loans under the applicable regulatory regime or otherwise could affect our collections and ability to foreclose on existing NPAs. The level of our provisions may not be adequate to cover further increases in the amount of our nonperforming assets or a decrease in the value of the underlying gold collateral. If we are unable to control the level of our NPAs in the future, quality of our loan portfolio could deteriorate, our credit ratings could be downgraded and our cost of funds could increase, any of which could have a material adverse effect on our financial condition and results of operations.

31. *All of our offices and branches are located in leased premises and non-renewal of lease agreements or their renewal on terms unfavorable to us could adversely affect our operations.*

As of August 31, 2018, all of our offices (including our Registered and Corporate Office) and branches are located in leased premises. Further, as we expand our branch network in line with our growth strategy, we expect the number of leased branches to increase significantly as all of our new branches are expected to open on leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises, or if they seek to renew such agreements on terms and conditions unfavorable to us, or if they terminate the agreement we may suffer a disruption in our operations or increased costs, or both, which may adversely affect our business and results of operations.

All or any of the leases may not be renewed on similar terms or at all, or we may be evicted from all or a number of these premises and be required to pay damages to the landlord. This may adversely impact our business and financial condition.

32. *We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest with the equity shareholders.*

We have entered into various transactions with related parties, including for payment of salaries of key managerial personnel, interest paid and receipt of loans. While we believe that all such transactions have been conducted on an arm's length basis and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although all related party transactions that we may enter into post-listing, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013, as amended and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. For details, see "Related Party Transactions" in the chapter titled "Financial Statements" on page 120.

33. *The new bankruptcy code in India may affect our rights to recover loans from borrowers.*

The Insolvency and Bankruptcy Code, 2016 ("**Bankruptcy Code**") was notified on August 5, 2016. The Bankruptcy Code offers a uniform and comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). It allows creditors to assess the viability of a debtor as a business decision, and agree upon a plan for its revival or a speedy liquidation. The Bankruptcy Code creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, which will facilitate a formal and time-bound insolvency resolution and liquidation process.

In case insolvency proceedings are initiated against a debtor to our Company, we may not have complete control over the recovery of amounts due to us. Under the Bankruptcy Code, upon invocation of an insolvency resolution process, a committee of creditors is constituted by the interim resolution professional, wherein each financial creditor is given a voting share proportionate to the debts owed to it. Any decision of the committee of creditors must be taken by a vote of not less than 75% of the voting share of all financial creditors. Any resolution plan approved by committee of creditors is binding upon all creditors, even if they vote against it. In case a liquidation process is opted for, the Bankruptcy Code provides for a fixed order of priority in which proceeds from the sale of the debtor's assets are to be distributed. Before sale proceeds are distributed to a secured creditor, they are to be distributed for the costs of the insolvency resolution and liquidation processes, debts owed to workmen and other employees, and debts owed to unsecured credits. Further, under this process, dues owed to the Central and State Governments rank at par with those owed to secured creditors. Moreover, other secured creditors may decide to opt out of the process, in which case they are permitted to realise their security interests in priority.

Accordingly, if the provisions of the Bankruptcy Code are invoked against any of the borrowers of our Company, it may affect our Company's ability to recover our loans from the borrowers and enforcement of our Company's rights will be subject to the Bankruptcy Code.

34. *The fund requirement and deployment mentioned in the Objects of the Issue have not been appraised by any bank or financial institution.*

We intend to use the proceeds of the Issue, after meeting the expenditures of and related to the Issue, for the purpose of onward lending, financing and for repayment of interest and principal of existing borrowings and also for general corporate purposes. For further details, see "Objects of the Issue" at page 69. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The management will have significant flexibility in applying the proceeds received by us from the Issue. Further, as per the provisions of the SEBI Debt Regulations, we are not required to appoint a monitoring agency and therefore no monitoring agency has been appointed for the Issue.

35. *Our results of operations could be adversely affected as a result of any disputes with our employees.*

Our operations are personnel-driven, and we place a lot of emphasis on the effective training of our personnel in communication and service orientation skills. However, a failure to train and motivate our employees may lead to an increase in our employee attrition rates, erode the quality of customer service, divert management resources and impose significant costs on us which may have an adverse impact on our business and future financial performance.

We employ 451 full-time employees as of August 31, 2018, and lay significant emphasis on our employees' overall welfare. However, there can be no assurance that there will not be any future disruptions in our

operations due to any disputes with our employees, or that such disputes will not adversely affect our business and results of operations. We depend on our branch-level employees for sourcing, disbursements and collections and customer liaison, and significant attrition at any of our branches could adversely impact our operations. Further, in the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

36. *We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy and the NBFC and Loan industries contained in this Prospectus.*

While facts and other statistics in this Prospectus relating to India, the Indian economy as well as the Loan industry have been based on various publications and reports from agencies that we believe are reliable, we cannot guarantee the quality or reliability of such materials, particularly since there is limited publicly available information specific to the Loan industry. While we have taken reasonable care in the reproduction of such information, industry facts and other statistics, the same have not been prepared or independently verified by us or any of our respective affiliates or advisors and, therefore we make no representation as to their accuracy or completeness. These facts and other statistics include the facts and statistics included in the chapter titled “*Industry Overview*” beginning on page 71. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, elsewhere.

37. *Our Whole time Director, Mr. Shibu Thekumpurathu Varghese, is a director of KMLM Financial Services Limited. RBI has previously issued a notice to KMLM Financial Services Limited for certain non-compliances of/ violating the provisions/ direction of RBI Act, 1934.*

Our Company has appointed Mr. Shibu Thekumpurathu Varghese as a Whole time Director with effect from July 27, 2016. Further RBI vide a letter dated June 9, 2017 sought certain clarification from our Company in relation to the said appointment of Mr. Shibu Thekumpurathu Varghese as a Whole time Director. It was alleged that Mr. Shibu Thekumpurathu Varghese is associated as a director with KMLM Financial Services Limited which conducts business of a non-banking financial company without obtaining a Certificate of Registration from RBI. Therefore, KMLM Financial Services Limited is violating the provisions/ direction of the RBI Act, 1934 and accordingly, the appointment of Mr. Shibu Thekumpurathu Varghese in our Company was without undertaking a process of due diligence to determine the suitability of the person for appointment as a director on the board of the directors, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria as per the master direction dated September 1, 2016.

Further, our Company vide a letter dated June 26, 2017 has submitted its reply to the aforementioned letter and submitted that KMLM Financial Services Limited was incorporated on November 9, 2011 and has applied to RBI for obtaining certificate of registration to carry on NBFC business. In the application to RBI, KMLM Financial Services Limited informed that it has lent very few loans to meet the minimum net owned fund criteria of ₹ 2 crore. However, KMLM Financial Services Limited has not lent any fresh loans and stopped doing business since the Fiscal 2013 and recovered all subsisting loans during the current Fiscal 2018 with the money lying in the fixed deposit as on date. Therefore, KMLM Financial Services Limited has not been doing any finance business and is in compliance with the law and statutory requirements of RBI. There is no further communication from RBI after June, 2017. In the event of any adverse order from RBI in relation to the appointment of Mr. Shibu Thekumpurathu Varghese in our Company, he will have to resign from the post of Whole Time Director.

38. *The use of “KLM AXIVA” or similar trade names by third parties may result in loss of our business to such third parties and any potential negative publicity relating to such third parties may adversely affect our reputation, the goodwill of our brand and business prospects.*

We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our services from those of our competitors and creating and sustaining demand for our services.

While we have registered our trademark, “KLM AXIVA”, the logo appearing on the cover of this Prospectus is not registered and we have applied for its registration, with the Registrar of Trademarks under class 36. We are yet to receive registration or final approval for use of our logo from the Registrar of Trademarks. However, we cannot guarantee that our pending trademark application will be approved by the applicable governmental authorities. Moreover, even if the application is approved, third parties may seek to oppose or otherwise challenge these registrations.

We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent infringement of such rights by others, including imitation and misappropriation of our brand. Additionally, we cannot assure you that obstacles will not arise as we expand our business and the geographic scope of our promotional and marketing activities. Third parties may assert intellectual property claims against us, particularly as we expand our business and enter newer industries. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. Any of these events could harm our business and cause our results of operations, liquidity and financial condition to suffer.

39. *Third party statistical and financial data in this Prospectus may be incomplete and unreliable.*

This Prospectus includes information that is derived from reports published by CRISIL Limited. For details, please see “*Industry Overview*” on page 71. No person connected with this Issue has independently verified the CRISIL Reports. Generally, industry reports and data disclaim the accuracy, adequacy or completeness of information provided in such reports, and further disclaims any responsibility for any errors or omissions in the information provided, or for the results obtained from the use of such industry information. Further, the CRISIL Reports are subject to many assumptions. We cannot assure you that the assumptions considered in the CRISIL Reports are correct or will not change and accordingly our position in the market may differ from that presented in this Prospectus. Further, the CRISIL Reports are not a recommendation to invest / disinvest in the Issue.

External Risk Factors

40. *Our business is affected by prevailing economic, political and other prevailing conditions in India and the markets we currently serve.*

Our Company is incorporated in India, and all of our assets and employees are located in India. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflation;
- any exchange rate fluctuations;
- any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions;
- volatility in, and actual or perceived trends in trading activity on, India’s principal stock exchanges;
- changes in India’s tax, trade, fiscal or monetary policies, like application of GST;
- political instability, terrorism or military conflict in India or in countries in the region or globally, including in India’s various neighbouring countries;
- occurrence of natural or man-made disasters;
- infectious disease outbreaks or other serious public health concerns;
- prevailing regional or global economic conditions, including in India’s principal export markets; and
- other significant regulatory or economic developments in or affecting India or its financial services sectors.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business, results of operations and financial condition. Our performance and the growth of our business depend on the performance of the Indian economy and the economies of the regional markets we currently serve. These economies could be adversely affected by various factors, such as political and regulatory changes including adverse changes in liberalization policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect the ability of our customers to afford our services, which in turn would adversely impact our business and financial performance.

41. *Financial difficulties and other problems in certain financial institutions in India could cause our business to suffer and adversely affect our results of operations.*

We are exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks (which tend to operate in rural sector) have also faced serious financial and liquidity crises. There has been a trend towards consolidation with weaker banks, NBFCs and HFCs being merged with stronger entities. The problems faced by individual Indian

financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions, banks and NBFCs. This in turn could adversely affect our business, our future financial performance, our shareholders' funds and the market price of our NCDs.

42. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.*

India's sovereign rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside our control. On November 17, 2017, Moody's Investor Services raised India's sovereign rating from the lowest investment grade of Baa3 to Baa2, and changed the outlook of Indian economy from "stable" to "positive". However, on November 24, 2017, Standard and Poor's maintained its India rating unchanged at the lowest investment grade of BBB-, with a stable outlook. There is no assurance that India's credit ratings will not be downgraded in the future. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets, increase the cost of funds, adversely impact our liquidity position.

43. *Instability of economic policies and the political situation in India could adversely affect the fortunes of the industry.*

There is no assurance that the liberalisation policies of the government will continue in the future. Protests against privatisation could slow down the pace of liberalisation and deregulation. The Government of India plays an important role by regulating the policies and regulations that govern the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalisation could change and specific laws and policies affecting the industry and other policies affecting investments in our Company's business could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India and thereby affect our Company's business.

Unstable domestic as well as international political environment could impact the economic performance in the short term as well as the long term. The Government of India has pursued the economic liberalisation policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalisation. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company's business may be affected not only by changes in interest rates, changes in Government policy, taxation, social and civil unrest but also by other political, economic or other developments in or affecting India.

44. *Trading of the NCDs may be limited by temporary exchange closures, broker defaults, settlement delays, strikes by brokerage firm employees and disputes.*

The Indian stock exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

45. *We are required to prepare our financial statements with effect from April 1, 2019 under the Ind AS. As Ind AS differs in various respects from Indian GAAP, our financial statements for fiscal 2020 may not be comparable to our historical financial statements*

The MCA, on February 16, 2015 had notified that IND AS will be implemented in a phased manner starting from financial year 2016-17. Subsequently, the MCA vide a notification dated March 30, 2016, amended the Companies (Indian Accounting Standards) Rules, 2015 ("IND AS"), to require NBFCs such as our Company to comply with the Indian Accounting Standards, for accounting periods beginning on or after April 1, 2019, with comparatives for the periods ending March 31, 2019, based on our net worth, calculated in accordance with the standalone financial statements of our Company as on March 31, 2017. We have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, IND AS has fundamental differences with the existing accounting standards and therefore, financial statements prepared under IND AS may differ substantially from financial statements prepared under the existing framework of accounting standards. There can be no assurance that our financial condition, results of operation, cash flows or changes in shareholders' equity will not appear materially different under IND AS, Indian GAAP or IFRS. If we

adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, will not affect our reported results of operations, financial condition and failure to successfully adopt IND AS in accordance with prescribed statutory and/or regulatory requirements within the timelines as may be prescribed may have an adverse effect on our financial position and results of operations.

46. Significant differences exist between Indian GAAP and other accounting principles, such as IFRS, with which investors may be more familiar. Further, our Company will be subject to a number of new accounting standards as part of its transition to IND (AS) that may significantly impact its financial statements in future reporting periods

Our Reformatted Financial Information of our Company included in this Prospectus prepared in accordance with the Companies Act and the SEBI Debt Regulations read along with the SEBI circular CIR/IMD/DF/18/2013 dated October 29, 2013. The Reformatted Financial Information has been prepared from the Audited Financial Statements. The Audited Financial Statements of the Company have been prepared in accordance with Indian GAAP.

Indian GAAP differs in certain significant respects from IFRS and other accounting principles and standards. Our Company has not made any attempt to quantify the impact of IFRS on the financial data included in this Prospectus, nor does our Company provide a reconciliation of its financial statements to those of IFRS. Indian GAAP differs from accounting principles with which the prospective investors may be familiar in other countries, including IFRS. Accordingly, the degree to which the Reformatted Financial Information included in this Prospectus will provide meaningful information is entirely dependent on the investor's level of familiarity with Indian GAAP, Companies Act and SEBI Debt Regulations. Any reliance by persons not familiar with Indian GAAP, Companies Act and SEBI Debt Regulations on the financial disclosures presented in this Prospectus should accordingly be limited.

As there is not yet a significant body of established practice, such as interpretations of the new accounting standards, on which to draw in forming judgments regarding the new system's implementation and application, our Company has not determined with any degree of certainty the impact such adoption will have on its financial reporting. However, the IND (AS) accounting standards will change its methodology for estimating allowances for probable loan losses, amongst others. They may require our Company to value its NPAs by reference to their market value (if a ready market for such loans exists) or to calculate the present value of the expected future cash flows realisable from its loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate) in estimating allowances for probable loan losses. This may result in our Company recognising higher allowances for probable loan losses in the future.

As a result, there can be no assurance that our Company's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND (AS) than under Indian GAAP. Our Company's management may also have to divert significant time and additional resources in order to implement IND (AS) on a timely and successful basis. Moreover, there is increasing competition for the small number of IND (AS) experienced accounting personnel available as more Indian companies (including NBFCs) begin to prepare IND (AS) financial statements. There can be no assurance that our Company's adoption of IND (AS) will not adversely affect its reported results of operations or financial condition in the future and any failure to successfully adopt IND (AS) may impact our Company's business, financial condition and results of operations in the future.

PROMINENT NOTES

1. This is a public issue of Secured NCDs by our Company aggregating up to ₹ 10,000 lakhs without an option to retain oversubscription.
2. For details on the interest of our Company's Directors, please see "Our Management" and "Capital Structure" beginning on pages 108 and 45, respectively.
3. Our Company has entered into certain related party transactions, within the meaning of AS 18, as notified under the Companies (Accounting Standards) Rules, 2006 and disclosed in "Financial Statements" beginning on page 120.
4. Any clarification or information relating to the Issue shall be made available by the Lead Manager and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever.

5. Investors may contact the Registrar to the Issue, Company Secretary & Compliance Officer and Lead Manager for any complaints pertaining to the Issue. In case of any specific queries on allotment/refund, Investor may contact Registrar to the Issue. All grievances arising out of Applications for the NCDs made through the Online Stock Exchange Mechanism or through Trading Members may be addressed directly to the respective Stock Exchange.
6. In the event of oversubscription to the Issue, allocation of NCDs will be as per the “*Basis of Allotment*” set out in “*Issue Procedure*” on page 186.
7. Our Equity Shares are currently unlisted.
8. For further information, relating to certain significant legal proceedings that we are involved in, see “*Outstanding Litigations*” on page 190.

SECTION III - INTRODUCTION

GENERAL INFORMATION

KLM Axiva Finvest Limited

KLM Axiva Finvest Limited (“**Company**”) was originally incorporated on April 28, 1997, as a public limited company under the provisions of the Companies Act, 1956 as “Needs Finvest Limited”. Thereafter, our Company was granted the certificate of commencement of business dated May 6, 1997. Subsequently, the name of our Company was changed to “KLM Axiva Finvest Limited” on receipt of a fresh Certificate of Incorporation dated February 29, 2016 from the Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad.

NBFC Registration

Our Company had originally obtained a Certificate of Registration in the name of Needs Finvest Limited dated December 13, 1997 bearing registration no. 09.00006 issued by the RBI to commence the business of non-banking financial institution without accepting public deposits subject to the conditions mentioned in the Certificate of Registration under Section 45 IA of the RBI Act. Subsequently, the name of our Company was changed to KLM Axiva Finvest Limited and we had obtained fresh Certificate of Registration dated March 15, 2016 bearing registration no. 09.00006 from RBI.

Registration

Corporate Identity Number issued by the RoC: U65910TG1997PLC026983

Registered Office

Subodh Business Centre 408,
Malik Chambers, Hyderguda,
Hyderabad -500 029
Telangana, India
Email: axivafinvest@klmgroun.in
Telephone: +91 40 4854 2753
Website: www.klmaxiva.com

Corporate Office

4th Floor, Door No. 1871A24, VM Plaza,
Palarivattom, Ernakulam – 682 025
Kerala, India
Email: axivafinvest@klmgroun.in
Telephone: +91 484 4281 111
Website: www.klmaxiva.com

Chief Financial Officer

Thanish Dalee
KLM Axiva Finvest Limited
4th Floor, Door No. 1871A24, VM Plaza,
Palarivattom, Ernakulam – 682 025
Kerala, India
Telephone: +91 484 4281 125
E-mail: cfo@klmgroun.in

Company Secretary and Compliance Officer

Bibin M. Cherian
KLM Axiva Finvest Limited
4th Floor, Door No. 1871A24, VM Plaza,
Palarivattom, Ernakulam – 682 025
Kerala, India
Telephone: +91 484 4281 118
E-mail: co_secy@klmgroun.in

Investors may contact the Registrar to the Issue or the Compliance Officer in case of any pre-issue or post Issue related issues such as non-receipt of Allotment Advice, demat credit of allotted NCDs, refund orders or interest on application money.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, Application Form Number, address of the Applicant, number of NCDs applied for, amount paid on application, Depository Participant and the collection centres of the Members of the Syndicate where the Application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB, giving full details such as name, address of Applicant, Application Form number, number of NCDs applied for, amount blocked on Application and the Designated Branch or the collection centres of the SCSB where the Application Form was submitted by the ASBA Applicant.

All grievances relating to ASBA process where the application is submitted to a Member of Syndicate should be addressed to the Registrar to the Issue with a copy to the relevant Member of Syndicate and the relevant SCSB.

All grievances arising out of Applications for the NCDs made through the Online Stock Exchange Mechanism or through Trading Members may be addressed directly to the Stock Exchange.

Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad

2nd Floor, Corporate Bhawan,
Bandlaguda, Tatti Annaram Village,
Hyatnagar Mandal,
Hyderabad- 500 068,
Telangana, India

Board of Directors

The following table sets out the details regarding the Board of Directors as on the date.

Name, Designation and DIN	Age (in years)	Address
Mr. Josekutty Xavier Designation: Whole Time Director DIN: 02073994	58	Kannattumadam House, K.M.C. 14 634, opp. St. George HS, Kothamangalam P.O., Kerala – 686691, India
Mr. Shibu Thekumpurathu Varghese Designation: Whole Time Director DIN: 02079917	53	Theckumpurath House, Chelad PO, Kothamangalam, Ernakulam – 686681, Kerala, India.
Mr. James Joseph Arambankudyil Designation: Non-Executive Director DIN: 06566906	64	Arambankudyil House, Kothamangalam Ernakulam, 686691, Kerala, India
Ms. Biji Shibu Designation: Non- Executive Director DIN: 06484566	48	118, Theckempurath House, 4 Pindamana, Cheladu P.O Ernakulam 686681 Kerala India.
Dr. Alexander John Joseph Designation: Independent Director DIN: 00485766	80	No. 507, CMH Road, IndiraNagar, Bangaluru - 560038 Karnataka, India.
Mr. Issac Jacob Designation: Additional Independent Director DIN: 02078308	33	Kuttichirakudiyil, Kothamangalam, Thankalam, Ernakulam, Kerala - 686691

For further details of Directors of our Company, see “*Our Management*” beginning on page 108 of this Prospectus.

Lead Manager to the Issue

Vivro Financial Services Private Limited

607/608 Marathon Icon, Opp. Peninsula Corporate Park,
Off. Ganpatrao Kadam Marg, Veer Santaji Lane, Lower Parel,
Mumbai- 400013, Maharashtra, India

Tel.: +91 22 6666 8040/42

Fax: +91 22 6666 8047

Email: klmaxiva@vivro.net

Investor Grievance Email: investors@vivro.net

Website: www.vivro.net

Contact Person: Mr. Yogesh Malpani / Ms. Mili Khamar

Compliance Officer: Mr. Jayesh Vithlani

SEBI Registration No.: INM000010122

CIN: U67120GJ1996PTC029182

Debenture Trustee

Vistra ITCL (India) Limited

The IL&FS Financial Center,
Plot No. C – 22, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Tel: +91 22 2659 3333

Fax: +91 22 2653 3297

Email: itclcomplianceofficer@vistra.com

Website: www.vistraitcl.com

Investor Grievance Email: investorgrievancesitcl@vistra.com

Contact Person: Mr. Jatin Chonani

SEBI Registration Number: IND000000578

Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited) has by its letter dated June 18, 2018, given its consent for its appointment as Debenture Trustee to the Issue and for its name to be included in this Prospectus and in all the subsequent periodical communications to be sent to the holders of the NCDs issued pursuant to this Issue.

Registrar to the Issue

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot 31-32,
Gachibowli Financial District,
Nanakramguda, Hyderabad – 500 032

Tel: +91 40 6716 2222

Fax: +91 40 2343 1551

Email: eniward.irs@karvy.com

Investor Grievance Email: klmaxiva.ncdipo@karvy.com

Website: www.karvy.com

Contact Person: Mr. M. Murali Krishna

SEBI Registration Number: INR000000221

CIN: U72400TG2003PTC041636

Credit Rating Agency

Credit Analysis and Research Limited (CARE)

Unit No. O-509/C, Spencer Plaza, 5th floor, No. 769,
Anna Salai, Chennai - 600002

Tel: +91 44 2849 7812/0876/0811

Fax: + 91 44 2849 7812

Email: pradeep.kumar@careratings.com

Contact Person: Mr. V. Pradeep Kumar

Website: www.careratings.com

SEBI Registration No: IN/CRA/004/1999

CIN: U67190MH1993PLC071691

Legal Counsel to the Issue

M/s. Crawford Bayley & Co.

State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg, Fort, Mumbai 400 023
Maharashtra, India
Telephone: +91 22 2266 3353
Fax: +91 22 2266 3978
E-mail: sanjay.asher@crawfordbayley.com

Statutory Auditors of our Company

M/s Balan & Co

Bank Road, Aluva,
Kochi-683 101, Kerala, India
Tel.: +91 484 262 5066
Email: balanandco@gmail.com
Contact Person: P Mohandas
Membership No: 021262
Firm Registration Number: 000340S

Bankers to the Issue/ Escrow Collection Banks

HDFC Bank Limited

FIG - OPS Department, Lodha - I Think Techno Campus,
O-3 Level, Next to Kanjurmarg Railway Station,
Kanjurmarg (East), Mumbai – 400 042
Tel: +91 22 3075 2929 / 2929 / 2914
Fax: +91 22 2579 9801
Email: vincent.dsouza@hdfcbank.com, siddharth.jadhav@hdfcbank.com,
prasanna.uchil@hdfcbank.com, neerav.desai@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Vincent Dsouza , Mr. Siddharth Jadhav, Mr. Prasanna Uchil
SEBI Registration No.: INBI00000063
CIN: L65920MH1994PLC080618

Axis Bank Limited

Palarivattom Branch, Pukalakkat City Centre,
Near Alappat Regency, Kochi-682025
Tel: +91 484 4422001
Fax: +91 484 4422000
Email: palarivattom.branchhead@axisbank.com
Website: www.axisbank.com
Contact Person: Navil, Diviya Sajil
SEBI Registration No.: INBI00000017
CIN: L65110GJ1993PLC020769

Refund Bank

HDFC Bank Limited

FIG - OPS Department, Lodha - I Think Techno Campus,
O-3 Level, Next to Kanjurmarg Railway Station,
Kanjurmarg (East), Mumbai – 400 042
Tel: +91 22 3075 2929 / 2929 / 2914
Fax: +91 22 2579 9801
Email: vincent.dsouza@hdfcbank.com, siddharth.jadhav@hdfcbank.com,
prasanna.uchil@hdfcbank.com, neerav.desai@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Vincent Dsouza , Mr. Siddharth Jadhav, Mr. Prasanna Uchil
SEBI Registration No.: INBI00000063
CIN: L65920MH1994PLC080618

Syndicate Member

Vivro Financial Services Private Limited

607/608 Marathon Icon, Opp. Peninsula Corporate Park,
Off. Ganpatrao Kadam Marg, Veer Santaji Lane, Lower Parel,
Mumbai- 400013, Maharashtra, India

Tel.: +91 22 6666 8040/42

Fax: +91 22 6666 8047

Email: klmaxiva@vivro.net

Investor Grievance Email: investors@vivro.net

Website: www.vivro.net

Contact Person: Mr. Yogesh Malpani / Ms. Mili Khamar

Compliance Officer: Mr. Jayesh Vithlani

SEBI Registration No.: INM000010122

CIN: U67120GJ1996PTC029182

Bankers to our Company

The South Indian Bank Limited

Palarivattom Branch,
Janatha Junction, Palarivattom,
Ernakulam - 682 025

Tel.: +91 484 2344 940

Fax: +91 484 2340 115

E-mail: br0288@sib.co.in

Website: www.southindianbank.com

Contact person: Mr. Mathews Paul

CIN: L65191KL1929PLC001017

Self-Certified Syndicate Banks

The list of Designated Branches that have been notified by SEBI to act as SCSBs for the ASBA process is provided on the website of SEBI at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time. For details of the Designated Branches of the SCSBs which shall collect ASBA Application Forms, please refer to the above-mentioned link.

Impersonation

As a matter of abundant precaution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 relating to punishment for fictitious Applications.

Minimum Subscription

If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. ₹ 7,500 Lakhs, within 30 days from the date of issue of the Prospectus or such other period as may be prescribed by SEBI, the entire application amounts shall be refunded to the Applicants within 12 days from the date of closure of the Issue. Failing which, our Company and our Directors who are officers in default shall be jointly and severally liable to pay that money with interest for the delayed period, at the rate of 15% per annum.

Credit Rating

The NCDs proposed to be issued under this Issue have been rated 'CARE BB': Outlook Stable by CARE for an amount up to ₹10,000 Lakhs, vide their letter dated March 10, 2018 and reaffirmed vide letter dated September 4, 2018. The rating of NCDs by CARE indicates that instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. Please refer to page 235 for the rationale for the above rating.

Consents

The written consents of Directors of our Company, Company Secretary and Compliance Officer, Chief Financial Officer, our Statutory Auditor, the Legal Advisor to the Issue, the Lead Manager, the Registrar to the Issue, Escrow Collection Bank(s), Refund Bank, Credit Rating Agency, the Bankers to our Company, the

Debenture Trustee, and the Syndicate Member to act in their respective capacities, will be filed along with a copy of the Prospectus with the RoC as required under Section 26 of the Companies Act, 2013 and such consents have not been withdrawn up to the time of delivery with Stock Exchange.

Utilisation of Issue proceeds

Boards of Directors of our Company certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;
- details of all monies utilised out of the Issue referred above shall be appropriately disclosed in the Financial statements indicating the purpose for which such monies have been utilised along with details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- the Issue proceeds shall be kept in the Escrow Accounts opened in terms of this Prospectus and shall be available to the Company only upon execution of the documents for creation of security as stated in this Prospectus; and
- the Issue proceeds shall not be utilised towards providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management as our Company.
- Application Money shall be refunded within twelve days of Closure of the Issue in case of failure of the issue because of non-receipt of Minimum Application. If there is delay in the refund of Application Amounts beyond twelve days from the Closure of the Issue our Company will pay interest for the delayed period at rate of 15% per annum for the delayed period.

Issue Programme:

ISSUE OPENS ON	SEPTEMBER 27, 2018
ISSUE CLOSES ON	OCTOBER 26, 2018*

**The subscription list for the Issue shall remain open for subscription up to 5 p.m., with an option for early closure, up to a period of 30 days from the date of Opening of the Issue, as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure of the Issue is given as the case may be on or before such early date of closure or the initial Closing Date through advertisement/s in a leading national daily newspaper.*

Applications Forms for the Issue will be accepted only between 10 a.m. and 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchange, during the Issue Period as mentioned above on all days between Monday and Friday (both inclusive barring public holiday), (i) by the Lead Manager, Members of the Syndicate or the Trading Members of the Stock Exchange, as the case maybe, at the centres mentioned in Application Form through the non-ASBA mode or, (ii) in case of ASBA Applications, (a) directly by the Designated Branches of the SCSBs or (b) Lead Manager, Members of the Syndicate or the Trading Members of the Stock Exchange, as the case maybe. On the Issue Closing Date, the Application Forms will be accepted only between 10 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. or such extended time as may be permitted by the Stock Exchange.

Due to limitation of time available for uploading the Applications on the Issue Closing Date, Applicants are advised to submit their Application Forms one day prior to the Issue Closing Date and, no later than 3.00 p.m. (Indian Standard Time) on the Issue Closing Date. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, there may be some Applications which are not uploaded due to lack of sufficient time to upload. Such Applications that cannot be uploaded will not be considered for allocation under the Issue. Application Forms will only be accepted on Working Days during the Issue Period. Neither our Company, nor the Lead Manager, Members of the Syndicate or Trading Members of the Stock Exchange is liable for any failure in uploading the Applications due to failure in any software/hardware systems or otherwise.

Please note that the Basis of Allotment under the Issue will be on a date priority basis. The Issue may close on such earlier date or extended date as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure or extension of the Issue, our Company shall ensure that notice of the same is provided to the prospective investors, on or before such early date of closure or the initial Closing Date, as the case may be, through advertisement/s in a leading national daily newspaper.

SUMMARY OF BUSINESS

In this section, any reference to “we”, “us” or “our” refers to KLM Axiva Finvest Limited. Unless stated otherwise, the financial data in this section is as per our reformatted financial statements prepared in accordance with Indian GAAP set forth elsewhere in this Prospectus.

The following information should be read together with the more detailed financial and other information included in this Prospectus, including the information contained in the chapter titled “Risk Factors” and “Industry Overview” beginning on pages 13 and 71.

We are a non-deposit taking and non-systemically important non-banking finance company (“NBFC”) primarily serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels. We had originally obtained a Certificate of Registration in the name of Needs Finvest Limited dated December 13, 1997 bearing registration no. 09.00006 issued by the RBI to commence the business of non-banking financial institution without accepting public deposits subject to the conditions mentioned in the Certificate of Registration under Section 45 IA of the RBI Act. Subsequently, the name of our Company was changed to KLM Axiva Finvest Limited and we have obtained fresh Certificate of Registration dated March 15, 2016 bearing registration no. 09.00006 from RBI. We operate primarily in three business verticals: (i) gold loan business, lending money against the pledge of household jewellery, (ii) micro, small and medium enterprises loan, and (iii) personal loan. Further, as a part of our offerings, we also provide microfinance loan to women customers and vehicle loan. As on August 31, 2018, we operate through 79 branches across three states namely Kerala, Karnataka and Tamil Nadu managed by our corporate office located at Kochi.

As of March 31, 2017 and March 31, 2018, our AUM was ₹ 9,135.68 Lakhs and ₹ 19,423.29 Lakhs, respectively. Our AUM increased at a CAGR of 189.78% from ₹ 275.47 Lakhs as of March 31, 2014 to ₹ 19,423.29 Lakhs as of March 31, 2018.

Our product portfolio:

Our loan customers are typically businessmen, vendors, traders, farmers, salaried individuals and families, who for reasons of convenience, accessibility or necessity, avail of our credit facilities.

Gold Loans:

Our gold loan business is typically loans against pledge of household gold jewellery by individuals. We provide loans up to ₹ 100 Lakhs against gold jewellery with a tenure ranging up to 12 months. We offer variety of gold loan schemes to our customers to suit their individual needs. The schemes differ in relation to the amount advanced per gram of gold, tenure, interest rate chargeable and amount of loan. As of March 31, 2018, we had an aggregate principal balance of ₹ 5,575.95 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our gold loan portfolio yield representing interest income on gold loans as a percentage of average outstanding gold loans, for the same period were 23.83%, 22.09%, 21.46% and 23.70%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our gold loans constituted 26.03%, 24.89%, 22.07% and 28.95%, of our total income for the respective years.

Micro, small and medium enterprises loans:

We provide loans up to ₹ 500 Lakhs to micro, small and medium enterprises (“MSME”) customers, which category primarily includes small and medium size enterprises, including businessmen, traders, manufacturers and self-employed professionals. The MSME loan segment includes working capital loans against residential and commercial property with a tenure ranging upto 40 months. As of March 31, 2018, we had an aggregate principal balance of ₹ 7,594.14 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our MSME loan portfolio yield representing interest income on MSME loans as a percentage of average outstanding of MSME loans, for the same period were 23.73%, 29.04%, 23.66% and 65.61%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our MSME loans constituted 32.10%, 28.71%, 9.03% and 9.79%, of our total income for the respective years.

Personal loans:

We provide personal loans up to ₹ 20 lakhs to our individual customers for their personal needs against tangible collateral as well as security in other forms with a tenure ranging up to 40 months. As of March 31, 2018, we

had an aggregate principal balance of ₹ 4,519.10 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our personal loan portfolio yield representing interest income on personal loans as a percentage of average outstanding of personal loans, for the same period were 54.81%, 86.93%, 90.94% and 78.50%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our personal loans constituted 37.06%, 44.00%, 67.01% and 59.02%, of our total income for the respective years.

Microfinance loans:

We have recently forayed into providing micro finance loans to women customers. We provide microfinance loans up to ₹ 0.25 lakhs each to a group of 10 – 15 women customers for their business and personal needs. These loans are provided essentially for use in their small businesses or other income generating activities. As of March 31, 2018, we had an aggregate principal in our microfinance loan segment of ₹ 1,601.63 lakhs.

Vehicle loans:

We also provide vehicle loans up to ₹ 5 lakhs primarily to self-employed individuals. As of March 31, 2018, we had an aggregate principal in our vehicle loan segment of ₹ 132.47 lakhs.

The following table sets forth certain information relating to our operations and financial performance in the periods specified:

Particulars	Financial Year			
	2018	2017	2016	2015
Gold Loan	5,575.95	3758.45	1635.32	590.59
MSME	7,594.14	3966.83	766.54	59.32
Personal Loan	4,519.10	1260.21	1163.01	431.37
Microfinance	1,601.63	0.00	0.00	0.00
Vehicle Loan	132.47	150.18	133.64	54.38
Total AUM	19,423.29	9,135.68	3,698.50	1,135.67
Gross NPA	854.90	386.58	242.58	147.40
Gross NPA/AUM%	4.40%	4.23%	6.56%	12.98%
Net NPA	764.47	345.12	218.10	132.66
Net NPA/AUM%	3.94%	3.78%	5.90%	11.68%
Net worth	4,946.50	4,603.02	2,657.11	1,460.23
Return on net worth %	11.50%	4.63%	6.18%	3.71%
Revenue from Operations	4,154.72	2,389.23	1,077.96	313.88
Profit after Tax	568.65	212.98	164.22	54.15

Our Company's leverage ratio as of March 31, 2018, 2017, 2016 and 2015 were 3.44, 1.26, 0.56 and 0.21 times respectively. Our AUM in gold loan, MSME loan, and personal loan has increased at a CAGR of 136.88%, 285.32%, and 223.86% from March 31, 2014 to March 31, 2018, respectively. As of March 31, 2018 and March 31, 2017, our total outstanding debt was ₹ 16,737.55 lakhs and ₹ 5,750.94 lakhs, respectively, and our finance cost was ₹ 1,152.54 lakhs and ₹ 394.82 lakhs, respectively.

A summary of our key operational and financial parameters for the last four completed financial years are as given below:

Parameters	Financial Year			
	2018	2017	2016	2015
Net worth	4,946.50	4,603.03	2,657.11	1,460.23
Total Debt	16,737.55	5750.94	1467.10	306.20
<i>of which</i>				
- Non-Current Maturities of Long Term Borrowing	15,131.61	3516.24	1467.10	306.20
- Short Term Borrowing	450.14	0	0	0
- Current Maturities of Long Term Borrowing	1,155.80	2234.70	0	0
Net Fixed Assets	678.81	641.57	233.45	105.15
Non-Current Assets	4,070.80	4,000.82	1,021.81	431.37
Cash and Cash Equivalents	1,848.10	621.95	77.75	613.60
Current Investments	0	0	0	0

Parameters	Financial Year			
	2018	2017	2016	2015
Current Assets	18,865.09	6,897.41	3,233.99	1,501.38
Current Liabilities	2,693.08	2,711.31	100.23	24.78
Assets Under Management	19,423.29	9,135.68	3,698.50	1,135.67
<i>Off Balance Sheet Assets</i>	0	0	0	0
Contingent Liabilities	0	0	0	0
Interest Income	4,154.72	2389.23	1077.96	313.88
Interest Expense	1,152.54	394.82	13.45	11.82
Provisioning & Write-offs	112.22	38.33	18.38	16.74
PAT	568.65	212.98	164.22	54.15
Gross NPA (%)	4.40	4.23	6.56	12.98
Net NPA (%)	3.94	3.78	5.90	11.68
Tier I Capital Adequacy Ratio (%)	23.04	44.30	63.07	109.41
Leverage Ratio (Times)	3.44	1.26	0.56	0.21

Debt Equity Ratio

For details of the debt-equity ratio of our Company, see “*Capital Structure*” beginning on page 45 of this Prospectus.

Our Strengths

Diversified product offerings presenting significant growth opportunities

We offer a diverse range of financial products and services targeted at the low and middle income customer segments. Our gold loan / personal loan segment extends loan to individuals for their personal needs. Our MSME loan segments extend loans to dealers, retailers and related service providers in various industries. Our vehicle loans are targeted towards self-employed/ salaried individuals. Our microfinance loans are targeted for income generation for women entrepreneurs. We cover a diversified customer demographic through our various financing products. As of March 31, 2018 and March 31, 2017, gold loan segment represented 28.71% and 41.14%, MSME loan segment represented 39.10% and 43.42% and personal loans represented 23.27% and 13.79% respectively. We believe that our diversified product portfolio and customer base aligned with increasing market demand is a key component of our growth and success. Our diverse revenue stream reduces our dependence on any particular product line thus enabling us to spread and mitigate our risk exposure to any particular industry, business, and geography or customer segment.

Growing distribution network

As on August 31, 2018, we have had a distribution network of 79 branches spread across Kerala, Karnataka and Tamil Nadu. We believe that our presence allows us to continue to capitalise on opportunities to grow our loan portfolio and our in house ability to appraise credit quality is a key to our efficient credit decisions. With our growing network and dedicated distribution and operations teams, we seek to ensure that our credit assessment processes are robust and we provide financial facilities to creditworthy customers. Below data shows our growth in distribution network. The branch details of our company for August 31, 2018 and during the financial years ended March 31, 2017, March 31, 2016 and March 31, 2015 is as given below:

States	As on August	As on March 31		
	31, 2018	2017	2016	2015
Karnataka	14	7	6	2
Kerala	58	41	36	29
Tamil Nadu	7	7	6	1
Total	79	55	48	32

Satisfactory customer service

We have established an effective process for origination, monitoring and collecting receivables which enable us to generate stable growth with control over the asset quality. We adhere to a strict set of market survey and location guidelines while selecting branch sites to ensure that our branches are set up close to our customers. We believe that our customers appreciate this convenience, as well as extended operating hours that we typically offer, which are often more compatible with our customers’ work schedules.

Our target customers mainly hail from rural/semi-urban area. Under such customer segment, the knowledge of local culture and long relationship with the customers play a key role for growth in our operation. We have

adopted distinguished and cost effective business origination policy, where we originate the business through our branch networks in association with marketing officers termed as customer service points. These customer service points are local residents of the area and have the domain knowledge of that area. They identify potential customers in defined area and maintain long term relationship with the existing customers. Each of our branches is staffed with persons who possess local knowledge and understanding of customers' needs and who are trained to appraise collateral and disburse loans within a short span of time. Although disbursement time may vary depending on the loan ticket size and the security pledged. We believe our customer service and response time are our key competitive strengths that differentiate our services and products from those provided by commercial banks.

Effective risk management system including appraisal, internal audit and inspections.

Risk management forms an integral part of our business as we are exposed to various risks relating to our business. The objective of our risk management system is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We have an internal audit system which consists of audit and inspection, for risk assessment and internal controls. The audit system comprises of accounts audit and loan appraisal. In accordance with our internal audit policy, our branches are subject to surprise audit every month on random basis. We have designed stringent evaluation process and credit policies to ensure the asset quality of our loans and the security provided for such loans. Our credit policy comprises classification of target customers in terms of track record, classification of assets, differentiated loan to value ratio for different class of customers and assets, limits on customer exposure etc. Further, in order to build quality assets and reduce NPA level, we have developed a culture of accountability by making our marketing officers responsible for loan administration, monitoring as well as recovery of the loans they originate.

For effective and timely portfolio management, we have put in place a centralized risk analytics team publishing credit and portfolio performance reports for management's review. We utilise advance statistical tools like customer behaviour scorecards for early identification of potential risks in our portfolios and to take corrective actions accordingly as required. The reports provide detailed information on various portfolio segments and ascertain the risk. In addition, periodic collection reviews are conducted on delinquent customers and segments to identify and evaluate any problem areas, to drive collection efficiencies and future acquisitions.

Experienced management team and skilled personnel

We believe that the expertise and industry knowledge of our senior management team has enabled us to accelerate the growth in our business. Although we have a relatively brief operating history, our senior management team has experience in vehicle finance and consumer finance businesses with a track record of successfully growing businesses. Our board of directors has experience across a broad range of disciplines. Our Whole time Directors Mr. Shibu Thekkumpurathu Varghese and Mr. Josekutty Xavier have over two decades of experience in the financing business and have developed a good understanding of the local area dynamics. This has enabled our Company to grow our loans portfolios. We have an experienced management team, which is supported by a capable and motivated pool of employees. Our senior managers have diverse experience in various functions, related to our business. Our senior managers have an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to appropriately support and provide guidance to our employees. For further details, refer to “*Our Management*” on page 108.

Our Strategies

Our business strategy is designed to capitalize on our competitive strengths and enhance our market standing. Key elements of our strategy include:

Growth of the business through increasing geographical presence in rural and semi-urban areas

We intend to continue to grow our loan portfolio by expanding our network through the addition of new branches. In order to optimize our expansion, we carefully assess potential markets by analyzing demographic, competitive and regulatory factors, site selection and availability, and growth potential. A good reach to customers is very important in our business. Increased revenue, profitability and visibility are the factors that drive the branch network. Currently, we are present in key locations which are predominantly in South India for sourcing business namely Kerala, Karnataka and Tamil Nadu. Our strategy for branch expansion includes further strengthening our presence in South Indian states by providing higher accessibility to customers as well as leveraging our expertise and presence in southern Indian states. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base in rural and semi-urban markets where a large portion of the population has limited access to credit either because they do not meet the eligibility requirements of banks or financial institutions, or because credit is not available in a timely manner at reasonable rates of interest, or at all. A typical loan customer expects rapid and accurate appraisals, easy access, quick approval and disbursement. We believe that we meet these criteria when compared to other money

lenders, and thus our focus is to expand our loan financing business. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base to include customers who otherwise would rely on the unorganized sector.

Build on a scalable operating platform

Our Company started offering customized loans to small enterprises finance segment in 2013-14 and has continually focused on expanding our customer base for this product since then. We see a significant opportunity for our Company to expand our customer base in small enterprise finance segment. As a strategy, we will continue to leverage on the infrastructure provided by entities operating under the 'KLM' brand name. We expect that our diverse revenue stream will reduce our dependence on any particular product line thus enabling us to spread and mitigate our risk exposure to any particular industry, business, geography or customer segment. Offering a wide range of products helps us attract more customers thereby increasing our scale of operations. We has several years of experience of finance sector from self-employed professionals, wholesale/retail dealers, merchants, manufacturers and small and medium scale business operators, which provides us a with an extensive database of potential borrowers, especially for our loans to the small enterprises segment. We also propose to extend such loans to our existing customer base for our other products and propose to introduce small enterprises segment loans in all our current business outlets as well as in new business outlets that we open in the future. We intend to strategically leverage the platform in building our MSME finance book. This would not only help us in growing our loan book but also help us in achieving better geographic diversification in the loan portfolio.

Continue to implement advanced processes and systems

We have invested in our technology systems and processes to create a stronger organization and ensure good management of customer credit quality. Our information technology strategy is designed to increase our operational and managerial efficiency. We aim to increasingly use technology in streamlining our credit approval, administration and monitoring processes to meet customer requirements on a real-time basis. We continue to implement technology led processing systems to make our appraisal and collection processes more efficient, facilitate rapid delivery of credit to our customers and augment the benefits of our relationship based approach. We also believe that deploying strong technology systems will enable us to respond to market opportunities and challenges swiftly, improve the quality of services to our customers, and improve our risk management capabilities.

Further strengthen our risk management and loan appraisal

We believe risk management is a crucial element for further expansion of our Loan business. We therefore continually focus on improving our integrated risk management framework with processes for identifying, measuring, monitoring, reporting and mitigating key risks, including credit risk, appraisal risk, custodial risk, market risk and operational risk. We plan to continue to adapt our risk management procedures, to take account of trends we have identified. We believe that prudent risk management policies and development of tailored credit procedures will allow us to expand our Loan financing business without significantly increasing our non-performing assets. Since we plan to expand our geographic reach as well as our scale of operations, we intend to further develop and strengthen our technology platform to support our growth and improve the quality of our services. We are focused on improving our comprehensive knowledge base and customer profile and support systems, which in turn will assist us in the expansion of our business.

Leverage technology to foster growth

As on date all our branches have been centrally connected to our corporate office in Kochi and we have initiated streamlining of our records for the previous years. We regularly update our systems and continue to streamline our credit approval, administration and monitoring processes to meet customer requirements and maintain our risk profile. We continue to focus on developing and strengthening our IT capabilities to support our growth and improve the quality of our services. We believe that improving our technology infrastructure will allow us to respond to challenges on a real-time basis and improve our risks management capabilities. We intend to develop and implement analytics capabilities for lead generation, market mapping, improving customer responsiveness and anticipating customer requirements.

We further intend to develop data-driven insights to understand repayment patterns of our customers and propensity towards certain financial products. We anticipate using such information to conduct targeted marketing efforts allowing us to improve the availability of our products and consequently the quality of our services and credit portfolio. We intend to devote our resources towards identifying growth opportunities across multiple dimensions – products, customers and channels to optimise profitability and growth.

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter titled “Terms of the Issue” beginning on page 162 of this Prospectus.

Common Terms of NCDs

Issuer	KLM Axiva Finvest Limited
Lead Manager	Vivro Financial Services Private Limited
Debenture Trustee	Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited)
Registrar to the Issue	Karvy Computershare Private Limited
Type and nature of Instrument	Secured redeemable non-convertible debentures
Face Value of NCDs (₹/NCD)	₹1,000
Issue Price (₹/NCD)	₹ 1,000
Minimum Application	5 NCDs i.e., ₹ 5,000 (across all options of NCDs)
In multiples, of	One NCD after the minimum application
Seniority	Senior (the claims of the Debenture Holders holding the NCDs shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements). The NCDs would constitute secured obligations of our Company and shall rank pari passu with the Existing Secured Creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value 1 time of the debentures outstanding plus interest accrued thereon and first ranking pari passu charge on the immovable property situated at Theni District, Periyakulam Reg. Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1.
Mode of Issue	Public Issue
Minimum Subscription	If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. 7,500 Lakhs, within 30 days from the date of the Prospectus or such other period as may be prescribed by SEBI, the entire application amounts shall be refunded to the Applicants within 12 days from the date of closure of the Issue. Failing which, our Company and our Directors who are officers in default shall be jointly and severally liable to pay that money with interest for the delayed period, at the rate of 15% per annum.
Issue	Public Issue by our Company of Secured NCDs aggregating up to ₹ 10,000 lakhs without an option to retain over-subscription.
Stock Exchange proposed for listing of the NCDs	BSE Limited (“BSE”), the Designated Stock Exchange (“DSE”)
Listing and timeline for Listing	The NCDs shall be listed within 12 Working Days of Issue Closing Date
Depositories	NSDL and CDSL
Security	The principal amount of the Secured NCDs to be issued in terms of this Prospectus together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking <i>pari passu</i> charge with the existing secured creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value of one time of the Secured NCDs outstanding plus interest accrued thereon and first ranking <i>pari passu</i> charge on the immovable property situated at Theni District, Periyakulam Reg.Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1
Security Cover	Our Company shall maintain a minimum 100 percent security cover on the outstanding balance of the Secured NCDs plus accrued interest thereon.
Who can apply	Category I
	<ul style="list-style-type: none"> Resident Public Financial Institutions as defined in Section 2(72) of the Companies

Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks,

- Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs;
- Provident Funds of minimum corpus of ₹2,500 lakhs, Pension Funds of minimum corpus of ₹2,500 lakhs, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs;
- Venture Capital funds and/or Alternative Investment Funds registered with SEBI;
- Insurance Companies registered with the IRDA;
- National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India);
- Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India;
- Mutual Funds, registered with SEBI; and
- Systemically Important NBFCs.

Category II

- Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs;
- Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorised to invest in the NCDs;
- Trust including Public/private charitable/religious trusts which are authorised to invest in the NCDs;
- Association of Persons
- Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;
- Partnership firms in the name of the partners;
- Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); and
- Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ₹5 lakhs.

Category III*

- Resident Indian individuals; and
- Hindu undivided families through the Karta.

* applications aggregating to a value not more than ₹5 lakhs.

Credit Rating	Rating Agency	Instrument	Rating symbol	Date of credit rating letter	Amount rated	Rating definition
	CARE	Proposed Non-Convertible Debenture	‘CARE BB’: Outlook Stable	March 10, 2018 (reaffirmed vide letter dated September 4, 2018)	₹10,000 Lakhs	The rating of NCDs by CARE indicates that instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
Issue Size	Public Issue by our Company of NCDs aggregating up to ₹ 10,000 lakhs without an option to retain over-subscription, on the terms and in the manner set forth herein; Base Issue Size being ₹ 10,000 lakhs.					
Pay-in date	Three (3) Business Days from the date of upload of application in the book building system of the Exchange or the date of realisation of the cheques/demand drafts, whichever is later. Interest on Application Money shall start on the Pay-in date and shall					

	be payable up to one day prior to the date of Allotment.
Application Money	The entire Application Amount is payable on submitting the application.
Record Date	The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 10 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchanges, as the case may be. In case Record Date falls on a day when stock exchanges are having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.
Issue Schedule	The Issue shall be open from September 27, 2018 to October 26, 2018 with an option to close earlier as may be determined by a duly authorised committee of the Board and informed by way of newspaper publication on or prior to the earlier closer date/date of closure up to maximum 30 days from the date of opening of the issue.
Objects of the Issue	Please see “ <i>Objects of the Issue</i> ” on page 69.
Put/Call Option	None
Details of the utilization of the proceeds of the Issue	Please see “ <i>Objects of the Issue</i> ” on page 69.
Coupon rate and redemption premium	Please see “ <i>Issue Structure – Terms and Conditions in connection with the NCDs</i> ” on page 150.
Working Days convention/Day count convention/Effect of holidays on payment	Actual/ Actual All days other than 2 nd and 4 th Saturday of the month, Sunday or a public holiday in Mumbai and/or Kochi, or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period where working days shall mean all days, excluding Saturdays, Sundays and public holidays in Mumbai and/or Kochi, or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881. For Options I, II, III and IV the interest shall be calculated from the first day till the last date of every month on an actual/actual basis during the tenor of such NCDs. However, if period from the Deemed Date of Allotment/anniversary date of Allotment till one day prior to the next anniversary/redemption date includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs. For Options V, VI, VII and VIII the interest shall be paid on an annual basis and the relevant interest will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under Options V, VI, VII and VIII shall be made at the time of redemption of the NCDs. Interest shall be computed on a 365 day a year basis on the principal outstanding on the NCDs for Option IX which has tenor on cumulative basis. Pursuant to SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016, if the date of payment of coupon does not fall on a Working Day, then the succeeding Working Day (which shall be a day when the money market is functioning in Mumbai) will be considered as the effective date for such payment of interest (the “ Effective Date ”) however the future coupon payment dates would be as per the schedule originally stipulated. In other words, the subsequent coupon schedule would not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a holiday. Coupon will be paid on the Effective Date. For avoidance of doubt, in case of interest payment on Effective Date, interest for period between actual interest payment date and the Effective Date will be adjusted in normal course in next interest payment date cycle. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Maturity Date falls on a holiday, the payment will be made on the previous Working Day, without any interest for the period outstanding.
Issue Opening Date	September 27, 2018

Issue Closing Date	October 26, 2018
Default interest date	In the event of any default in fulfilment of obligations by our Company under the Secured Debenture Trust Deed, the Default Interest Rate payable to the Applicant shall be as prescribed under the Secured Debenture Trust Deed.
Interest on Application Money	Please see “ <i>Issue Structure- Interest on Application Money</i> ” on page 161.
Deemed Date of Allotment	The date on which the Board or a duly authorised committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on NCDs shall be available to Investors from the Deemed Date of Allotment. The actual allotment of NCDs may take place on a date other than the Deemed Date of Allotment.
Transaction documents	This Prospectus read with any notices, corrigenda, addenda thereto, the Debenture Trusteeship Agreement, the Debenture Trust Deed and other security documents, if applicable, and various other documents/agreements/undertakings, entered or to be entered by the Company with Lead Manager and/or other intermediaries for the purpose of this Issue including but not limited to the Debenture Trust Deed, the Debenture Trusteeship Agreement, the Escrow Agreement, the Agreement with the Registrar and the Agreement with the Lead Manager. For further details, see “ <i>Material Contracts and Documents for Inspection</i> ” on page 230.
Affirmative and Negative covenants precedent and subsequent to the Issue	The covenants precedent and subsequent to the Issue will be finalised upon execution of the Secured Debenture Trust Deed which shall be executed within three months of closure of the Issue as per Regulation 15 of SEBI Debt Regulations.
Events of default	Please see “ <i>Issue Structure - Events of Default</i> ” on page 160.
Cross Default	Please see “ <i>Issue Structure - Events of Default</i> ” on page 160.
Roles and responsibilities of the Debenture Trustee	Please see “ <i>Issue Structure - Debenture Trustees for the NCD holders</i> ” on page 160.
Settlement Mode	Please see “ <i>Issue Structure - Payment on Redemption</i> ” on page 158.
Governing law and jurisdiction	The Issue shall be governed in accordance with the laws of the Republic of India and shall be subject to the exclusive jurisdiction of the courts of Kochi, India.

The specific terms of each instrument are set out below:

Tenure	1 year	2 year	3 year	5 year	1 year	2 year	3 year	5 year	6 years
Nature	Secured								
Options	I	II	III	IV	V	VI	VII	VIII	IX
Frequency of Interest Payment	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Annually	Annually	Cumulative
Minimum Application	5 NCDs (₹ 5,000) (across all options of NCDs)								
In multiples, of	1 NCD after the minimum application								
Face Value of NCDs (₹/NCD)	₹ 1,000								
Issue Price (₹/NCD)	₹ 1,000								
Mode of Interest Payment/ Redemption	Through various options available								
Coupon (%) per annum in Category I, II and III	11.25	11.50	11.75	12.00	11.50	11.75	12.00	12.25	NA
Coupon Type	Fixed								
Redemption Amount (₹/NCD) for NCD Holders in Category I, II and III	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,000
Effective Yield (%) (per annum) – Category I, II and III	11.85	12.13	12.40	12.68	11.50	11.75	12.00	12.25	12.25
Put and Call Option	Not Applicable								
Deemed Date of Allotment	The date on which the Board or a duly authorised committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment.								

For details of category wise eligibility and allotment in the Issue please see “*Issue Procedure – Who can apply*”, “*Issue Procedure - How to apply*” and “*Issue Procedure – Basis of allotment*”, on pages 168, 169 and 186 respectively.

CAPITAL STRUCTURE

Details of share capital

The share capital of our Company as at date of this Prospectus is set forth below:

Particulars	Amount in ₹
Authorised Share Capital	
4,50,00,000 Equity Shares of ₹10 each	45,00,00,000
Total Authorised Share Capital	45,00,00,000
Issued, subscribed and paid up share capital	
3,99,88,787 Equity Shares of ₹10 each	39,98,87,870
Total Subscribed and paid up share capital	39,98,87,870

Details of change in authorised share capital of our company as on the date of this Prospectus is set forth below:

Date of approval	Authorised Share Capital (in ₹)	Particulars
At Incorporation	50,00,000	Authorised Share Capital of our Company on incorporation as mentioned in Clause V of the Memorandum of Association was ₹ 50,00,000 divided into 5,00,000 Equity Shares of ₹ 10 each.
October 10, 1998 (EGM)	1,00,00,000	Authorised Share Capital was increased from ₹ 50,00,000 divided into 5,00,000 Equity Shares of ₹10 each to ₹ 1,00,00,000 divided into 10,00,000 Equity Shares of ₹10 each.
September 25, 2013 (EGM)	10,00,00,000	Authorised Share Capital was increased from ₹ 1,00,00,000 divided into 10,00,000 Equity Shares of ₹10 each to ₹ 10,00,00,000 divided into 1,00,00,000 Equity Shares of ₹10 each.
Pursuant to EGM dated October 28, 2013, authorised Share Capital was reclassified from ₹ 10,00,00,000 divided into 1,00,00,000 Equity Shares of ₹ 10 each to ₹ 10,00,00,000 divided into 80,00,000 Equity Shares of ₹ 10 each and 20,000 Preference Shares of ₹ 1,000		
September 30, 2014 (AGM)	20,00,00,000	Authorised Share Capital was increased from ₹10,00,00,000 divided into 80,00,000 Equity Shares of ₹10 each and 20,000 Preference Shares of ₹1,000 each to ₹20,00,00,000 divided into 1,50,00,000 Equity Shares of ₹10 each and 50,000 Preference Shares of ₹1,000 each.
Pursuant to EGM dated April 04, 2015, authorised Share Capital was re-classified from ₹ 20,00,00,000 divided into 1,50,00,000 Equity Shares of ₹10 each and 50,000 Preference Shares of ₹1,000 each to ₹ 20,00,00,000 divided into 2,00,00,000 Equity Shares of ₹10 each.		
May 18, 2015 (EGM)	30,00,00,000	Authorised Share Capital was increased from ₹ 20,00,00,000 divided into 2,00,00,000 Equity Shares of ₹10 each to ₹ 30,00,00,000 divided into 3,00,00,000 Equity Shares of ₹10 each.
September 19, 2016 (EGM)	35,55,00,000	Authorised Share Capital was increased from ₹ 30,00,00,000 divided into 3,00,00,000 Equity Shares of ₹ 10 each to ₹ 35,55,00,000 divided into 3,55,50,000 Equity Shares of ₹10 each.
December 19, 2016 (EGM)	40,00,00,000	Authorised Share Capital was increased from ₹ 35,55,00,000 divided into 3,55,50,000 Equity Shares of ₹10 each to ₹ 40,00,00,000 divided into 4,00,00,000 Equity Shares of ₹ 10 each.
September 28, 2017 (AGM)	45,00,00,000	Authorised Share Capital was increased from ₹ 40,00,00,000 divided into 4,00,00,000 Equity Shares of ₹ 10 each to ₹ 45,00,00,000 divided into 4,50,00,000 Equity Shares of ₹10 each.

Details of Equity Share capital history of our Company for the last five years preceding the date of this Prospectus is set forth below:

Date of Allotment	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in ₹)	Cumulative Equity Share Premium (in ₹)
October 29, 2013	13,05,000	10	11.25	Cash	Preferential Allotment ¹	20,63,300	2,06,33,000	16,31,250.00
November 23, 2013	2,95,000	10	11.25	Cash	Preferential Allotment ²	23,58,300	2,35,83,000	20,00,000.00
January 18, 2014	10,00,000	10	11.25	Cash	Preferential Allotment ³	33,58,300	3,35,83,000	32,50,000.00
March 29, 2014	9,45,000	10	11.25	Cash	Preferential Allotment ⁴	43,03,300	4,30,33,000	44,31,250.00
May 28, 2014	2,80,000	10	11.25	Cash	Preferential Allotment ⁵	45,83,300	4,58,33,000	47,81,250.00
July 03, 2014	16,23,000	10	11.25	Cash	Preferential Allotment ⁶	62,06,300	6,20,63,000	68,10,000.00
September 18, 2014	11,20,000	10	11.25	Cash	Preferential Allotment ⁷	73,26,300	7,32,63,000	82,10,000.00
September 27, 2014	6,00,000	10	11.25	Cash	Preferential Allotment ⁸	79,26,300	7,92,63,000	89,60,000.00
December 06, 2014	17,47,000	10	11.25	Cash	Preferential Allotment ⁹	96,73,300	9,67,33,000	1,11,43,750.00
February 03, 2015	25,40,000	10	11.25	Cash	Preferential Allotment ¹⁰	1,22,13,300	12,21,33,000	1,43,18,750.00
April 04, 2015	13,73,000	10	11.25	Cash	Preferential Allotment ¹¹	1,35,86,300	13,58,63,000	1,60,35,000.00
May 16, 2015	36,20,000	10	11.25	Cash	Preferential Allotment ¹²	1,72,06,300	17,20,63,000	2,05,60,000.00
July 16, 2015	25,18,700	10	11.25	Cash	Preferential Allotment ¹³	1,97,25,000	19,72,50,000	2,37,08,375.00
October 01, 2015	8,00,000	10	11.25	Cash	Preferential Allotment ¹⁴	2,05,25,000	20,52,50,000	2,47,08,375.00
November 27, 2015	10,05,555	10	11.25	Cash	Preferential Allotment ¹⁵	2,15,30,555	21,53,05,550	2,59,65,318.75
June 30, 2016	22,72,500	10	11.25	Cash	Preferential Allotment ¹⁶	2,38,03,055	23,80,30,550	2,88,05,943.75
July 13, 2016	13,83,450	10	11.25	Cash	Preferential Allotment ¹⁷	2,51,86,505	25,18,65,050	3,05,35,256.25
August 31, 2016	26,40,000	10	11.50	Cash	Preferential Allotment ¹⁸	2,78,26,505	27,82,65,050	3,44,95,256.25
September 24, 2016	19,90,000	10	11.50	Cash	Preferential Allotment ¹⁹	2,98,16,505	29,81,65,050	3,74,80,256.25
September 26, 2016	5,50,000	10	11.50	Cash	Preferential Allotment ²⁰	3,03,66,505	30,36,65,050	3,83,05,256.25
October 10, 2016	27,63,000	10	11.50	Cash	Preferential Allotment ²¹	3,31,29,505	33,12,95,050	4,24,49,756.25
November 14, 2016	18,44,000	10	11.50	Cash	Preferential Allotment ²²	3,49,73,505	34,97,35,050	4,52,15,756.25

Date of Allotment	No. of Equity Shares	Face Value (in ₹)	Issue Price (in ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Share Capital (in ₹)	Cumulative Equity Share Premium (in ₹)
December 17, 2016	5,30,000	10	11.50	Cash	Preferential Allotment ²³	3,55,03,505	35,50,35,050	4,60,10,756.25
January 07, 2017	8,15,500	10	11.50	Cash	Preferential Allotment ²⁴	3,63,19,005	36,31,90,050	4,72,34,006.25
March 01, 2017	2,80,000	10	11.50	Cash	Preferential Allotment ²⁵	3,65,99,005	36,59,90,050	4,76,54,006.25
March 27, 2017	80,000	10	11.50	Cash	Preferential Allotment ²⁶	3,66,79,005	36,67,90,050	4,77,74,006.25
April 03, 2017	1,50,000	10	11.50	Cash	Preferential Allotment ²⁷	3,68,29,005	36,82,90,050	4,79,99,006.25
June 09, 2017	4,35,000	10	11.50	Cash	Preferential Allotment ²⁸	3,72,64,005	37,26,40,050	4,86,51,506.25
August 24, 2017	27,24,782	10	11.50	Cash	Preferential Allotment ²⁹	3,99,88,787	39,98,87,870	5,27,38,679.25
Total						3,99,88,787	39,98,87,870	5,27,38,679.25

1. *Preferential Allotment of 13,05,000 equity shares made to the following 5 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Jose Sebastian	4,00,000
2.	Sebastian Kappen	2,50,000
3.	Mercy Sebastian	2,00,000
4.	Aleena James	2,55,000
5.	Sangeetha Nair	2,00,000
Total		13,05,000

2. *Preferential Allotment of 2,95,000 equity shares made to the following allottee as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Unni Kappen	2,95,000
Total		2,95,000

3. *Preferential Allotment of 10,00,000 equity shares made to the following 8 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	K.P. Kuriakose	1,00,000
2.	Elthose T K	30,000
3.	Siji T. K.	20,000
4.	Joby George	6,50,000
5.	Thomas Joseph & Achamma Thomas	1,00,000
6.	A.V. Genesan	40,000
7.	Joseph George	50,000
8.	Reshmi Joseph	10,000
Total		10,00,000

4. *Preferential Allotment of 9,45,000 equity shares made to the following 12 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Johny P.A.	50,000
2.	Gayathri Sankar	10,000
3.	Jayan Paul	1,00,000
4.	Jacob Abraham	50,000
5.	A.V. Genesan	10,000
6.	Jose K.A.	1,00,000
7.	Tinu Kuriachan	25,000
8.	Emily Kuriachan	1,00,000
9.	Cilmi Eldho	50,000
10.	Joby George	3,50,000
11.	E.K. Kuriakose	50,000
12.	V. Nair	50,000
Total		9,45,000

5. *Preferential Allotment of 2,80,000 equity shares made to the following 4 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Mini Roy	50,000
2.	Eldho Roy	50,000
3.	Anju Sajeev	1,00,000
4.	Shibu Thekumpurathu Varghese	80,000
Total		2,80,000

6. *Preferential Allotment of 16,23,000 equity shares made to the following 20 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Sunny Joseph	1,00,000
2.	Kripa Sunny	50,000
3.	M.E. Sasi	50,000
4.	Jijo Varghese	23,000
5.	K.A. Paulose & Kumari Paulose	1,00,000
6.	Aleyas K.C.	50,000
7.	Aswathy Roy	50,000
8.	Roy Scariya	50,000
9.	Simi Shine	1,00,000
10.	Antony A.O.	1,00,000
11.	Sajimon George	50,000
12.	Siby Skaria	1,00,000
13.	Basil Joseph	50,000
14.	Jai Paul	50,000
15.	C.V. Jacob	1,00,000
16.	Mini Baby	50,000
17.	Biju Varghese	1,00,000
18.	Shibu Theckumpuram Verghese	3,20,000
19.	Biji Shibu	80,000
20.	Reena Sunny	50,000
Total		16,23,000

7. *Preferential Allotment of 11,20,000 equity shares made to the following 9 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Shibu Thekumpurathu Varghese	80,000
2.	Mathai C.V.	50,000
3.	Paulson Joseph	1,00,000
4.	Shaju George	80,000
5.	K.P. Joy	1,00,000
6.	Biji Shibu	80,000
7.	P.J. George	1,50,000
8.	Jose Sebastian	2,80,000
9.	Sybi Varghese	2,00,000
Total		11,20,000

8. *Preferential Allotment of 6,00,000 equity shares made to the following allottee as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Baby Somatheeram	6,00,000
Total		6,00,000

9. *Preferential Allotment of 17,47,000 equity shares made to the following 9 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Anil James	1,00,000
2.	Jacob George	20,000
3.	Varghese George	20,000
4.	Aleyamma Varghese	5,20,000
5.	Reshmi Joseph	77,000
6.	Shiby T.S.	1,00,000
7.	Bino Kurian	50,000
8.	George Jacob & Majie George	7,00,000
9.	Baby Mathew	1,60,000
Total		17,47,000

10. *Preferential Allotment of 25,40,000 equity shares made to the following 10 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Shinto Thomas	2,00,000
2.	K.O. Ittoop	6,80,000
3.	Devassy Varuthunni	4,00,000
4.	Lissy Itoopp	7,20,000
5.	Grace Joseph	1,00,000
6.	Reemole Elengical	1,00,000
7.	Eldho Varghese	20,000
8.	Elizabeth George	1,00,000
9.	P.J. George	20,000
10.	Jolly Varghese	2,00,000
Total		25,40,000

11. *Preferential Allotment of 13,73,000 equity shares made to the following 19 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Thomas Isaac	50,000
2.	Mary Oommen	1,00,000
3.	Shiny Arakkal	50,000
4.	Thresiamma Joy	50,000
5.	Ashok K.D.	2,00,000
6.	Reena Varghese	50,000
7.	Avirachan P.O.	1,00,000
8.	Joseph C. George	1,03,000
9.	Shibu Theckumpurath Varghese	40,000
10.	Sunil John, Bose Paul, Paulose K.A. & Paulose A.M	1,00,000
11.	Tinu Kuriachan	25,000
12.	Issac John	1,00,000
13.	Varghese Kuruvilla	50,000
14.	Kuriachan M.K.	1,00,000
15.	Biju John	25,000
16.	Reena Sony	50,000
17.	Tessy Abro	50,000
18.	Suchitra P & Dr. P. Bhaskaran Nair	30,000
19.	Baby Jose	1,00,000
	Total	13,73,000

12. *Preferential Allotment of 36,20,000 equity shares made to the following 52 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Sebastian P.J.	1,00,000
2.	Ajin Kuriakose	50,000
3.	Joseph M.Y. & Annie Joseph	1,00,000
4.	Shibu Theckumpurath Varghese	1,60,000
5.	Ekanadhan P.K.	50,000
6.	Mathai K.I.	50,000
7.	Varun Mathews	20,000
8.	Bindhu Peeyus	3,50,000
9.	Abraham A.M.	1,00,000
10.	Jose T.I.	50,000
11.	Saneesh K.S.	20,000
12.	Julie Josen	50,000
13.	Babu Kurian	1,00,000
14.	Amal Tony	50,000
15.	Civy Pulayathu	1,00,000
16.	Eldos Mathew	50,000
17.	Tony Jose	50,000
18.	Kunjappan C.B.	20,000
19.	Gayathri Raman	40,000
20.	Skaria K.P.	50,000
21.	Suchitra P & Dr. P. Nair	20,000
22.	Gracy K.V.	50,000
23.	Kuttappan K.V.	50,000
24.	John Varghese	1,00,000
25.	Vijayamohan M.K.	1,00,000
26.	Anil K. George	50,000
27.	Ancy Kuriakose	50,000
28.	Thomas A.J.	50,000

S. No.	Name of the Allottee	Number of equity shares allotted
29.	Vinodkumar Jacob	3,00,000
30.	Gopinathan K.	50,000
31.	Thommachan V.U.	1,00,000
32.	Fance Joseph	50,000
33.	Nicey George	1,00,000
34.	Yeldhose N.V.	25,000
35.	Ann Jose	50,000
36.	Cherian K.P.	50,000
37.	Paulose K.K.	25,000
38.	Balu Tony	1,00,000
39.	Elizabeth George	20,000
40.	Varghese George	15,000
41.	Jacob George	15,000
42.	Joseph M.C.	1,00,000
43.	Ittan K.P.	50,000
44.	Sosamma Mammen	1,00,000
45.	George Thanangadan	50,000
46.	Kunhappan A.	50,000
47.	Joseph Thomas	20,000
48.	Cijo Joseph	50,000
49.	Purushothaman M.K.	20,000
50.	Bindhu Baiju	50,000
51.	Eldho John	1,00,000
52.	Antony Paul	1,00,000
Total		36,20,000

13. *Preferential Allotment of 25,18,700 equity shares made to the following 17 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Marykutty Uthuppan	50,000
2.	Dolly George	50,000
3.	Santhamma Padmanabhan	50,000
4.	Jose Nalpat	8,20,000
5.	Shibu TV	3,81,200
6.	Sabu Paul	4,50,000
7.	Biji Shibu	80,000
8.	Antony PV	1,00,000
9.	Elezabeth Mathew	20,000
10.	Smitha Akkara	1,00,000
11.	Soy VU	1,00,000
12.	Shalini Nair	47,500
13.	Anu Mohanan	20,000
14.	EM Bijukumar	1,00,000
15.	Apama Abhilash	50,000
16.	Mini Roy	50,000
17.	PV Xavier	50,000
Total		25,18,700

14. *Preferential Allotment of 8,00,000 equity shares made to the following 12 allottees as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Chitra Visweswaran	50,000
2.	Kurien Joseph	50,000
3.	Varkey P V	50,000
4.	Mary Baby	50,000
5.	Vimal Kumar	50,000

S. No.	Name of the Allottee	Number of equity shares allotted
6.	Shine Paul	1,00,000
7.	K A Peter	50,000
8.	Reji Pradeep	50,000
9.	George Jacob	2,00,000
10.	Tomy C A	50,000
11.	Kuriakose Mathew	50,000
12.	Jaimon Joseph	50,000
Total		8,00,000

15. Preferential Allotment of 10,05,555 equity shares made to the following 7 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Boby Paul	50,000
2.	Aliyamma Varghese	5,00,000
3.	Shibu Theckumpurath Varghese	1,60,000
4.	Elen Shibu	1,95,555
5.	Anitha Mol	50,000
6.	Paulose KK	25,000
7.	Yeldhose N V	25,000
Total		10,05,555

16. Preferential Allotment of 22,72,500 equity shares made to the following 11 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Anoop Xavier	1,00,000
2.	Ann Jose	1,32,500
3.	Baby Somatheeram	7,40,000
4.	Reji Kuriakose	3,50,000
5.	Xavier Jose	2,00,000
6.	Bindu Peeyus	1,50,000
7.	Unni Kappen	1,25,000
8.	Aleena James	1,25,000
9.	Sebastian Kappen	1,25,000
10.	Mercy Sebastian	1,25,000
11.	P J George & Sherly George	1,00,000
Total		22,72,500

17. Preferential Allotment of 13,83,450 equity shares made to the following 6 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Aliyamma Varghese	3,33,450
2.	Philomina James	1,20,000
3.	Abin James	2,20,000
4.	Anil James	2,10,000
5.	P J George	1,00,000
6.	George Jacob	4,00,000
Total		13,83,450

18. Preferential Allotment of 26,40,000 equity shares made to the following 40 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	George Thanangadan	50,000

S. No.	Name of the Allottee	Number of equity shares allotted
2.	Mary Baby	50,000
3.	Skaria K P	50,000
4.	Rashmi Joseph & Joseph George	1,00,000
5.	Girija V & Subramanian N	50,000
6.	Subramaniam N & V Girija	50,000
7.	Alexander P R	1,00,000
8.	MP Kuriakose	1,00,000
9.	Lilly George	50,000
10.	Thomas Palekudy	50,000
11.	Jose M.O	1,00,000
12.	T.K. Francis	30,000
13.	Sasidharan K & Ralceme S	50,000
14.	Sasidharan K & Kelshibe N S	1,00,000
15.	Varghese Jose	50,000
16.	Raju KG	50,000
17.	James PJ & Josephin	50,000
18.	Sanju Baby & Baby KI	1,00,000
19.	Abraham T V	50,000
20.	Jessly P	50,000
21.	Cyril Jose	1,00,000
22.	Shibu Isaac	1,00,000
23.	Princy Jullian	50,000
24.	N.A Vidyadharan & T.V. Pramaeela	50,000
25.	Elsie K P	50,000
26.	George K & Kurian George	50,000
27.	Ajmel Kottai & Kochumon Kottai	1,00,000
28.	P.R. Nithianandan	50,000
29.	Sreedharan K	1,30,000
30.	Mooney P.M	50,000
31.	Joy Paul	50,000
32.	Smitha Jayaraman	50,000
33.	Elizabeth Joju & Joju Philip	50,000
34.	Smitha Akkara	1,00,000
35.	Mathew P.A	50,000
36.	Anietha Subramanian	1,00,000
37.	Paul Punnoose, V P Punnoose & Sheeba Punnose	1,00,000
38.	Deepa Paul	50,000
39.	Sherly Mathew	30,000
40.	Gopinatha Sarma, Chandrakala Sarma & Vinitha Mallan	50,000
Total		26,40,000

19. Preferential Allotment of 19,90,000 equity shares made to the following 32 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Jose KA	1,00,000
2.	Baby Jose	1,00,000
3.	Mooney PM	50,000
4.	Eldho Roy	1,00,000
5.	Sabu TV	50,000
6.	Sudarsanan MR	50,000
7.	Davis PK, George Davis & Nichol Davis	30,000
8.	Geetha Sabu	50,000
9.	CT Roy	1,00,000
10.	Bency Mundadan	1,00,000
11.	N.O George & A B Alphonsa	30,000
12.	Alvin John	50,000
13.	Raseena Kochumon & Kochumon Kottai	50,000
14.	Sam K.S	30,000

S. No.	Name of the Allottee	Number of equity shares allotted
15.	Roy Skariah & Mini Roy	1,00,000
16.	Arvind Sharma	1,00,000
17.	Binita Sharma	1,00,000
18.	Paul Abraham & Annie Oommen	50,000
19.	Simon Mathew	50,000
20.	Joseph John	30,000
21.	MM John & Sosamma John	50,000
22.	Dr. Prasad Punnoose	30,000
23.	Jacob KJ	50,000
24.	Sajeev Jacob & Siji Sajeev	50,000
25.	Divya Purushotham & GP Pillai	30,000
26.	Aleena Joseph	1,00,000
27.	Siji Sajeev & Sajeev Jacob	50,000
28.	Nisha Shibu	1,00,000
29.	C.K Kurup	30,000
30.	G P Pillai	30,000
31.	Anoopa Thomas	1,00,000
32.	Suraj Prakash	50,000
	Total	19,90,000

20. Preferential Allotment of 5,50,000 equity shares made to the following 9 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Benoy Paulose, V.T. Paulose & Seema Varghese	50,000
2.	C.K. Vijayan	1,00,000
3.	Joseph Parayil	50,000
4.	Geetha Sabu	50,000
5.	Jacob P.I	50,000
6.	Anil Kumar	50,000
7.	Gitanjaly Sabu	1,00,000
8.	Muraleedhar AN.K.	50,000
9.	Manu Saju	50,000
	Total	5,50,000

21. Preferential Allotment of 27,63,000 equity shares made to the following 49 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Emily Kuriachan	1,00,000
2.	Kuriachan M.K.	1,00,000
3.	Tony Jose	50,000
4.	Kripa Sunny & Sunny Joseph	2,00,000
5.	Vinay Kumar	1,00,000
6.	Rita James & James John	50,000
7.	Davis K.A.	50,000
8.	E.M. Varghese	30,000
9.	Shibu C.T.	1,00,000
10.	Selimol Michael	1,00,000
11.	C.T Sabu	1,00,000
12.	Mariamamma Cherian	1,00,000
13.	Chinnamma Varkey	30,000
14.	John Philipose	30,000
15.	Dr. Saleena Mathew	50,000
16.	Soman V.H.	1,00,000
17.	John Joseph & Vinu George	30,000
18.	V.N Chellappan	50,000
19.	Lukose B	30,000
20.	George PV	50,000

S. No.	Name of the Allottee	Number of equity shares allotted
21.	Devassykutty AJ	30,000
22.	Dipu Issac	50,000
23.	Seena Justine	50,000
24.	M.A. Zachariah	40,000
25.	Seldha Biju	50,000
26.	Sonia Bhaskar	30,000
27.	Sajeew Joseph	1,00,000
28.	Chacko C.V	1,00,000
29.	Beena Haridas	50,000
30.	Lijinu Abraham	50,000
31.	Thomas Mannil	50,000
32.	Balasubraminan K.S.	40,000
33.	Baby N.K. & Rani Baby	30,000
34.	Mercy Paulose	25,000
35.	Kuriakose O.P	50,000
36.	John Mathew	30,000
37.	Deenamma P.P	30,000
38.	Mathai K.C	30,000
39.	Annie Joseph & Joseph M.Y	50,000
40.	T.P Kunjalachi Amma	50,000
41.	Annamma Thomas	30,000
42.	Lissy Yeldhose	25,000
43.	Bindu George	30,000
44.	Sheeba Joseph	50,000
45.	Joseph Varkey	50,000
46.	Niecy Manjuran	50,000
47.	Byju Kuriakose	20,000
48.	Mallika J	73,000
49.	K.P Cherian	50,000
Total		27,63,000

22. Preferential Allotment of 18,44,000 equity shares made to the following 33 allottees as enlisted in the return of allotment filed

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Samson Chacko	50,000
2.	Biju Joseph	80,000
3.	Sivaramakrishna N.K.P	1,00,000
4.	K.M. Arun Kumar	30,000
5.	Dr. Thomas Chakiriyil & Sunu Thomas	50,000
6.	Behanan T.M. & George Behanan	50,000
7.	Suseela A.M., Merlyn Rajan & Jeslin Rajan	50,000
8.	Eldose Varghese & Shobha Eldose	50,000
9.	George Mathew	1,00,000
10.	George M.P	30,000
11.	Alias A.E. & Basil Alias	30,000
12.	V. Venugopal & Sini	44,000
13.	Johny Mathew & Rosily John	1,00,000
14.	Jacob P.I	30,000
15.	Geetha Nair	50,000
16.	George K.P.	1,00,000
17.	Soosy George	30,000
18.	Suchitra Nair & Dr. Bhaskaran Nair	30,000
19.	Vinod Philip & Prathibha Nair	30,000
20.	Jolly S.N	30,000
21.	Xavier P.J. & Annie Xavier	50,000
22.	Martin P.A.	40,000
23.	Sanjeev Joseph	1,00,000

S. No.	Name of the Allottee	Number of equity shares allotted
24.	Shaju Mathai	1,00,000
25.	Samanyu Mahendran	50,000
26.	Jessy Sebastian	2,00,000
27.	Aswini Warriar	30,000
28.	Mathew Skariah	30,000
29.	Varkey Cherian	30,000
30.	Josmol	20,000
31.	Sobha Sreeraman	30,000
32.	Gopinatha Sarma, Chandrakala Sarma & Vinitha Mallan	20,000
33.	Mary Kuriakose	80,000
Total		18,44,000

23. Preferential Allotment of 5,30,000 equity shares made to the following 10 allottees as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Aliyamma Varghese	1,45,000
2.	Victory Jozy	30,000
3.	Philomina E.X.	30,000
4.	Joseph Akuzhiyil & Celine Joseph	1,00,000
5.	Unnithan J.S. & Radhamony Amma	30,000
6.	M.G. Balakrishnan & Remya Ratheesh	35,000
7.	Saramma Isaac	30,000
8.	Gopinatha Sarma, Vinitha Mallan & Anand Mallan	20,000
9.	P.T. Jose & Mercy Jose	1,00,000
10.	Mathew P.A.	10,000
Total		5,30,000

24. Preferential Allotment of 8,15,500 Equity Shares made to the following 17 allottees, as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of equity shares allotted
1.	Chummar N.C & Princy Chummar	60,000
2.	Avirachan P.O.	30,000
3.	Annie Jacob & Jacob Thomas	1,00,000
4.	Anu Elizabeth	30,000
5.	Peter Jacob	60,000
6.	Rajeena Vinod	35,000
7.	Madhavan K.P.	50,000
8.	Smitha Akkara	50,000
9.	Eldhose T.K & Siji P.K.	20,000
10.	Alias P.V	30,500
11.	M.J Varkey	30,000
12.	Sadanandan P.R	30,000
13.	Phiji Jose	30,000
14.	Beena George	30,000
15.	Vijayan P.K.	30,000
16.	E.J. Abraham	1,00,000
17.	Elsie K.P.	1,00,000
Total		8,15,500

25. Preferential Allotment of 2,80,000 Equity Shares made to the following 3 allottees, as enlisted in the return of allotment filed:

S. No.	Name of the Allottee	Number of shares allotted
1.	Dipu Isaac	50,000
2.	Princy Julian	1,00,000

3.	P.J. George	1,30,000
Total		2,80,000

26. *Preferential Allotment of 80,000 Equity Shares made to the following allottee, as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of shares allotted
1.	Aleyamma Varghese	80,000
Total		80,000

27. *Preferential Allotment of 1,50,000 Equity Shares made to the following 2 allottees, as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of shares allotted
1.	Jose K.A.	50,000
2.	Mercy Jose & P.T Jose	1,00,000
Total		1,50,000

28. *Preferential Allotment of 4, 35,000 Equity Shares made to the following 3 allottees, as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of shares allotted
1.	Tajas Kochokunnel	85,000
2.	Aleyamma Varghese	2,50,000
3.	Sreekumar Nair	1,00,000
Total		4,35,000

29. *Preferential Allotment of 27, 24,782 Equity Shares made to the following 15 allottees, as enlisted in the return of allotment filed:*

S. No.	Name of the Allottee	Number of shares allotted
1.	Kuriakose P.P	30,000
2.	Sivaramakrishnan K.P.	1,00,000
3.	MP Kuriakose & Mary Kuriakose	80,000
4.	Reji Varghese & Varghese KV	30,000
5.	P.M. Jose	26,087
6.	Varghese Jose	23,913
7.	Rajeena Vinod	20,000
8.	Jose K.A	1,00,000
9.	Subramaniam N	10,000
10.	Aleyamma Varghese	19,70,000
11.	Sajeev Joseph	1,00,000
12.	Vidyakumar A.C & Padmini Vijayakumar	34,782
13.	Jose Thomas	50,000
14.	Thomas E I	50,000
15.	Sreejaya Pilla	1,00,000
Total		27,24,782

The following table sets forth the shareholding pattern of our Company as on the date of this Prospectus:

Category (I)	Category of Shareholder (II)	Number of Shareholders (III)	No. of fully paid up Equity Shares held (IV)	No. of partly paid-up Equity Shares held (V)	No. of shares underlying depositary receipts (VI)	Total nos. shares held (VII) = (IV)+(V)+(VI)	Shareholding as a % of total no. of shares (calculate as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of voting rights held in each class of securities (IX)			No. of Shares underlying convertible securities (including warrants) (X)	Shareholding as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI) = (VII)+(X) As a % of (A+B+C2)	Number of locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialised form (XIV)
								Class - Equity	Total	Total as a % of (A+B+C)			No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
(A)	Promoter and Promoter Group	13	75,79,005	0	0	75,79,005	18.95	75,79,005	75,79,005	18.95	0	0	0	0	0	0	0
(B)	Public	345	3,24,09,782	0	0	3,24,09,782	81.05	3,24,09,782	3,24,09,782	81.05	0	0	0	0	0	0	0
(C)	Non-Promoter Non-Public	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(C) (1)	Shares underlying DRs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(C) (2)	Shares held by Employee Trusts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total (A)+(B)+(C)	358	3,99,88,787	0	0	3,99,88,787	100	3,99,88,787	3,99,88,787	100	0	0	0	0	0	0	0

Statement of the aggregate number of securities of the Issuer purchased or sold by the promoter group and by the directors of the company which is a promoter of the Issuer and by the Directors of the Issuer and their relatives within six-months immediately preceding the date of filing this Prospectus:

None of the Directors of the Company including their relatives as defined under Section 2(77) of the Companies Act, 2013 and the Promoter/Promoter Group of the Company have undertaken purchase and/or sale of the securities of our Company during the preceding 6 (six) months from the date of this Prospectus.

List of top ten holders of Equity Shares of our Company as on the date of this Prospectus is as below:

Sr. No.	Name of Shareholders	Address	Number of Equity Shares held
1.	Aleyamma Varghese	Theckumpuram House, Chelad P O, Kothamangalam - 686 681, Kerala, India	36,56,450
2.	Shibu Theckumpurath Varghese	Theckumpurathu House, Chelad P O, Kothamangalam- 686 691, Kerala, India	19,61,200
3.	Jose Sebastian Nalpat	Nalpat House, Koratty- 680 038, Kerala, India	15,00,000
4.	Baby Mathew	Arambankudiyil Veedu, Chowara- 683 571, Kerala, India	15,00,000
5.	Joby George	Kakkottolickal House, Ayroorpadam P O, Kothamangalam- 686 692, Kerala, India	10,00,000
6.	George Jacob & Majie George	Arambankudiyil House, Perumbavoor, Ernakulam- 683 542, Kerala, India	9,00,000
7.	Lissy Ittoop	Konuparamban House, Govt.Hospital Road, Chalakudy, Trichur-680 307, Kerala, India	7,20,000
8.	Ittoop K O	Konuparamban House, Govt.Hospital Road, Chalakudy, Trichur- 680 307, Kerala, India	6,80,000
9.	Bindu Peeyus	Kottam House, Op.Foreshore Road, Palliyil Lane, Ernakulam, Kerala-682 016, India	5,72,000
10.	Sabu Paul	Edakkattukudiyil House, Puthuppady P O, Ernakulam- 682 016, Kerala, India	4,50,000
Total			1,29,39,650

List of top ten debenture holders of our Company as on July 31, 2018:

Unlisted privately placed secured redeemable non-convertible debentures:

Sr. No.	Name of holders	Address	Number of instruments held	Face Value per instrument (In ₹)	Amount (In ₹)
1.	KLM Global Solutions LLP	Ground Floor, Mathew Son Trade Centre Kaloor, Ernakulam, Kochi- 682 017, Kerala, India	5,876	10,000	5,87,60,000
2.	Merciamma Augusty	Kizhakkethalackal House, Palampra, Koovappally, Kottayam- 686 518, Kerala, India	870	10,000	87,00,000
3.	Priya Mary	138/612, Kallarackal House, Thripathy Lane, Panampilly Nagar, Ernakulam-682 016, Kerala, India	400	10,000	40,00,000
4.	Saju N M	Palappuram Mekkadamu P.O, Kadathy, Muvattupuzha- 682 316, Kerala, India	370	10,000	37,00,000
5.	K Pillai	52, M R Square, D H Road, Ernakulam- 682 016, Kerala, India	350	10,000	35,00,000

Sr. No.	Name of holders	Address	Number of instruments held	Face Value per instrument (In ₹)	Amount (In ₹)
6.	Shine Palapuram & Pradeep Mathew	Manappalli House, Karwa-III, Karuvelil Road, Mamangalam, Palarivattom, Ernakulam -682 025, Kerala, India	340	10,000	34,00,000
7.	Reji Mathew	B 12 B, Willingdon Enclave, Thevara Ferry Road, Thevara, Ernakulam- 682 013, Kerala, India	300	10,000	30,00,000
8.	Annie Jacob	9/994, Joshi Bagh, Kembiri Road, Mattanchery -682 002, Kochi, India	300	10,000	30,00,000
9.	Renjith Kumar K A	Kurunthala House, North Ezhipram, Marampilly P O, Aluva - 683105	285	10,000	28,50,000
10.	Juna loy	Vattukalathel House, Makkapuzha, P.O, Ranny, Pathanamthitta	275	10,000	27,50,000

List of top ten Subordinated Debt Instrument holders of our Company as on July 31, 2018

Sr. No.	Name of holders	Address	Number of instruments held	Face value per instrument (In ₹)	Amount (In ₹)
1.	KLM Global Solutions LLP	Ground Floor, Mathew Son Trade Centre Kaloor, Ernakulam, Kochi-682 017, Kerala, India	20,120	1,000	20,120,000
2.	Joy P Jacob	Kallanickal House, Kinginimattom P O, Kolenchery, Ernakulam- 682 311, Kerala, India	10,000	1,000	1,00,00,000
3.	Aleyamma Jacob/C V Jacob	Nechupadam House, Kadayirippu P O, Kolenchery- 682 311, Kerala, India	10,000	1,000	1,00,00,000
4.	Varghese Jacob	Nechupadam, Kadayiruppu, Aikaranad, North Ernakulam, Kochi- 682 311, Kerala, India	10,000	1,000	1,00,00,000
5.	Neelam Varghese	Nechupadam, Kadayiruppu, Aikaranad North, Ernakulam, Kochi- 682 311, Kerala, India	10,000	1,000	1,00,00,000
6.	Mariya Das	M G Colony, Munnar, Kerala -685 612, India	7,000	1,000	70,00,000
7.	Biju Thomas/ Siby Varghese	Thykkootathil House, Thekkemala P.O, Kozhencherry, Pathanamthitta - 689641	5,367	1,000	53,67,000
8.	Chinnamma Kuruvila	Thombrayil House, Chelad P.O, Keerampara-686681	5,000	1,000	50,00,000
9.	Kuruvilla T U	Thombrayil House, Chelad -686 681, Kerala, India	5,000	1,000	50,00,000
10.	Mohammed Riyal	Akkattu House, Puthupally P.O, Kottayam, Kerala, India	5,000	1,000	50,00,000

Debt - equity ratio:

1. The debt equity ratio of our Company, prior to this Issue is based on a total outstanding debt of ₹ 16,737.55 lakhs and shareholder funds amounting to ₹ 4,946.50 lakhs as on March 31, 2018:

Particulars	As at March 31, 2018	
	Pre-Issue	Post-Issue
Debt		
Long Term Debt (in ₹ lakhs)	16,287.41	26,287.41
Short Term Debt (in ₹ lakhs)	450.14	450.14
Total Debt (in ₹ lakhs)	16,737.55	26,737.55
Shareholders' funds		
Equity Share Capital (in ₹ lakhs)	3,998.88	3,998.88
Cumulative Convertible Preference Shares (in ₹ lakhs)	0.00	0.00
Reserves and Surplus		
General Reserve	4.08	4.08
Statutory Reserve	212.99	212.99
Share Premium	527.39	527.39
Surplus in Profit and Loss A/c	203.17	203.17
Total Shareholders' funds (in ₹ lakhs)	4,946.50	4,946.50
Long Term Debt to Equity Ratio (Number of times)	3.29	5.31
Debt to Equity Ratio (Number of times)	3.38	5.41

Notes:

- (1) Short term debts represent debts which are due within twelve months from March 31, 2018.
- (2) Long term debts represent debts other than short term debts, as defined above.
- (3) The pre- issue figures disclosed above are based on the Unaudited Financial Statements of the Company as on March 31, 2018.
- (4) Long Term Debts / Equity = Long Term Debts / Shareholders' Funds.
- (5) The debt-equity ratio post the Issue is indicative and is on account of assumed inflow of ₹ 10,000 lakhs from the proposed Issue.
- (6) The following events occurred between April 1, 2018 and August 31, 2018 which may have an impact on the calculations made above:
 - The Company has come out with private placement of Non-Convertible Debentures (NCD) and has allotted Non-Convertible Debentures amounting to Rs. 341.60 lakhs and has issued Subordinated Debts amounting to Rs. 4,970.77 lakhs, which has not been considered for the calculation of Pre and Post Issue Debt Equity Ratio.

For details on the total outstanding debt of our Company, see "Financial Indebtedness" beginning on page 146.

Our Company has not made any acquisition or amalgamation in the last one year.

Our Company has not made any reorganisation or reconstruction in the last one year.

Our Company does not have any outstanding borrowings taken/debt securities issued where taken/issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount or (iii) in pursuance of an option.

Employee Stock Option Scheme:

Our Company does not have any employee stock option scheme.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE DEBENTURE HOLDERS

The Board of Directors
KLM Axiva Finvest Limited,
4th Floor, Door No.1871A24,
VM Plaza, Palarivattom,
Ernakulam – 682025

Dear Sirs,

Sub: Statement of possible Tax Benefits under Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended, available to Debenture Holders of KLM Axiva Finvest Limited (“Company”) in connection with proposed issue of Non- Convertible Debentures (“Issue”)

We refer to the proposed issue of Non-Convertible Debentures by the Company. We enclose herewith the statement showing the current positions of tax benefits available to the debenture holders as per the provisions of the Income-tax Act, 1961 (“I.T. Act”) and Income tax Rules, 1962 including amendments made by Finance Act 2018 as applicable for the financial year 2018-19. Several of these benefits are dependent on the Company and its debenture holders fulfilling the conditions prescribed under the relevant provisions of the I.T. Act. Hence, the ability of the debenture holders to derive the tax benefits is dependent upon fulfilling such conditions.

We are informed that the debentures of the Company will be listed on recognised stock exchanges in India. The Annexure has been prepared on that basis.

The benefits discussed in the enclosed Annexure are not exhaustive. This statement is only intended to provide general information to the debenture holders and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each debenture holder is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which a debenture holder can avail. Neither are we suggesting nor are we advising the debenture holders to invest money based on this statement.

We accept no responsibility to debenture holders or any third party and this should be stated in the Draft Prospectus/ Prospectus. The contents of the enclosed statement are based on the representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

We do not express and opine or provide any assurance as to whether:

- the Company or its debenture holders will continue to obtain these benefits in future;
- the conditions prescribed for availing the benefits have been/would be met with;
- the revenue authorities/courts will concur with the views expressed herein.

This statement is provided solely for the purpose of assisting the Company in discharging its responsibilities under the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended.

We hereby give our consent to include enclosed statement regarding the tax benefits available to the Company and to its debenture holders in the Offer Documents for the Issue which the Company intends to file to the BSE Limited, the National Stock Exchange of India Limited, the Securities and Exchange Board of India, the relevant Registrar of Companies in India and any other regulatory authorities as required under the applicable laws, in connection with the Issue provided that the below statement of limitation is included in the Offer Documents.

LIMITATIONS

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on

the express understanding that we do not assume responsibility towards the debenture holders who may or may not invest in the Issue relying on the statement.

This statement has been prepared solely in connection with the Issue under the Regulations as amended.

For **Balan & Co.**
Chartered Accountants
(Firm Registration No. 000340S)

P. Mohandas FCA
Partner
Membership No: 021262

Place: Aluva,
Date: May 31, 2018

ANNEXURE

The information provided below sets out the possible direct tax benefits available to the debenture holders of the company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of non-convertible debentures (“debentures”), under the current tax laws presently in force in India. Several of these benefits are dependent on the debenture holders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the debenture holders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a debenture holder faces, may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Company or its debenture holders will continue to obtain these benefits in future. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice.

Debenture holders are advised to consult their own tax consultant with respect to the tax implications of an investment in the debentures particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the Issue under the Regulations as amended.

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO THE DEBENTURE HOLDERS

A. Under the Income-Tax Act, 1961 (“I.T. Act”)

I. Tax benefits available to the Resident Debenture Holders

1. Interest on debentures received by resident debenture holders would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act.
2. As per section 2(29A) read with section 2(42A) of the I.T. Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.
As per section 112 of the I.T. Act, capital gains arising on the transfer of long term capital assets being listed debentures are subject to tax at the rate of 10% [plus applicable surcharge and Health and Education Cess (“cess”)] of capital gains calculated without indexation of the cost of acquisition. The capital gains shall be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition of the debentures from the sale consideration.
In case of an individual or HUF, being a resident, where the total income as reduced by such long – term capital gains is below the maximum amount which is not chargeable to income-tax, then, such long term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate mentioned above.
3. As per section 2(42A) of the I.T. Act, a listed debenture is treated as a short term capital asset if the same is held for not more than 12 months immediately preceding the date of its transfer.
Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. The provisions relating to maximum amount not chargeable to tax described at para 2 above would also apply to such short term capital gains.
4. In case debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.
5. Securities Transaction Tax (“STT”) is a tax levied on all transactions in specified securities done on the stock exchanges at rates prescribed by the Central Government from time to time. STT is not applicable on transactions in the debentures.

6. Income tax is deductible at source on interest on debentures, payable to resident debenture holders at the time of credit/ payment as per the provisions of section 193 of the I.T. Act. However, no income tax is deductible at source in respect of any security issued by a Company in a dematerialised form and is listed on recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.
7. Interest on application money and interest on refund application would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 194A of the I.T. Act

II. Tax benefits available to the Non-Resident Debenture Holders

1. A non-resident Indian has an option to be governed by Chapter XII -A of the I.T. Act, subject to the provisions contained therein which are given in brief as under:
 - (a) As per section 115C(e) of the Act, the term “non-resident Indian” means an individual, being a citizen of India or a person of Indian origin who is not a “resident”. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.
 - (b) As per section 115E of the I.T. Act, interest income from debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20%, whereas, long term capital gainson transfer of such debentures will be taxable at 10% of such capital gains without indexation of cost of acquisition.
Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.
 - (c) As per section 115F of the I.T. Act, long term capital gains arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to in convertible foreign exchange will be exempt from capital gain tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in section10(4B) of the I.T. Act in accordance with and subject to the provisions contained therein. However, if the new assets are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the new assets are transferred or converted into money.
 - (d) As per section 115G of the I.T. Act, it shall not be necessary for a non-resident Indian to file a return of income under section 139(1) of the I.T. Act, if his total income consists only of investment income as defined under section 115C and/or long term capital gains earned on transfer of such investment acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the I.T. Act in accordance with and subject to the provisions contained therein.
 - (e) As per section 115H of the I.T. Act, where a non-resident Indian becomes assessable as resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with return of income under section 139 for the assessment year for which he is assessable as a resident, to the effect that the provisions of Chapter XII -A shall continue to apply to him in relation to the investment income (other than on shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
2. In accordance with and subject to the provisions of section 115-I of the I.T. Act, a non-resident Indian may opt not to be governed by the provisions of Chapter XII -A of the I.T. Act. In that case,
 - (a) Long term capital gains on transfer of listed debentures would be subject to tax at the rate of 10% computed without indexation.
 - (b) Investment income and Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months preceding the date of transfer, would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act
 - (c) Where debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.
3. Under Section 195 of the I.T. Act, the applicable rate of tax deduction at source is 20% on investment income and 10% on any long-term capital gains as per section 115E of the I.T. Act, and

- at the normal rates for Short Term Capital Gains if the payee debenture holder is a non-resident Indian.
4. Interest on application money and interest on refund application would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 195 of the I.T. Act
 5. The income tax deducted shall be increased by surcharge as under:
 - (a) In the case of non-resident Indian, surcharge at the rate of 10% of such tax liability (if net income exceeds Rs. 50,00,000 and does not exceed Rs. 1,00,00,000) and 15% of such tax liability (if net income exceeds Rs. 1,00,00,000) subject to deduction.
 - (b) In the case of foreign companies, surcharge at the rate of 2% of such tax liability where the income or the aggregate of such income paid or likely to be paid and subject to deduction exceeds Rs. 1,00,00,000 but does not exceed Rs. 10,00,00,000, surcharge at the rate of 5% of such income tax where the income or the aggregate of such income paid or likely to be paid and subject to the deduction exceeds Rs. 10,00,00,000.
 - (c) Cess is to be applied at 4% on aggregate of base tax and surcharge.
 6. As per section 90(2) of the I.T. Act read with the Circular no. 728 dated October 30, 1995 issued by the Central Board of Direct Taxes, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee. However, submission of tax residency certificate (“TRC”), is a mandatory condition for availing benefits under any DTAA. If the TRC does not contain the prescribed particulars, a self - declaration in Form 10F would need to be provided by the assessee along with TRC.
 7. Alternatively, to ensure non-deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) of the I.T. Act, from the Assessing Officer before the prescribed date of closure of books for payment of debenture interest.

III. Tax benefits available to the Foreign Portfolio Investors (“FPIs”)

1. As per Section 2(14) of the I.T. Act, any securities held by FPIs which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992, shall be treated as capital assets. Accordingly, any gains arising from transfer of such securities shall be chargeable to tax in the hands of FPIs as capital gains.
2. In accordance with and subject to the provisions of section 115AD of the I.T. Act, long term capital gains on transfer of debentures by FPIs are taxable at 10% (plus applicable surcharge and cess) and short-term capital gains are taxable at 30% (plus applicable surcharge and cess). The benefit of cost indexation will not be available. Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply.
3. Income other than capital gains arising out of debentures is taxable at 20% (plus applicable surcharge and cess) in accordance with and subject to the provisions of Section 115AD of the I.T. Act.
4. Section 194LD in the I.T. Act provides for lower rate of withholding tax at the rate of 5% (plus applicable surcharge and cess) on payment by way of interest paid by an Indian company to FPIs and Qualified Foreign Investor in respect of rupee denominated bond of an Indian company between June 1, 2013 and July 1, 2020 provided such rate does not exceed the rate as may be notified by the Government.
5. In accordance with and subject to the provisions of section 196D(2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FPIs.

IV. Tax benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India

will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

V. Exemption under Sections 54EE and 54F of the I.T. Act

1. As per provisions of Section 54EE of the I.T. Act, long term capital gains arising to debenture holders on transfer of their debentures in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified units within six months after the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said notified units are transferred within three years from their date of acquisition, the amount of capital gain exempted earlier would become chargeable to tax as long term capital gains in the year in which units are transferred. Further, in case where loan or advance on the security of such notified units is availed, such notified units shall be deemed to have been transferred on the date on which such loan or advance is taken. However, the amount of exemption with respect to the investment made in the aforesaid notified units during the financial year in which such debentures are transferred and the subsequent financial year, should not exceed Rs. 50 lacs.
2. As per the provisions of section 54F of the I.T. Act, any long-term capital gains on transfer of a long term capital asset (not being residential house) arising to a debenture holder who is an individual or Hindu Undivided Family, is exempt from tax if the entire net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. This exemption is available, subject to the condition that the debenture holder does not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the debenture holder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

VI. Requirement to furnish PAN under the I.T. Act

1. Section 139A(5A) of the I.T. Act requires every person receiving any sum or income or amount from which tax has been deducted under Chapter XVII-B of the I.T. Act to furnish his PAN to the person responsible for deducting such tax.
2. Section 206AA of the I.T. Act requires every person entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIIB (“deductee”) to furnish his PAN to the deductor, failing which tax shall be deducted at the higher of the following rates:
 - (i) at the rate specified in the relevant provision of the I.T. Act; or
 - (ii) at the rate or rates in force; or
 - (iii) at the rate of twenty per cent.
3. As per Rule 37BC, the higher rate under section 206AA shall not apply to a non-resident, not being a company, or to a foreign company, in respect of payment of interest, if the non-resident deductee furnishes the prescribed details *inter alia* TRC and Tax Identification Number (TIN).

VII. Taxability of Gifts received for nil or inadequate consideration

As per section 56(2)(x) of the I.T. Act, where any person receives debentures from any person on or after 1st April, 2017:

- (a) without consideration, aggregate fair market value of which exceeds fifty thousand rupees, then the whole of the aggregate fair market value of such debentures or;
- (b) for a consideration which is less than the aggregate fair market value of the debenture by an amount exceeding fifty thousand rupees, then the aggregate fair market value of such debentures as exceeds such consideration;

shall be taxable as the income of the recipient at the normal rates of tax. The above is subject to few exceptions as stated in section 56(2)(x) of the I.T. Act.

NOTES:

1. The statement of tax benefits enumerated above is as per the Income-tax Act, 1961, as amended by the Finance Act, 2018.
2. Surcharge is levied on individuals, HUF, association of persons, body of individuals and artificial juridical person at the rate of 10% on tax where total income exceeds Rs. 50 lacs but does not exceed Rs. 1 crore and at the rate of 15% on tax where the total income exceeds Rs. 1 crore.
3. Surcharge is levied on firm, co-operative society and local authority at the rate of 12% on tax where the total income exceeds Rs. 1 crore.
4. Surcharge is levied on domestic companies at the rate of 7% on tax where the income exceeds Rs 1 crore but does not exceed Rs. 10 crores and at the rate of 12% on tax where the income exceeds Rs. 10 crores.
5. Surcharge is levied on every company other than domestic company at the rate of 2% on tax where the income exceeds Rs. 1 crore but does not exceed Rs. 10 crores and at the rate of 5% on tax where the income exceeds Rs. 10 crores.
6. Health and Education Cess is to be applied at 4% on aggregate of base tax and surcharge.
7. Several of the above tax benefits are dependent on the debenture holders fulfilling the conditions prescribed under the relevant tax laws and subject to General Anti Avoidance Rules covered under Chapter X-A of the Act.

OBJECTS OF THE ISSUE

Our Company is in the business of loan financing, and as part of our business operations, we raise/avail funds for onward lending, financing and for repayment of interest and principal of existing borrowings.

Our Company proposes to utilise the funds which are being raised through the Issue, after deducting the Issue related expenses to the extent payable by our Company (“**Net Proceeds**”), estimated to be approximately ₹ 10,000 lakhs, towards funding the following objects (collectively, referred to herein as the “**Objects**”):

1. For the purpose of onward lending, financing and for repayment of interest and principal of existing borrowings ;
2. General Corporate Purposes;

The Main Objects clause of the Memorandum of Association of our Company permits our Company to undertake the activities for which the funds are being raised through the present Issue and also the activities which our Company has been carrying on till date.

The details of the Proceeds of the Issue are set forth in the following table:

<i>(in ₹ lakhs)</i>		
Sr. No.	Description	Amount
1.	Gross proceeds of the Issue	10,000
2.	(less) Issue related expenses	81.16
3.	Net Proceeds	9,918.84

Requirement of funds and Utilisation of Net Proceeds

The following table details the objects of the Issue and the amount proposed to be financed from the Net Proceeds:

Sr. No.	Objects of the Issue	Percentage of amount proposed to be financed from Net Proceeds
1.	Onward lending, financing and for repayment of interest and principal of existing borrowings	at least 75%
2.	General Corporate Purposes	up to 25%
Total		100%

**The Net Proceeds will be first utilised towards the Objects mentioned above. The balance is proposed to be utilised for general corporate purposes, subject to such utilisation not exceeding 25% of the amount raised in the Issue, in compliance with the SEBI Debt Regulations.*

For further details of our Company’s outstanding indebtedness, see “*Financial Indebtedness*” on page 146.

Funding plan

NA

Summary of the project appraisal report

NA

Schedule of implementation of the project

NA

Interim Use of Proceeds

Our Management, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation of the proceeds out of the Issue for the purposes described above, our Company intends to temporarily invest funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks or temporarily deploy the funds in

investment grade interest bearing securities as may be approved by the Board. Such investment would be in accordance with the investment policies approved by the Board or any committee thereof from time to time.

Monitoring of Utilisation of Funds

There is no requirement for appointment of a monitoring agency in terms of the SEBI Debt Regulations. The Board shall monitor the utilisation of the proceeds of the Issue. For the relevant Financial Years commencing from Fiscal 2019, our Company will disclose in our financial statements, the utilisation of the net proceeds of the Issue under a separate head along with details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue. Our Company shall utilize the proceeds of the Issue only upon the execution of the documents for creation of security and receipt of final listing and trading approval from BSE.

Variation in terms of contract or objects

Our Company shall not, in terms of Section 27 of the Companies Act, 2013, at any time, vary the terms of a contract referred to in the Prospectus or objects for which the Prospectus is issued, except subject to the approval of, or except subject to an authority given by the Shareholders in general meeting by way of special resolution and after abiding by all the formalities prescribed in Section 27 of the Companies Act, 2013 and applicable SEBI Regulations.

Other Confirmation

In accordance with the SEBI Debt Regulations, our Company will not utilise the proceeds of the Issue for providing loans to or for acquisitions of shares of any person who is a part of the same group as our Company or who is under the same management of our Company.

No part of the Issue Proceeds will be paid by our Company to our Promoters, our Directors, Key Managerial Personnel, Senior Managerial Personnel or companies promoted by our Promoters.

The Issue Proceeds from NCDs allotted to Banks will not be utilised for any purpose which may be in contravention of the RBI guidelines on bank financing to NBFCs including those relating to classification as capital market exposure or any other sectors that are prohibited under the RBI Regulations.

Further our Company undertakes that the Issue proceeds from NCDs allotted to banks shall not be used for any purpose, which may be in contravention of the RBI guidelines on bank financing to NBFCs.

SECTION IV – ABOUT OUR COMPANY

INDUSTRY OVERVIEW

The following information includes extracts from publicly available information, data and statistics derived from reports prepared by third party consultants, including CRISIL research and CRISIL Research – Industry Report on gold loans, low-ticket MSME loans and microfinance loans, private publications, and industry reports prepared by various trade associations, as well as other sources, which have not been prepared or independently verified by the Company, the Lead Managers or any of their respective affiliates or advisors. Such information, data and statistics may be approximations or may use rounded numbers. Certain data has been reclassified for the purpose of presentation and much of the available information is based on best estimates and should therefore be regarded as indicative only and treated with appropriate caution.

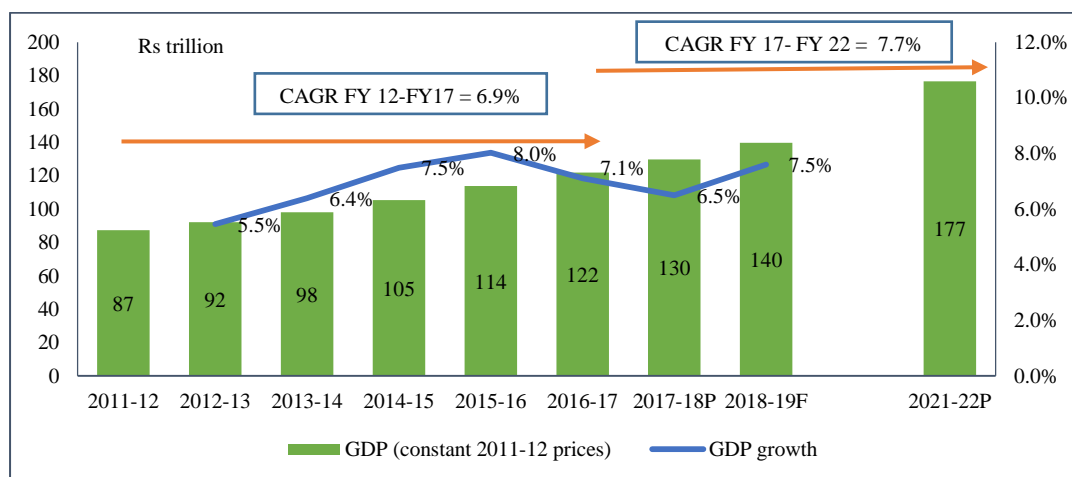
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Gross domestic product (GDP): Review and outlook

GDP to grow at a faster pace over the next 5 years

Consumption and investment are the growth engines of any economy. In recent years, India's growth has been firing on the consumption cylinder, while that of investment has been decelerating. GDP (at constant 2011-12 prices) grew at a compounded annual growth rate (CAGR) of 6.9% between fiscals 2012 and 2017. It grew at a slower pace between fiscals 2012 and 2014 because of sluggish income growth, persistently rising inflation, and high interest rates. Industrial output too, had weakened. Post fiscal 2014, growth recovered with improving industrial activity, lower crude oil prices, and supportive policies. However, that was clipped in fiscal 2017, thanks to demonetisation, dwindling private investment, and slowing global growth.

Real GDP growth in India



Note: P-Projected

Source: CSO (Central Statistical Organisation), CRISIL Research, IMF

The Goods and Services Tax (GST) rollout in early fiscal 2018 left its imprint on GDP figures, especially in the first half. From where we now stand, the Indian economy can only grind its way up, in an environment of subdued global growth and weak domestic investments.

CRISIL Research believes GST-related disruptions would limit the growth upside for a few more quarters, as there are uncertainties around the possibility of changes to the given tax structure, and as businesses adjust to the new regime. At the same time, the benefit of extremely low commodity prices last year may not be available to corporates this year, and hence bottom lines may remain under pressure.

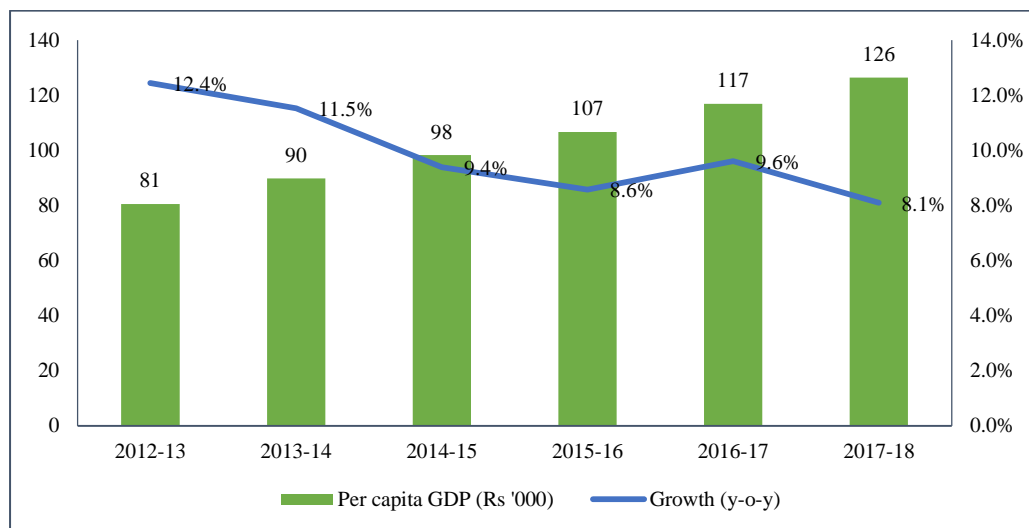
On the external front, factors such as the falling trade intensity of growth, geopolitical risks, uncertainties surrounding the pace of normalisation of monetary policy in advanced nations, and appreciation of the rupee, would mean that the contribution of exports to domestic economic growth would be limited.

On the whole, GDP growth in fiscal 2018 is estimated at 6.5%, compared with 7.1% in the previous fiscal, with downside risks in the form of greater-than-anticipated GST-related disruptions. GDP growth in fiscal 2019 is expected to be 7.5%, once again aided by robust consumption demand.

However, we expect the pace of economic growth to pick up in the medium term, as structural reforms such as GST and the Bankruptcy Code, aimed at de-clogging the economy and raising the trend rate of growth, begin to take effect. Assuming that monetary and fiscal policies remain prudent, these reforms would lead to efficiency gains and improve the prospects for sustainable high growth in the years to come. Improving macroeconomic environment (softer interest rate and stable inflation), urbanisation, rising middle class, and business-friendly government reforms will drive growth in the long term. As per the International Monetary Fund, the Indian economy is projected to grow at a 7.7% CAGR over the next five years. Growth will be higher than many emerging as well as developed economies, such as Brazil, Russia, and China.

Among India's GDP components, private consumption is the biggest contributor at ~58%. Nominal per capita GDP is used as a proxy to measure private consumption. Nominal per capita GDP growth slowed to 8.6% in fiscal 2016. However, it picked up in fiscal 2017, rising 9.6% on-year.

Nominal per capita GDP growth



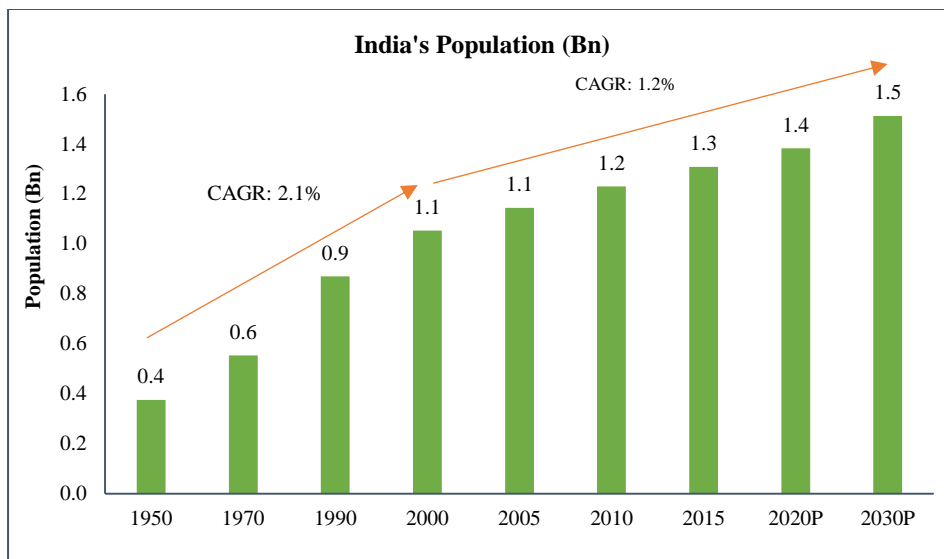
Source: CSO (Central Statistical Organisation), RBI, CRISIL Research

Key growth drivers for Indian economy

India has the second-largest population in the world

As per Census 2011, India's population was ~1.2 billion, comprising ~246 million households. Population grew nearly 18% between 2001 and 2011 and is expected to rise ~11% between 2011 and 2025, to 1.4 billion.

India's population growth trajectory

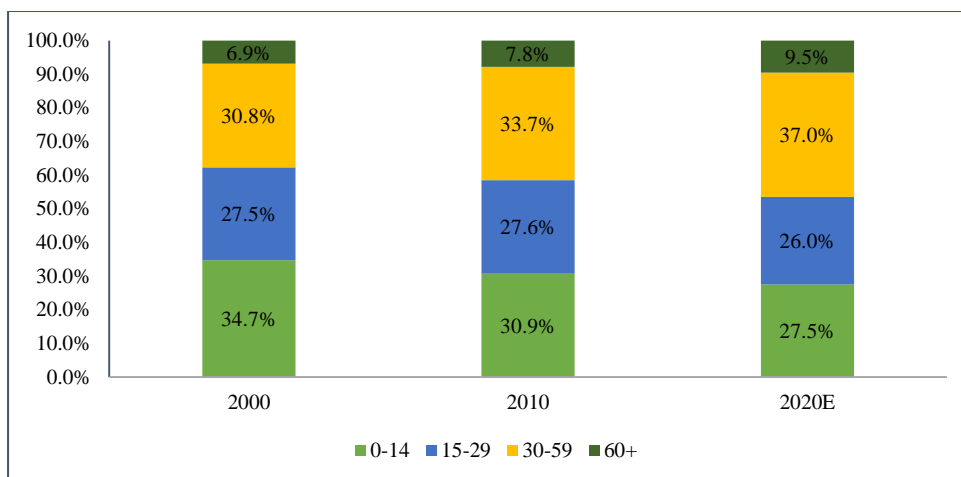


Source: United Nations Department of Economic and Social affairs, CRISIL Research

Favourable demographics

Currently, India is also one of the nations with the highest young population, with a median age of 28 years. 90% of Indians will still be below the age of 60 by calendar year 2020. CRISIL Research estimates that 63% of this demographic will be between 15-59 years. Comparatively, the US, China, and Brazil had 74%, 62% and 78% of their population below the age of 60 (as of calendar year 2012). CRISIL Research expects that the existence of a large share of working population, coupled with rapid urbanisation and rising affluence, will propel growth of the Indian financial services sector.

India's demographic dividend (share of different age groups in India's population)

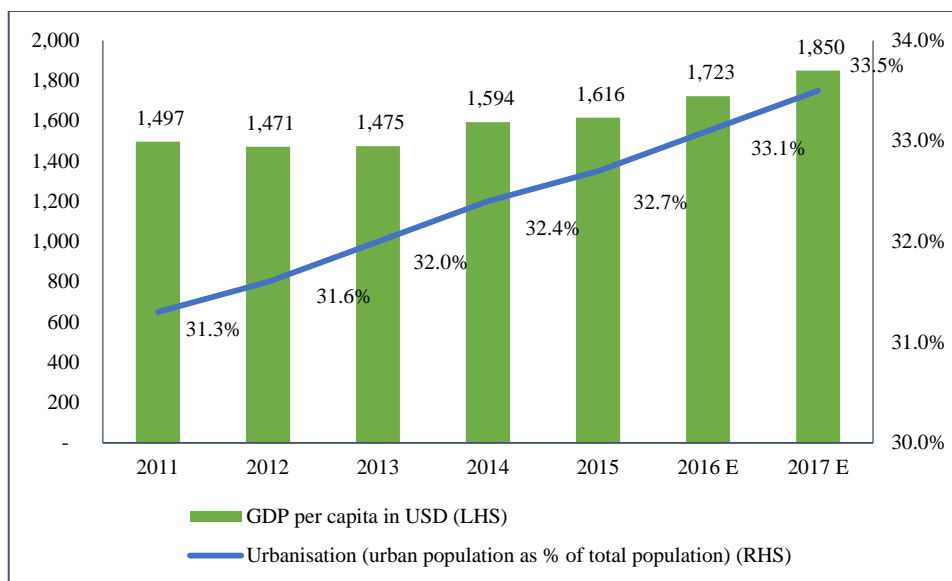


Source: United Nations Department of Economic and Social affairs, CRISIL Research

Rise in urbanisation

The share of urban population rose steadily from 28.8% in 2004 to 33.5% in 2017. CRISIL Research expects the pace of urbanisation to accelerate over the next five years, which will aid the rise in per capita GDP, as also suggested during the previous five years. Increasing urbanisation will enhance financial literacy and quality of living.

Trend in urbanisation



Source: United Nations Department of Economic and Social affairs, IMF

Demand for financial products from semi-urban and rural areas too, is burgeoning

Increasing financial literacy, mobile penetration, awareness, and thrust on Jan Dhan bank accounts have led to an increase in the participation of individuals from non-metro cities. CRISIL Research expects technology to progressively reduce the cost of reaching out to smaller markets; and this, along with higher awareness, should continue to lead strong growth in these markets.

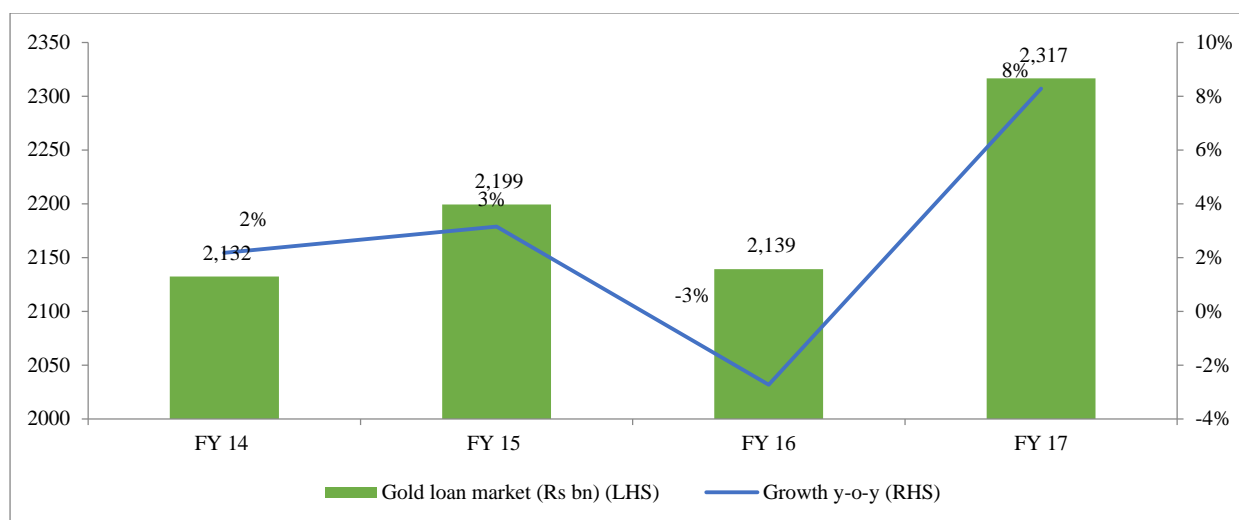
Gold Loans

Regulatory tweaks restore the shine for NBFCs

Gold loans are typically small ticket, short duration, convenient and instant credit. The unrestrained growth in the non-banking financial companies' (NBFCs') gold loan offtake was derailed by tighter regulatory environment between fiscal 2012 and fiscal 2014, and they lost considerable ground to banks and the unorganised sector. However, in the long term, the intervention strengthened the sector's ability to withstand price risk, improve customer service and standardise processes related to security valuation. It compelled NBFCs to reconsider their strategies. The loan to value (LTV) ratio was also reduced, thereby de-risking the business. There was focus on regular, monthly collection of interest, to preserve the lending margin against the backdrop of volatile gold prices.

The NBFC sector saw some stability in fiscal 2015. The Reserve Bank of India (RBI) had raised the permissible LTV ratio up to 75% in January 2014, from 60% earlier. Banks were also asked to cap the LTV ratio at 75% and standardise the procedures for valuing collateral. As of March 2017, NBFCs offered LTVs in the range of 65-75%, with a leading player having a weighted-average LTV of 67% for that fiscal. As a result, gold loan NBFCs increased their market share to 26% by fiscal 2017.

Growth in gold loan AUMs of organised lenders



Note: Includes agriculture lending by banks with gold as collateral

Source: Company reports, CRISIL Research

Gold Loan

NBFCs' growth driving industry growth

The regulatory changes also reflected in the organised sector's AUMs. A 3% fall in gold price along with RBI's restrictions in fiscal 2014 led to a decline in gold loan AUM growth to a marginal 2% from 28% in fiscal 2013; the AUM growth was stunted because of the steep fall in NBFC AUMs by 18% in fiscal 2014. However, despite a 6% decline in gold prices in fiscal 2015, gold loan AUMs grew 3% and NBFC AUMs recovered 9%, driven by greater demand.

This trend continued in fiscal 2016 too - despite an average decline of 3% in gold prices, NBFC AUMs grew 4%. Industry AUMs, on the other hand, recorded a 3% decline. Aided by a good monsoon and international issues, such as Brexit, gold prices recovered 12% in fiscal 2017, giving the gold loan industry a much-needed boost; the industry AUMs grew a healthy 8% and NBFC AUMs rose 13%.

CRISIL Research expects gold loan AUMs to grow at a CAGR of 7% between fiscal 2017 and 2019. NBFC AUMs are expected to grow at a 9% CAGR during the period. Growth will be supported by a rise in the stock of gold pledged, as gold prices are expected to be range bound during the period. Non-traditional regions will contribute to growth, aided by players' marketing efforts. A favourable economic scenario will also drive up the funding requirement of small businesses, and hence increased demand for gold loans.

NBFCs regain lost ground from banks

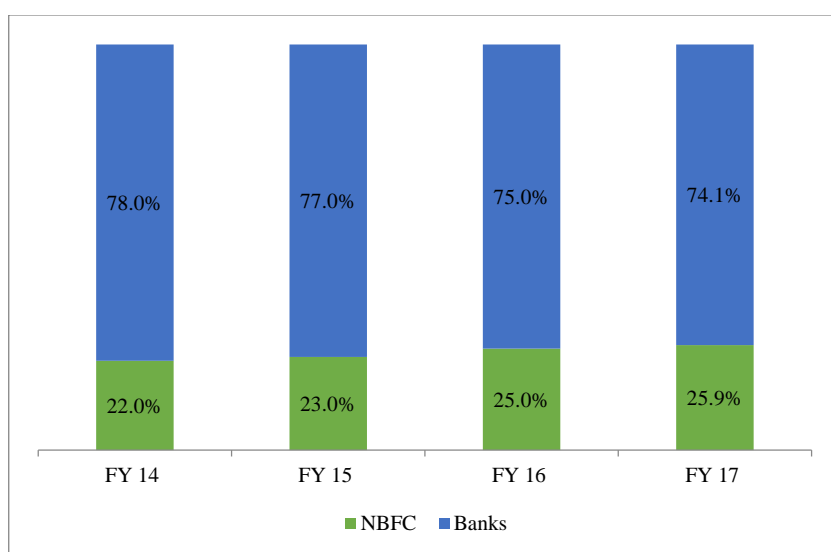
Specialised gold loan NBFCs have witnessed exceptional growth among organised players. This growth is driven by aggressive expansion of branches, heavy spending on marketing and rapid acquisition of customers. NBFCs and banks approach the gold loan market differently, which is reflected in their interest rates, ticket sizes and loan tenures. NBFCs focus on the gold loans business and have accordingly built their service offerings by investing significantly in manpower, systems, processes and branch expansion. This has helped them attract and serve more customers. Some advantages:

- Less documentation enabling faster turnaround
- Adequate systems to ensure quick disbursals. For example, NBFCs have dedicated personnel to value gold jewels at the branches
- Flexible repayment options, wherein the borrower can pay both the interest and principal at closure of the loan
- Greater accessibility due to better penetration, ability to serve non-bankable customers

- Single product focus on gold loans enabling them to develop a strong appraisal and valuation expertise, resulting in faster and better customer service
- Banks, on the other hand, have a more vigilant approach. They view gold loans as a safer means to meet their priority-sector lending targets, especially agricultural loans. Even in the case of non-agricultural gold loans, they mostly target the organised segment or their existing customers, as they are unable to offer flexible and rapid disbursements. Only a few south-based banks - Indian Overseas Bank, Indian Bank and South Indian Bank - have a higher share in non-agricultural gold loan disbursements, given the region's proclivity for gold loans.

For the above reasons, NBFCs are preferred by customers over banks, and specialised NBFCs enjoy higher profitability. With the RBI's curbs on this sector easing, and changes in regulations providing a level-playing field for both classes of lenders, NBFCs have gradually recovered their market share in fiscal 2017, a trend that CRISIL Research estimates has continued in fiscal 2018.

Market shares of NBFCs versus banks



Note: Includes agriculture lending by banks with gold as collateral

Source: CRISIL Research

The competitive intensity in the industry is expected to rise, as competition from small-finance banks (SFBs) is expected to increase in the next few years. Regulatory changes have boosted the confidence of specialised gold-loan NBFCs. Many players are expected to strengthen their presence in non-southern areas.

The gold loan market will continue to be attractive

The factors contributing to the attractiveness of gold loans are:

- Strong collateral, higher interest rate, lower cost, better return on investment
- Product diversification that compensates for lower offtake of auto, home loans
- Scope for cross-selling opportunities in future, including other gold-based products
- Opportunity to capture under-penetrated, untapped markets
- For these reasons, even SFBs have entered the gold loan market and are expected to increase competition in the coming years

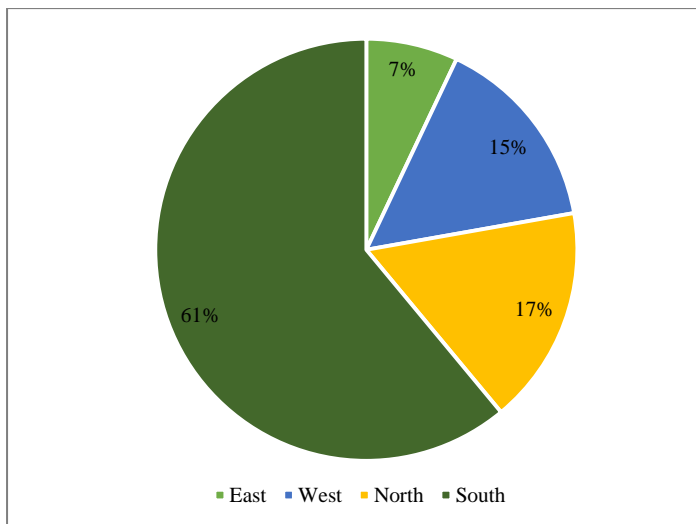
Online gold loans emerge as a growth driver

Online gold loans are proving to be a breakthrough in the gold loan sector, particularly after demonetisation. These loans are designed to be totally cashless at the financier's end. A customer has to visit the NBFC branch once to deposit his gold and submit necessary documents. After that, he can avail of a loan up to the amount sanctioned any time and from anywhere using a smartphone, and the amount will be transferred to his bank account immediately. The online gold loan business has picked up well, especially after demonetisation. NBFCs are promoting online gold loans in a big way, and CRISIL Research expects that this will contribute to higher volumes and growth. For a leading player, 12% of the total AUM comes from the online platform, which is 100% cashless.

South accounts for the major share of NBFC AUMs

Demand for gold is skewed towards the southern states, as households here account for the largest share of accumulated gold stock in the form of ornaments, coins and bars. Moreover, holders in the south are more open to pledging gold to raise funds than those in other regions. Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, and Pondicherry together accounted for ~ 61% of AUMs of top four gold loan NBFCs as of March 31, 2017. Although attempts by NBFCs to expand into certain pockets of northern and western India have lowered the share of southern markets, the South still remains a stronghold.

Region wise share of NBFCs' AUMs



Notes: 1. Aggregate includes region-wise AUM split of Muthoot Finance, Manappuram Finance, Muthoot Mini and Muthoot Fincorp

2. Shares are based on AUMs as of 2016-17

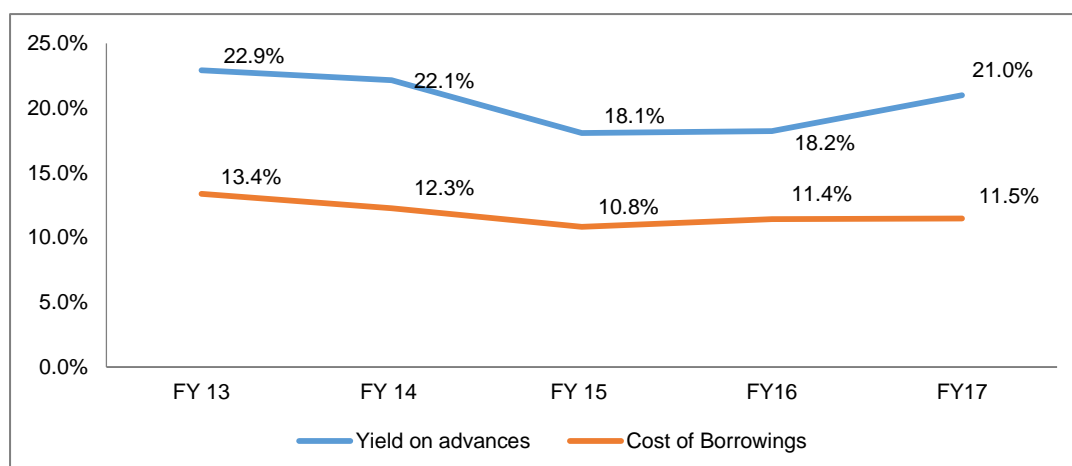
Source: CRISIL Research

Though the South will continue to dominate, other underpenetrated regions in northern and western India are likely to emerge as growth centres. This will be aided by the changing consumer perception about gold loans as awareness about gold loans increases in the underpenetrated regions, rising funding requirements.

Profitability of NBFCs improved in fiscal 17; industry to perform well in the medium term

The profitability of NBFCs bounced back after declining in the aftermath of tighter RBI regulations. There has been a steady decline in the cost of funds for NBFCs from fiscal 2013. The cost of funds declined due to a reduction in the lending rates by banks, which are the source of nearly half of NBFC borrowings. Yield on funds is expected to decline as NBFCs pass on the benefit of a reduction in cost of funds to customers. Profitability improved sharply in fiscal 2017, as increased business per branch improved the cost-to-income ratio. Demonetisation affected the profitability marginally, but gold loan NBFCs limited the problem by offering alternative payment options to their customers until cash availability stabilised. The incremental cost of borrowing is nearly 100 bps lower than the average cost of borrowing.

Spreads for gold loan companies improved in FY17



Aggregate includes Muthoot Finance and Manappuram Finance

Source: Company reports, CRISIL Research

CRISIL Research expects the industry to perform well in the medium term. Gold prices have remained stable in fiscal 2018. Policy measures such as demonetisation led to a decline in demand for gold, especially in rural areas. Domestic gold prices are expected to remain less volatile in fiscal 2018. Delinquencies may rise marginally, as the effect of a shift towards tighter non-performing asset (NPAs) recognition norms would be offset by lower volatility in gold prices and a reduction in gold loan tenures. Low volatility in gold prices, bodes well for gold loan NBFCs, as it reduces the possibility of default, and the consequent increase in NPAs. Thus, credit costs are expected to rise marginally in fiscal 2018. Even in the event of default, financiers will be able to recover most of the bad loans through auction sale proceeds.

Operating expenses are expected to have remained stable in fiscal 2018, as the benefit of a cost reduction due to the improvement in operating efficiencies will be offset by the added cost of expanding in new geographies. NBFCs have to recognise NPAs at 90 days past due (dpd) from fiscal 2018, as against 120 dpd in fiscal 2017, and many leading NBFCs have started provisioning for NPAs at 90 dpd in fiscal 2017 itself. This saw credit costs spike that year. These costs are expected to rise marginally in fiscal 2018 and decline in fiscal 2019.

CRISIL research expects two large gold loan NBFCs to have an RoA of above 4% over the next two years, due to their higher operating scale and high operating efficiency, but the industry RoA is expected to remain at around 3.5%.

Profitability of gold loan NBFCs

	FY 13	FY 14	FY 15	FY 16	FY 17
NIMs	9.5%	8.5%	9.0%	10.9%	14.7%
Opex	4.5%	4.5%	5.1%	5.4%	6.3%
Other income	0.1%	0.2%	0.2%	0.2%	0.3%
Credit costs	0.4%	0.2%	0.2%	0.6%	1.0%
Tax	1.5%	1.4%	1.4%	1.9%	2.9%
RoA	3.1%	2.6%	2.6%	3.2%	4.8%

Aggregate includes Muthoot Finance and Manappuram Finance

Note: Profitability is based on Assets

Source: Company reports, CRISIL Research

MSME Loans

NBFCs driving growth in the segment

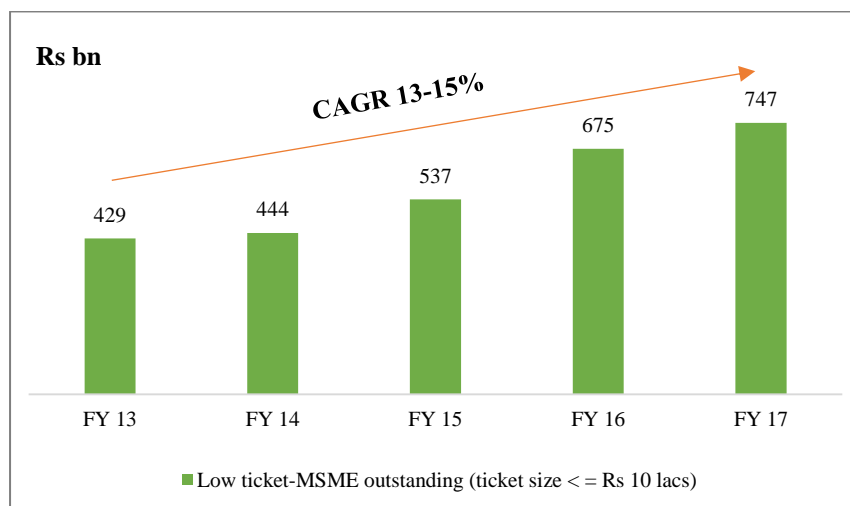
Since fiscal 14, overall MSME (micro, small and medium enterprises) credit growth has been consistently slowing down due to mounting concerns over asset quality and capital issues among public sector banks (PSBs). MSME lending revived in the first half of fiscal 2017 as demand rose, due to an increase in consumer spending,

but growth was hit in the second half due to demonetisation. MSMEs were largely affected, as their cash dealings stopped. This affected the MSME credit growth of NBFCs (non-banking financial companies) too. In fiscal 2017, MSME credit grew 9% to Rs 12 trillion.

Low-ticket (ticket size <= Rs 10 lakh), secured MSME loans, including loans against property (LAP), have grown at a CAGR of 13-15% between fiscals 2013 and 2017 to Rs 747 billion. During the same period, outstanding loans of NBFCs grew at a CAGR of 30-35%, with the players expanding into smaller cities and the entry of newer players.

The growth rate has accelerated post-GST (Goods and Services Tax) and demonetisation. Based on our interactions with the industry sources, we estimate the low ticket secured MSME loans' growth to be around 30% in fiscal 2018.

Growth and size of low-ticket secured MSME finance



Note: low ticket secured MSME finance is defined as loans of ticket size upto Rs 10 lacs and also include LAP
Source: RBI, CRISIL Research

Competitive scenario – NBFCs’ share increasing

With private banks and NBFCs increasing their presence in tier-II and remote areas, they are capturing the market share from PSBs. PSBs’ credit growth has also weakened due to mounting bad debts. Since the size of loans are small, PSBs find the ratio of returns to cost of processing and cost of recovery less attractive. Additionally, private banks and NBFCs have now become more aggressive in terms of turnaround time for sanctioning and disbursement of loans, which is also pushing borrowers to these players. For an NBFC, it usually takes 1-2 weeks to sanction a loan and only 3-4 days to disburse the loan, while it takes 3-4 weeks to sanction a loan and another 1-2 weeks for disbursements in private banks. However, for a PSB, the turnaround time is usually 6-7 weeks for sanctioning the loan and another 2-3 weeks for disbursement.

NBFCs are aggressively expanding their MSME loan book and are targeting new customers. Growth will also be supported by better customer reach, greater focus, faster documentation process and higher risk appetite. NBFCs have also improved their operating efficiency by increasing their online presence and using analytics to analyse the creditworthiness of customers and shifting towards building relationship with MSME customers. Share of NBFCs in low ticket secured MSME loans (including LAP) is estimated to be 30-35% in fiscal 2017.

Customers demand convenience and ease of finance

NBFCs have strengthened their presence in semi-urban and rural areas, which gives them extensive regional presence and understanding of the local markets, and helps them customise products to suit customer needs. This regional presence in untapped territories helps them reach out to the unorganised sectors. With low turnaround time, better service, NBFCs are better able to meet customer demand for convenience.

Entry of SFBs have increased competitive intensity

As the RBI has mandated that 50% of the loan portfolio of SFBs should be below Rs 25 lakh, they are going to increasingly target the micro and small segments of borrowers.

Recapitalisation expected to give PSBs the much needed boost

In October 2017, the government of India declared its Rs 2.11 trillion recapitalisation plan for PSBs. Of this, Rs 1.35 trillion is expected to be funded through recapitalisation bonds and the rest Rs 0.76 trillion through equity from the government and financial markets. In fiscal 2018, PSBs are expected to get Rs 70,000 crore via recapitalisation bonds. Recapitalisation would provide PSBs with adequate funds to make provisions for their bad debts and expand their loan portfolios. This would increase competition for NBFCs in the SME sector in the coming years as PSBs could remain cautious in lending to large corporates.

Projected growth

CRISIL Research expects NBFCs' low ticket size secured MSME credit to grow at a CAGR of 18-20% over next 5 years, faster than the expected overall MSME credit growth of 11-13%. NBFCs credit is expected to grow significantly faster than that of banks. SFBs are expected to increase the competitive intensity of the segment, as they try to gain market share in MSME lending. Systems and process innovation, increasing online presence, and growing usage of analytics to analyse the creditworthiness of the customers will also support the growth.

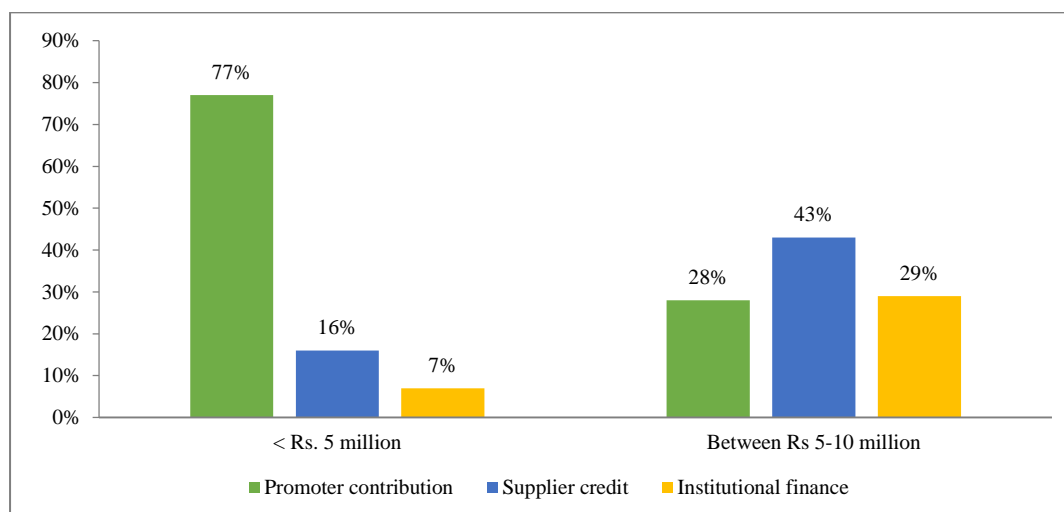
Growth drivers

Low credit penetration leads to huge un-met demand for finance among micro enterprises

CRISIL Research estimates that formal institutional finance – via banks, NBFCs, and development financial institutions – accounted for only a quarter of MSMEs' funding requirement, as of fiscal 2016. This translates into a total potential credit demand of Rs 45 trillion (as of fiscal 2016). If formal finance providers are able to tap into even a small portion of this market, it would translate into healthy growth for many years to come.

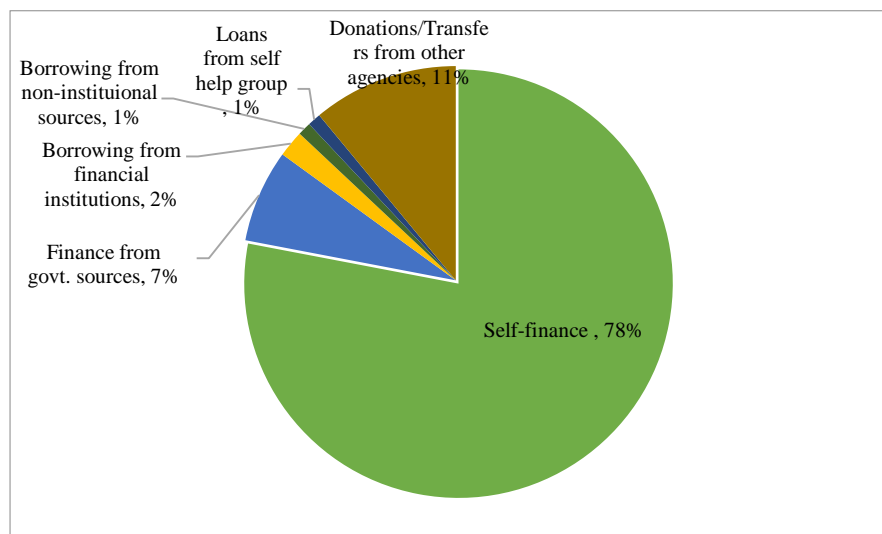
As per industry sources out of the 51 mn MSME units, only 5 mn units have the access to formal credit. A joint study (released in December 2015) by CRISIL and ASSOCHAM of 12,000 CRISIL-rated micro enterprises, with a turnover of sub-Rs 10 million each, concluded that access to institutional finance remains the biggest hurdle to growth in this segment. Institutional finance accounted for close to 30% of the funding requirement for enterprises with a turnover of Rs 5-10 million, with promoters' own contribution and supplier credit meeting the bulk of requirement. For enterprises with turnover less than Rs 5 million, this percentage plummets alarmingly, with institutional finance accounting for as low as 7% of funding requirement.

Smaller enterprises much more starved of access to institutional finance



Note: Data pertaining to ~12,000 micro enterprises rated by CRISIL between January 2010 and September 2015
Source: CRISIL Ratings

The majority of MSMEs in India do not have access to institutional finance. These MSMEs are either self-financed or take credit from the unorganised sector. This untapped market offers huge growth potential for financial institutions. A break-up of sources of funds for MSMEs is given below:



Source: Sources of finance for MSMEs (6th Economic Census, 2013)

Lower competition prompts players to eye smaller cities

Competition in metros and tier-I cities is intense, as all major players, including banks, vie for market share. Also, MSME loans are popular in metros and tier-I cities due to the high concentration of businesses. However, with rising competition, players are expanding to smaller tier-II cities, where competition is lower. The RBI has issued licences to SFBs. It has mandated that 75% of the lending by SFBs will be to the priority sector. To fulfil this objective, SFBs must open at least 25% of their branches in unbanked rural areas. This step will ease credit availability for MSMEs and will improve credit availability in smaller cities.

GST to boost SME lending

Transparency in transactions of MSMEs is expected to improve, as compliance with GST will compel SMEs to bring their transactions on record. This will improve the quality of books of accounts, thus improving the creditworthiness of MSMEs, easing credit appraisal and boosting MSME credit growth in the coming years. New to credit customers (MSME units seeking credit for the first time) have also increased post GST implementation, mainly in the < Rs 10 lakh ticket loan segment, with the formalisation of a high number of new firms registering themselves for GST.

Credit guarantee fund scheme extended to cover NBFCs

One of the major reasons for MSMEs being credit-starved is the requirement of collateral against loans by banks or other financial institutions. This collateral is not easily available with such enterprises, leading to high risk perception and higher interest rates. To address this issue, the government has launched the credit guarantee fund scheme to make collateral-free credit to micro and small enterprises. The scheme has been extended to cover systemically important NBFCs as well from January 2017. To be eligible under this scheme, NBFCs should be making profit for the previous three years, should have a long-term credit rating of at least BBB, and should meet a few other specific performance-related parameters. The overall limit under the guarantee scheme is also enhanced to Rs 2 crore.

Market trends

Demand for unsecured credit on the rise

About 75-80% of the MSME lending by non-banks is secured. The security is majorly provided through primary collateral, such as plant, machinery and current assets. To add another layer of security, secondary collateral is also collected in the form of immovable assets.

Unsecured loans have also become a focus area for some NBFCs. Since property prices have not increased over the past few years, the ability of borrowers to offer higher collateral has declined. Hence, many NBFCs are offering their existing secured borrowers an unsecured line of credit. A few NBFCs provide unsecured loans as a bridge finance for clients who are securing loans from banks but have an urgent requirement to fulfil, due to which they cannot wait until the loan is sanctioned. A few aggressive NBFCs focus heavily on unsecured loans to increase yields and improve profitability.

Online channel leads to a rise in sourcing of unsecured loans

NBFCs have started giving small-ticket unsecured loans from the digital platforms. Generally the average ticket size of the loans through online channels is Rs 15 lakh. The digital platform is very efficient in terms of documentation and turnaround time. This helps the NBFCs attract customers and broaden their customer base at a fast pace. The share of unsecured loans in NBFCs' MSME portfolios is expected to rise in the coming years, as new customers increasingly demand unsecured loans.

Lending dynamics in unsecured loans

Banks and NBFCs are cautious about unsecured loans to MSMEs. These loans are taken by MSMEs to meet urgent business requirements and for meeting the working capital. Lenders give unsecured loans for short tenures, generally 2-4 years, and demand a higher rate of interest compared with secured loans. Some financial institutions make it mandatory to have a co-applicant for an unsecured loan. Financial institutions also make sure about the credit profile of MSMEs and carry out a stability/vintage check of firms. Financial institutions generally prefer to give unsecured loans to the existing customers.

End-use varies among NBFCs and banks

Due to regulatory restrictions, NBFCs are not able to provide working capital loans to MSMEs. Hence, 100% of their portfolio is in the form of term loans. However, as per our industry interactions, though loans are taken in the form of term loans, end-use of the funds is primarily to fulfil working capital requirements. However, no such restriction exists for banks, as a result of which 75-80% of the loans are working capital loans, and the remaining are term loans for large banks.

Average ticket size

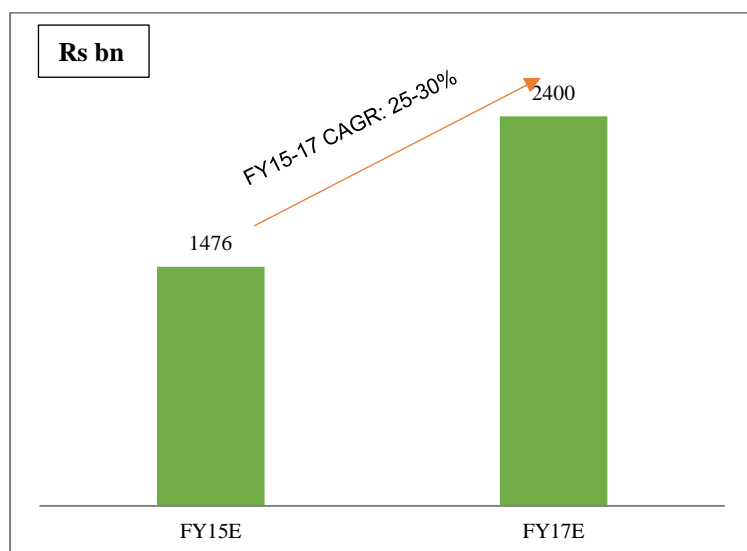
The estimated average ticket size for an MSME loan for NBFCs is typically Rs 4-4.5 million, as of fiscal 2017, but some NBFCs have an average ticket size of above Rs 10 million. Further, the average ticket size has been stable over the past 2-3 years as NBFCs are giving lower ticket size loans to new clients, who form a large part of the incremental lending, and higher ticket size loans of around Rs 20 million to existing clients and large players, which have an established repayment history and strong business profile. For mid and small-sized players, loans of ticket size Rs 1-1.5 million are also offered. SFBs have entered the MSME segment.

Personal loans

Personal loans are collateral free loans to meet the personal needs of an individual. They are sanctioned on the basis of the borrower's credit score, social credentials and income. While the risk here is high for the lender, the high rate of interest compensates for the risk. The personal Loan market witnessed a sharp slowdown and was marked with high defaults during fiscal 2008 but after that it has seen significant growth in the past few years. Earlier, personal loans were generally viewed to be loans taken mostly for emergency purposes, such as marriages, medical or some pending home improvement expenses. Over the last five years, personal loans have become quite common and are being increasingly sought for fulfilling customer aspirations of dream vacations, leisure and entertainment as well as for acquiring latest gadgets.

The personal loans market grew significantly faster than the overall system credit and system retail loan segment in India over the past couple of years, driven by strong macroeconomic environment, increasing formalisation of the economy, higher-spending habits, low rates, ease in availability of credit and further supported by adoption of technology in credit appraisal. The market size of personal loan segment (including lending by banks and NBFCs) is estimated to be Rs 2,400 billion as of March 2017. The market has grown at a compounded annual growth rate (CAGR) of 25-30% between fiscals 2015 and 2017.

Personal Loan segment industry size



Source: RBI, company reports, CRISIL Research

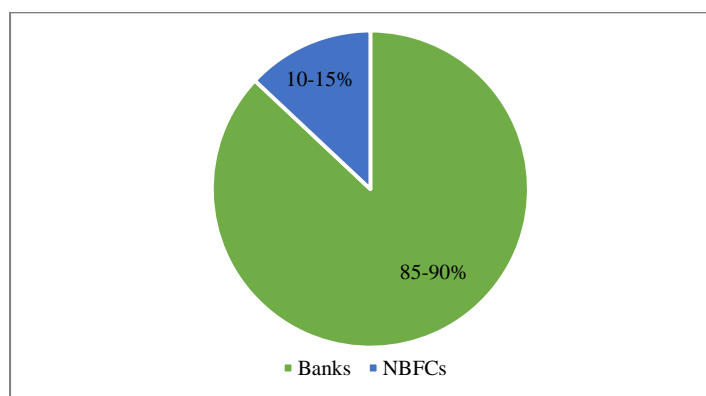
Competitive scenario

The personal loan segment has become highly competitive over the past couple of years with both banks and NBFCs getting aggressive in this segment, which offers good risk-reward potential. NBFCs have grown much faster than banks over past few years, partly supported by low base and the advent of new players in this segment. Large NBFCs focus on individuals with a good repayment capability (mostly salaried customers). However, there are many small NBFCs, which are present in semi-urban and rural areas and lend small ticket-sized personal loans to customers with low or no credit score and charge relatively high interest rates to compensate for the risk. NBFCs account for 10-15% market share in the personal loan segment in India as of March 2017. 25-35% of the NBFCs overall portfolio is estimated to be below Rs 2 lakhs ticket size. Bank too have increased their focus on personal loan segment amid slowdown in corporate loan demand, with private banks relatively more aggressive than public sector banks. Most PSU banks lend only to their existing customers, who have some kind of relationships with them, whereas private banks leveraging their digital platforms also try to scout for new customers with a strong repayment capability.

Key success factors in the personal loan market are:

- Turnaround time - This is the most important parameter for any customer. Disbursements in the best case happen within a few hours of application. However, on average, it takes 1-3 days to disburse the loan
- Digital and technology platform – Most salaried individuals and new generation individuals are tech savvy and prefer a digital platform where there is no requirement of paper work or visit to the branch
- Interest rates – It mainly depends on the customer profile and their underlying credit score
- Existing customer base – Players cross selling to their existing customers to maintain asset quality

Banks constitute more than 85% of the personal loan segment (March 2017)



Source: RBI, company reports, CRISIL Research

Peer-to-peer lenders, who have started their business in the past few years, also compete in this segment by playing the role of intermediary and connecting lenders (both individuals and institutional players) and borrowers, who are usually netizens. They operate as a digital finance organisation and the majority of their checks happen through digital footprint with very little or zero paper work. Their loan book, which is currently minuscule compared with the industry, is growing at a very fast pace and can be a potential threat to traditional lenders in the long term.

Customer profile

According to CRISIL Research, more than 80% of the customers in this segment are salaried and this could be explained by the fact that financial institutions have a better sense on the creditworthiness of the salaried customers, as they are able to track and analyse monthly balances, spending on credit and debit cards linked to their salaried accounts. Self-employed personnel are perceived to be more risky customers, due to their uncertain nature of job and unknown factor of creditworthiness, hence they form a smaller chunk of the total segment. Within self-employed segment, the self-employed professionals form a larger pie (for example, CAs, lawyers, doctors and professionals running their own practice).

Personal loan features/characteristics

Interest rate

- Interest rate depends on the repayment capability of the customer
- Average interest rates ranges between 12-14% for salaried customer
- For self employed customer with no or low credit score, rates can go more than 20%

Processing fees

- Average processing fees is between 1-3%

Foreclosure charges

- Most of the players charge 2-4% charge if the loan is prepayed or foreclosed after one year
- In most of the cases, this charge is higher if the loan is closed within one year

Ticket size

- Average personal loan ticket size is Rs 3-4 lakhs
- Personal loans ticket size in urban areas is much higher compared to semi-urban and rural areas

Tenure

- Typical tenure for personal loans ranges between 2-5 years
- However for very small ticket size loans, tenure can less than 1 year

Turnaround time

- It usually takes 1-4 days to disburse a loan
- Disbursement can happen within a day for certain customers who already have relationship with the lender

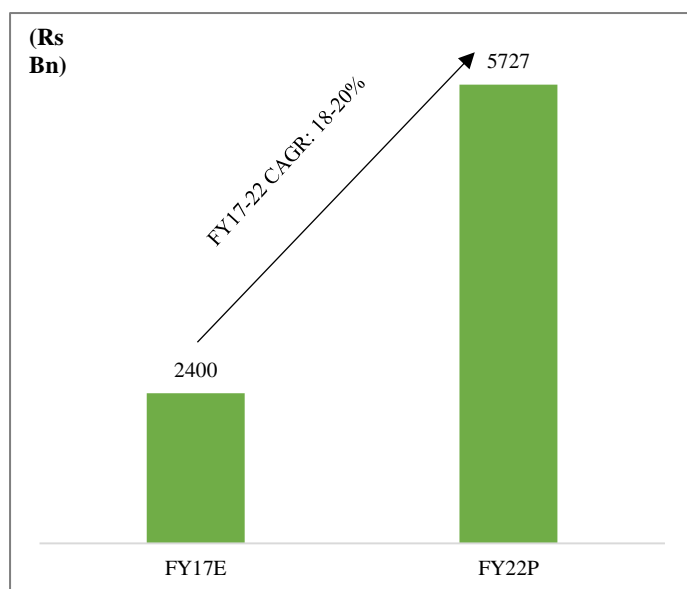
Sourcing strategy

- Digital medium (online and pre – approved route), Branch walkins and cross-sell and DSAs are the ways of acquiring customers
- Digital medium is increasingly gaining momentum

Source: CRISIL Research

Personal loan segment to continue to grow at a strong pace in the medium term

CRISIL Research expects the growth momentum in the personal loans segment to continue in the medium term mainly driven by change in lifestyle and spending habits of consumers and increase in product awareness and availability of credit. We expect the personal loan market to grow by 18-20% CAGR over the next five years and reach Rs 5.7 trillion by fiscal 2022.



Source: RBI, company reports, CRISIL Research

Growth drivers

Formalisation of the economy

The government's consistent push to formalise of economy through Jan Dhan Yojana, DBT, digitisation, GST, demonetisation has directly or indirectly led more and more people becoming eligible to avail credit from the formal channel and thereby reducing dependence on money lenders. Formal lenders will consistently gain share from these informal money lenders over time.

Change in lifestyle and spending habit

Favourable demographics, rise in income, higher spending habit coupled with change in mindset to satisfy needs by availing credit augurs well for the personal loan market.

Increasing push by financial institutions

With the slowdown in corporate loans, financial institutions are aggressively pushing for personal and other retail loans as it they offer a good risk reward ratio.

Increase in availability of credit score

A consistent increase in the availability of information about profiles and track record of retail borrowers gives confidence to the financial institutions while lending.

Rationalisation of interest rates

Money lenders offer personal loans at exorbitant rates. A decrease in interest rate cycle and rationalisation of personal loan rates over the past few years will favour borrowers to choose formal lenders over money lenders.

Faster approval process

Personal loans get approved faster since there is no requirement of collateral. Digitisation has further increased the speed of the whole process. Many lenders also offer pre-approved personal loans to salaried individuals who have savings account with them which depends on the individual's salary, credit score and spending habits.

Key risks

The major risk while lending personal loans are that they are not secured and in the event of default there is no collateral to recover the money. Other major threat to the traditional lenders are the emergence of P2P lenders and fintech companies.

Microfinance loans

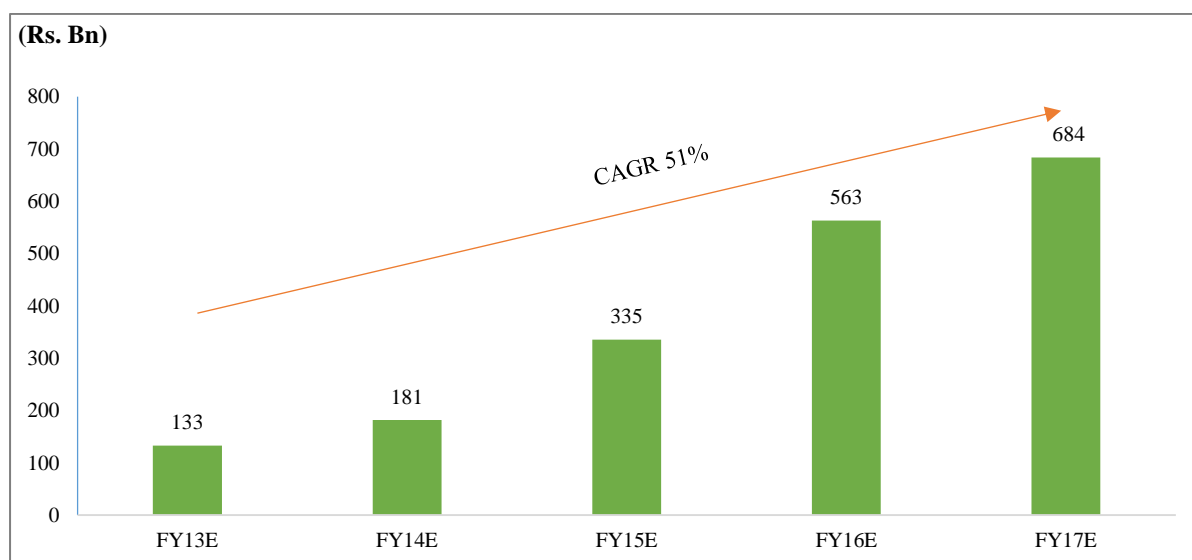
Rising penetration to help industry grow at a 16-18% CAGR in the next two years

Microcredit is the most common product offering of the microfinance industry. It refers to loans of very small amounts to borrowers, who typically lack collateral, steady employment and any verifiable credit history. Microfinance in India is synonymous with microcredit; this is because savings, thrift, and micro-insurance constitute a minuscule segment of this space. In India, the average ticket size for microfinance loans is estimated to have been Rs 18,964 in fiscal 2017. However, the maximum loan disbursement per eligible person is Rs 100,000 (Rs 60,000 for the first disbursement cycle).

Gross loan portfolio (GLP) of MFIs grew at a 51% CAGR between fiscals 2013 and 2017, fuelled by extraordinary growth in GLP of some large players such as Janalakshmi Microfinance, Bharat Financial Inclusion, Ujjivan Financial Services and Satin Creditcare Network over the past few years.

The huge opportunity to capture share from unorganised lenders will continue to drive the MFI industry growth in the future. There are many unorganised players in the domestic microfinance industry. Hence, there is huge scope for MFIs to grow their portfolio by covering areas that are least penetrated and where unorganised players are predominantly present.

Growth in client base and average ticket size to drive MFI loan portfolio



Note: GLP includes NBFC-MFIs and SFBs and excludes, for all years, numbers of Bandhan Financial Services Ltd, which has now become a bank. Bharat Financial Inclusion (BFIL) is also included in the analysis; E: estimated

Source: Bharat Microfinance, MFIN, CRISIL Research

We expect MFI loan portfolio growth of around 16-18% per annum between fiscals 2017 and 2019, much lower compared with the past four years as rural areas in well-penetrated states mature and the focus of some top players, which are converting into SFBs, shift towards selling other banking products.

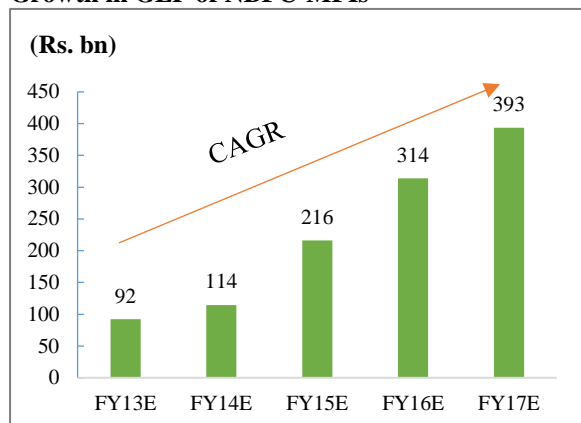
Factors that will define the success in future are:

- Ability to attract funds and maintain healthy capital position
- Strong promoters who have witnessed various business cycles and successfully tackled events
- Loan recovery and control aging of NPAs
- Geographic diversification
- Adoption of technology to improve efficiency and lower costs

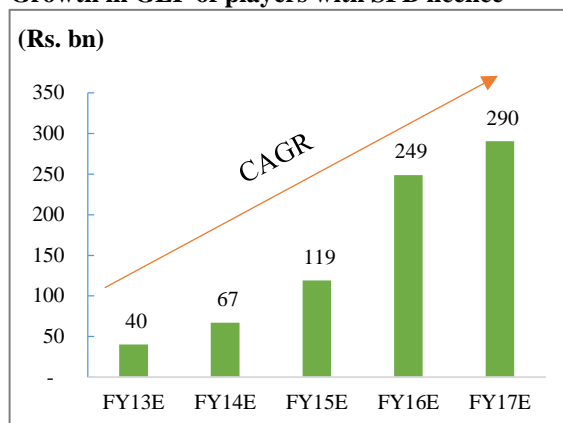
- Ability to manage local stakeholders

NBFC-MFIs to grow faster than SFBs

Growth in GLP of NBFC-MFIs



Growth in GLP of players with SFB licence



Note: Projected portfolio for players with SFB licence is only for their microfinance business; E: Estimated BFIL included in NBFC-MFIs

Source: Bharat Microfinance, MFIN, CRISIL Research

Players without an SFB licence, constituting almost 58% share in GLP, have grown at 44% CAGR in the last four years, relatively slower than 64% (four-year CAGR) growth of players with an SFB licence, as the latter had a large presence across the states and disbursed higher ticket-sized loans. However, NBFC-MFIs' GLP increased 25% in fiscal 2017, compared with 16% for SFBs, as SFBs focussed on other loan products in an attempt to diversify beyond microfinance loans. We expect players with an SFB licence to grow at a slower rate of ~4% CAGR over next two years, compared with a 26% CAGR for NBFC-MFIs, primarily due to their focus on other banking products after conversion into a bank. Also, SFBs licencees are required to adhere to stricter norms and compliance, which would impact their growth in the initial years of their conversion. Limited or no exposure towards managing the liability side of the business would also be a challenge for SFBs licencees.

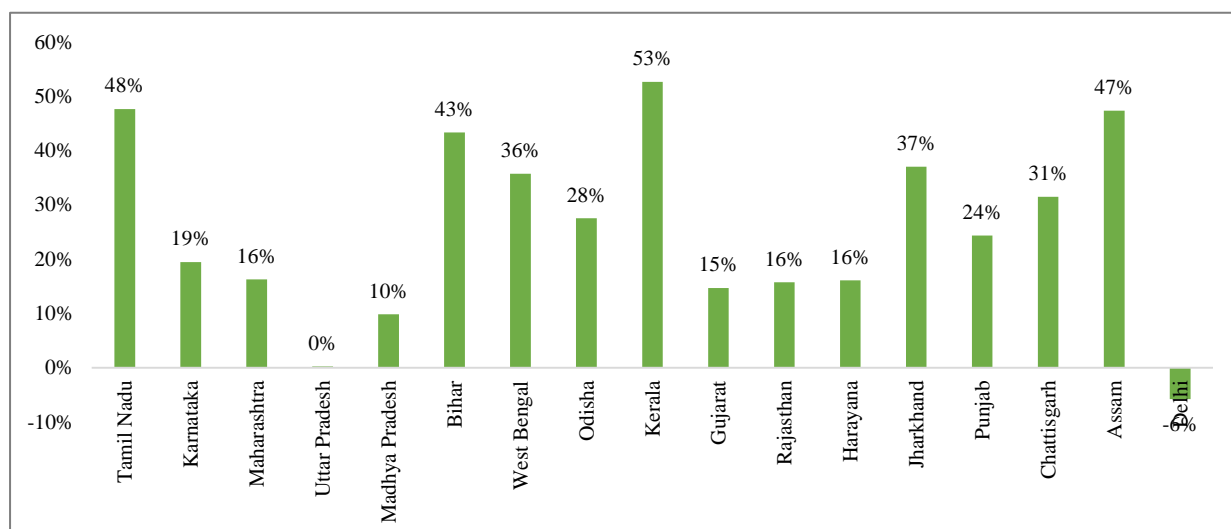
MFIs expanding aggressively, tapping newer states and districts to widen client base

Many MFIs have started exploring newer states and are opening new branches in untapped districts, which is increasing overall penetration. Because of aggressive expansion plans of some big players, we expect the penetration to deepen further. Also, we expect number of players in states/union territories (UTs) to increase. The number of states/UTs catered to by NBFC-MFIs (including SFBs) has also risen from 27 in fiscal 2013 to 32 in fiscal 2017.

Among the top 10 states, Bihar has registered highest increase of 37% in number of branches in fiscal 2017 followed by Uttar Pradesh with 27% growth. States such as Goa, Sikkim, Arunachal Pradesh, Jammu and Kashmir (J&K), Mizoram, and Nagaland are relatively under-penetrated. Some MFIs have begun operations in these states, furthering financial inclusion. However, many players are still cautious in starting operations in some north-eastern states and J&K due to high political and geographical risks.

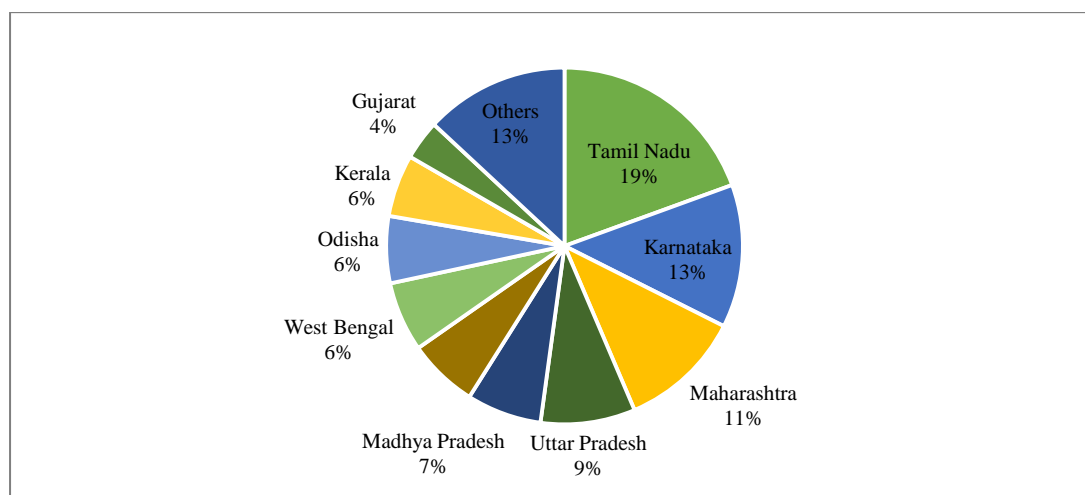
Due to an increase in the number of branches, penetration has gone up significantly, resulting in extraordinary growth in gross loan portfolio in some states; many other states have also registered significant growth compared with the last year.

Gross loan portfolio y-o-y growth in FY17 highest for Kerala



number of branches and number of clients has also increased the overall gross loan portfolio in each state.

Top 10 states with 87% market share in 2016-17



Source: MFIN, CRISIL Research

The top 10 states have seen 26% growth from last year due to high presence of MFI players and focus of some top players in these states on increasing penetration and higher ticket sizes. About 87% of the gross loan portfolio is concentrated in top 10 states with Tamil Nadu (19%), Karnataka (13%) and Maharashtra (11%) recording highest shares.

Competitive dynamics

NBFC MFIs have grown the fastest in the MFI industry

There are multiple players in the microfinance industry with varied organisational structures. Loans in the microfinance sector are provided by banks, NBFCs-MFIs, other NBFCs, and non-profit organisations. Banks provide loans under the self-help group model, however they also give microfinance loans directly or through business correspondents in order to meet their priority sector lending targets.

MFIs continue to gain market share compared to the bank-SHG linkage programme

Banks have a strong presence in the microfinance industry, directly as well as indirectly. While lending to borrowers, MFIs focus on the joint lending group (JLG) model as it is easier to form such groups, whereas

banks have a dominant presence in the self-help group (SHG) model through their self-help group–bank linkage programme (SHG-BLP).

The total credit outstanding under SHG-BLP as of March 2017 was Rs 615 billion. Although, outstanding loans under SHG-BLP have grown significantly, growth is relatively low compared with NBFC-MFIs (including SFBs).

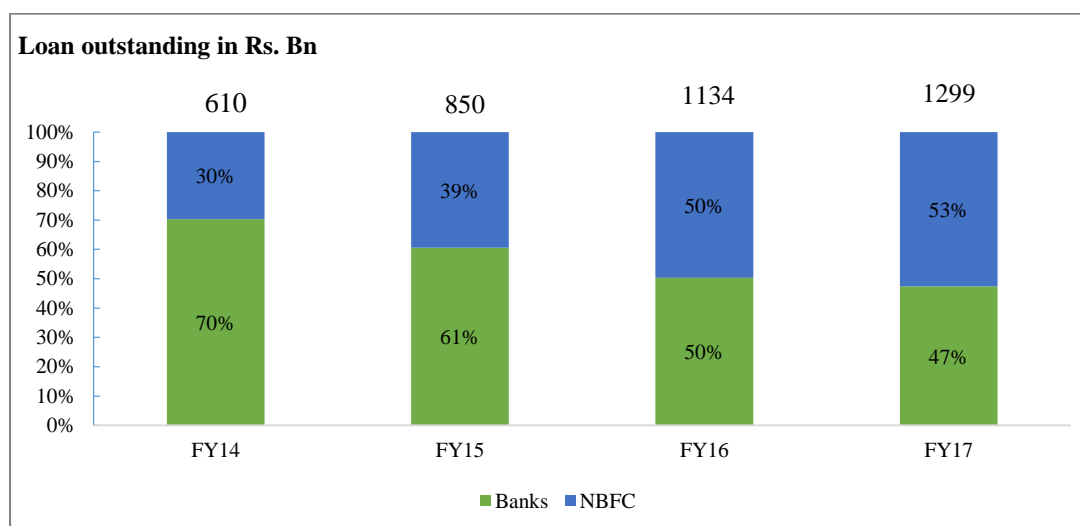
Bank SHG	FY15	FY16	FY17
Loan outstanding to SHGs (Rs billion)	515	571	615
Loan outstanding growth %	20.0%	10.9%	7.7%
Average loan outstanding	115,361	122,242	127,016
MFI [^]	FY15E	FY16E	FY17E
Gross loan outstanding (Rs billion)	335	563	684
Gross loan outstanding growth %	84.9%	67.7%	21.5%
Average loan amount outstanding per client	14,733	17,807	18,964

Note: MFI numbers are excluding Bandhan and including small finance banks; E: Estimated;

Source: National Bank for Agriculture & Rural Development (NABARD), Bharat Microfinance, MFIN, CRISIL Research

MFIs increased their market share from 30% to 53% between fiscals 2014 and 2017, following greater regulatory clarity and demand for loans from states, other than Andhra Pradesh. The growth rate of MFIs is expected to remain higher, which will increase their market share to 58%.

Share of GLP of NBFCs versus banks



Note: Share in total GLP of MFIs and Bank-SHG; NBFC data including players with SFB licence and NBFC-MFIs; Banks data is only for bank SHG

Source: NABARD, Bharat Microfinance, MFIN, CRISIL Research

Growth drivers in microfinance industry

Huge potential market, sustainable model - growth drivers for MFIs

Within the large suite of products and services under financial inclusion, microfinance institutions have a major role to play in the provision of credit. The sheer size of the market (in terms of financially-excluded households), a business model that offers sustainable credit to the poor at affordable rates and a repayment cycle spread over a longer duration, have been key growth drivers for MFIs operating in India.

- Huge unbanked population and low finance penetration in the country:** Given the sheer size of the Indian population and considering that a large section still lacks access to formal banking services, driving financial inclusion has always been a key priority for the government. The banking system and 'priority sector' lending have been the most explored channels to bring majority of the population under the ambit of formal credit institutions.

The global average of adult population with an account (at a bank, financial institution or with mobile money providers) is about 62%. India is far behind at about 53%. However, its average is above that of

South Asia, which is relatively low at about 46% due to poor financial inclusion, especially in some of India's neighbours. As per the global Findex database (2014), 21% of the world's unbanked adults are from India, constituting almost 420 million unbanked adults. This is the highest in the world, much higher than China's 240 million unbanked adults, considering the total global unbanked population as 2 billion.

- **Key government initiatives:** The government is taking a number of initiatives to improve the financial inclusion in the country by supporting the microfinance institutions in various ways. Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Mudra Yojana (PMMY) are the two key schemes in this regard. Recently, in the budget for fiscal 2019, government also increased the credit target by Rs 0.56 lakh crore under Pradhan Mantri Mudra Yojana to Rs 3 lakh crore for the fiscal 2019 from Rs 2.44 lakh crore last fiscal.
- **Adoption of new technologies and digitisation:** Digitalisation has impacted almost all aspects of the financial services industry. However, it is far more critical for the MFI industry since lower operating costs can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower the usage of cash, lower turnaround time, develop new products, provide better service to customers and use analytics for portfolio monitoring and credit appraisal. Further development in the area of digitisation will help in expanding the reach of MFIs.
- **Diversified products and services:** Up until now, the offerings of microfinance institutions were limited, but companies in the market are rapidly expanding their portfolios by joining up with pension, remittance, and insurance providers to cross-sell products. This allows MFIs to market themselves as a one-stop solution for the financial requirements and catering to a wider range of clients along with better stickiness in the market. A wider range of product offerings by companies will help them in attracting more and more customers and it will act as a key growth factor for them.
- **Group lending model helps MFIs widen the reach to low-income households:** Even as banks have been the traditional source of funds, constraints in the form of varying income levels, absence of collateral and significant fixed operational cost in proportion to small-ticket loans have limited their geographical and demographic reach. To effectively tackle issues faced by conventional bank lending models, MFIs adopted an alternative operating mechanism in the form of group lending models, such as JLGs and SHGs. These models are based on certain common principles, such as identifying individuals with similar credit requirements and using peer pressure to curb delinquencies.

Furthermore, in comparison with banks, MFIs are able to charge higher interest rates to cover the financing and operational costs, and yet maintain sustainable profit margin. In a nutshell, MFIs have been able to provide a viable alternative mechanism to drive the financial inclusion agenda.

OUR BUSINESS

In this section, any reference to “we”, “us” or “our” refers to KLM Axiva Finvest Limited. Unless stated otherwise, the financial data in this section is as per our reformatted financial statements prepared in accordance with Indian GAAP set forth elsewhere in this Prospectus.

The following information should be read together with the more detailed financial and other information included in this Prospectus, including the information contained in the chapter titled “Risk Factors” and “Industry Overview” beginning on pages 13 and 71.

We are a non-deposit taking and non-systemically important non-banking finance company (“NBFC”) primarily serving low and middle income individuals and businesses that have limited or no access to formal banking and finance channels. We had originally obtained a Certificate of Registration in the name of Needs Finvest Limited dated December 13, 1997 bearing registration no. 09.00006 issued by the RBI to commence the business of non-banking financial institution without accepting public deposits subject to the conditions mentioned in the Certificate of Registration under Section 45 IA of the RBI Act. Subsequently, the name of our Company was changed to KLM Axiva Finvest Limited and we have obtained fresh Certificate of Registration dated March 15, 2016 bearing registration no. 09.00006 from RBI. We operate primarily in three business verticals: (i) gold loan business, lending money against the pledge of household jewellery, (ii) micro, small and medium enterprises loan, and (iii) personal loan. Further, as a part of our offerings, we also provide microfinance loan to women customers and vehicle loan. As on August 31, 2018, we operate through 79 branches across three states namely Kerala, Karnataka and Tamil Nadu managed by our corporate office located at Kochi.

As of March 31, 2017 and March 31, 2018, our AUM was ₹ 9,135.68 Lakhs and ₹ 19,423.29 Lakhs, respectively. Our AUM increased at a CAGR of 189.78% from ₹ 275.47 Lakhs as of March 31, 2014 to ₹ 19,423.29 Lakhs as of March 31, 2018.

Our product portfolio:

Our loan customers are typically businessmen, vendors, traders, farmers, salaried individuals and families, who for reasons of convenience, accessibility or necessity, avail of our credit facilities.

Gold Loans:

Our gold loan business is typically loans against pledge of household gold jewellery by individuals. We provide loans up to ₹ 100 Lakhs against gold jewellery with a tenure ranging up to 12 months. We offer variety of gold loan schemes to our customers to suit their individual needs. The schemes differ in relation to the amount advanced per gram of gold, tenure, interest rate chargeable and amount of loan. As of March 31, 2018, we had an aggregate principal balance of ₹ 5,575.95 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our gold loan portfolio yield representing interest income on gold loans as a percentage of average outstanding gold loans, for the same period were 23.83%, 22.09%, 21.46% and 23.70%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our gold loans constituted 26.03%, 24.89%, 22.07% and 28.95%, of our total income for the respective years.

Micro, small and medium enterprises loans:

We provide loans up to ₹ 500 Lakhs to micro, small and medium enterprises (“MSME”) customers, which category primarily includes small and medium size enterprises, including businessmen, traders, manufacturers and self-employed professionals. The MSME loan segment includes working capital loans against residential and commercial property with a tenure ranging upto 40 months. As of March 31, 2018, we had an aggregate principal balance of ₹ 7,594.14 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our MSME loan portfolio yield representing interest income on MSME loans as a percentage of average outstanding of MSME loans, for the same period were 23.73%, 29.04%, 23.66% and 65.61%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our MSME loans constituted 32.10%, 28.71%, 9.03% and 9.79%, of our total income for the respective years.

Personal loans:

We provide personal loans up to ₹ 20 lakhs to our individual customers for their personal needs against tangible

collateral as well as security in other forms with a tenure ranging up to 40 months. As of March 31, 2018, we had an aggregate principal balance of ₹ 4,519.10 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our personal loan portfolio yield representing interest income on personal loans as a percentage of average outstanding of personal loans, for the same period were 54.81%, 86.93%, 90.94% and 78.50%, respectively, per annum. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, income from interest earned on our personal loans constituted 37.06%, 44.00%, 67.01% and 59.02%, of our total income for the respective years.

Microfinance loans:

We have recently forayed into providing micro finance loans to women customers. We provide microfinance loans up to ₹ 0.25 lakhs each to a group of 10 – 15 women customers for their business and personal needs. These loans are provided essentially for use in their small businesses or other income generating activities. As of March 31, 2018, we had an aggregate principal in our microfinance loan segment of ₹ 1,601.63 lakhs.

Vehicle loans:

We also provide vehicle loans up to ₹ 5 lakhs primarily to self-employed individuals. As of March 31, 2018, we had an aggregate principal in our vehicle loan segment of ₹ 132.47 lakhs.

The following table sets forth certain information relating to our operations and financial performance in the periods specified:

Particulars	Financial Year			
	2018	2017	2016	2015
Gold Loan	5,575.95	3758.45	1635.32	590.59
MSME	7,594.14	3966.83	766.54	59.32
Personal Loan	4,519.10	1260.21	1163.01	431.37
Microfinance	1,601.63	0.00	0.00	0.00
Vehicle Loan	132.47	150.18	133.64	54.38
Total AUM	19,423.29	9,135.68	3,698.50	1,135.67
Gross NPA	854.90	386.58	242.58	147.40
Gross NPA/AUM%	4.40%	4.23%	6.56%	12.98%
Net NPA	764.47	345.12	218.10	132.66
Net NPA/AUM%	3.94%	3.78%	5.90%	11.68%
Net worth	4,946.50	4,603.02	2,657.11	1,460.23
Return on net worth %	11.50%	4.63%	6.18%	3.71%
Revenue from Operations	4,154.72	2,389.23	1,077.96	313.88
Profit after Tax	568.65	212.98	164.22	54.15

(₹ in lakhs)

Our Company's leverage ratio as of March 31, 2018, 2017, 2016 and 2015 were 3.44, 1.26, 0.56 and 0.21 times respectively. Our AUM in gold loan, MSME loan, and personal loan has increased at a CAGR of 136.88%, 285.32%, and 223.86% from March 31, 2014 to March 31, 2018, respectively. As of March 31, 2018 and March 31, 2017, our total outstanding debt was ₹ 16,737.55 lakhs and ₹ 5,750.94 lakhs, respectively, and our finance cost was ₹ 1,152.54 lakhs and ₹ 394.82 lakhs, respectively.

A summary of our key operational and financial parameters for the last four completed financial years are given below:

Parameters	Financial Year			
	2018	2017	2016	2015
Net worth	4,946.50	4,603.03	2,657.11	1,460.23
Total Debt	16,737.55	5750.94	1467.10	306.20
<i>of which</i>				
- Non-Current Maturities of Long Term Borrowing	15,131.61	3516.24	1467.10	306.20
- Short Term Borrowing	450.14	0	0	0
- Current Maturities of Long Term Borrowing	1,155.80	2234.70	0	0

(₹ in lakhs)

Parameters	Financial Year			
	2018	2017	2016	2015
Net Fixed Assets	678.81	641.57	233.45	105.15
Non-Current Assets	4,070.80	4,000.82	1,021.81	431.37
Cash and Cash Equivalents	1,848.10	621.95	77.75	613.60
Current Investments	0	0	0	0
Current Assets	18,865.09	6,897.41	3,233.99	1,501.38
Current Liabilities	2,693.08	2,711.31	100.23	24.78
Assets Under Management	19,423.29	9,135.68	3,698.50	1,135.67
Off Balance Sheet Assets	0	0	0	0
Contingent Liabilities	0	0	0	0
Interest Income	4,154.72	2389.23	1077.96	313.88
Interest Expense	1,152.54	394.82	13.45	11.82
Provisioning & Write-offs	112.22	38.33	18.38	16.74
PAT	568.65	212.98	164.22	54.15
Gross NPA (%)	4.40	4.23	6.56	12.98
Net NPA (%)	3.94	3.78	5.90	11.68
Tier I Capital Adequacy Ratio (%)	23.04	44.30	63.07	109.41
Leverage Ratio (Times)	3.44	1.26	0.56	0.21

Debt Equity Ratio

For details of the debt-equity ratio of our Company, see “*Capital Structure*” beginning on page 45 of this Prospectus.

Our Strengths

Diversified product offerings presenting significant growth opportunities

We offer a diverse range of financial products and services targeted at the low and middle income customer segments. Our gold loan / personal loan segment extends loan to individuals for their personal needs. Our MSME loan segments extend loans to dealers, retailers and related service providers in various industries. Our vehicle loans are targeted towards self-employed/ salaried individuals. Our microfinance loans are targeted for income generation for women entrepreneurs. We cover a diversified customer demographic through our various financing products. As of March 31, 2018 and March 31, 2017, gold loan segment represented 28.71% and 41.14%, MSME loan segment represented 39.10% and 43.42% and personal loans represented 23.27% and 13.79% respectively. We believe that our diversified product portfolio and customer base aligned with increasing market demand is a key component of our growth and success. Our diverse revenue stream reduces our dependence on any particular product line thus enabling us to spread and mitigate our risk exposure to any particular industry, business, and geography or customer segment.

Growing distribution network

As on August 31, 2018, we have had a distribution network of 79 branches spread across Kerala, Karnataka and Tamil Nadu. We believe that our presence allows us to continue to capitalise on opportunities to grow our loan portfolio and our in house ability to appraise credit quality is a key to our efficient credit decisions. With our growing network and dedicated distribution and operations teams, we seek to ensure that our credit assessment processes are robust and we provide financial facilities to creditworthy customers. Below data shows our growth in distribution network. The branch details of our company for August 31, 2018 and during the financial years ended March 31, 2017, March 31, 2016 and March 31, 2015 is as given below:

States	As on August	As on March 31		
	31, 2018	2017	2016	2015
Karnataka	14	7	6	2
Kerala	58	41	36	29
Tamil Nadu	7	7	6	1
Total	79	55	48	32

Satisfactory customer service

We have established an effective process for origination, monitoring and collecting receivables which enable us to generate stable growth with control over the asset quality. We adhere to a strict set of market survey and location guidelines while selecting branch sites to ensure that our branches are set up close to our customers. We believe that our customers appreciate this convenience, as well as extended operating hours that we typically offer, which are often more compatible with our customers' work schedules.

Our target customers mainly hail from rural/semi-urban area. Under such customer segment, the knowledge of local culture and long relationship with the customers play a key role for growth in our operation. We have adopted distinguished and cost effective business origination policy, where we originate the business through our branch networks in association with marketing officers termed as customer service points. These customer service points are local residents of the area and have the domain knowledge of that area. They identify potential customers in defined area and maintain long term relationship with the existing customers. Each of our branches is staffed with persons who possess local knowledge and understanding of customers' needs and who are trained to appraise collateral and disburse loans within a short span of time. Although disbursement time may vary depending on the loan ticket size and the security pledged. We believe our customer service and response time are our key competitive strengths that differentiate our services and products from those provided by commercial banks.

Effective risk management system including appraisal, internal audit and inspections.

Risk management forms an integral part of our business as we are exposed to various risks relating to our business. The objective of our risk management system is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We have an internal audit system which consists of audit and inspection, for risk assessment and internal controls. The audit system comprises of accounts audit and loan appraisal. In accordance with our internal audit policy, our branches are subject to surprise audit every month on random basis. We have designed stringent evaluation process and credit policies to ensure the asset quality of our loans and the security provided for such loans. Our credit policy comprises classification of target customers in terms of track record, classification of assets, differentiated loan to value ratio for different class of customers and assets, limits on customer exposure etc. Further, in order to build quality assets and reduce NPA level, we have developed a culture of accountability by making our marketing officers responsible for loan administration, monitoring as well as recovery of the loans they originate.

For effective and timely portfolio management, we have put in place a centralized risk analytics team publishing credit and portfolio performance reports for management's review. We utilise advance statistical tools like customer behaviour scorecards for early identification of potential risks in our portfolios and to take corrective actions accordingly as required. The reports provide detailed information on various portfolio segments and ascertain the risk. In addition, periodic collection reviews are conducted on delinquent customers and segments to identify and evaluate any problem areas, to drive collection efficiencies and future acquisitions.

Experienced management team and skilled personnel

We believe that the expertise and industry knowledge of our senior management team has enabled us to accelerate the growth in our business. Although we have a relatively brief operating history, our senior management team has experience in vehicle finance and consumer finance businesses with a track record of successfully growing businesses. Our board of directors has experience across a broad range of disciplines. Our Whole time Directors Mr. Shibu Thekkumpurathu Varghese and Mr. Josekutty Xavier have over two decades of experience in the financing business and have developed a good understanding of the local area dynamics. This has enabled our Company to grow our loans portfolios. We have an experienced management team, which is supported by a capable and motivated pool of employees. Our senior managers have diverse experience in various functions, related to our business. Our senior managers have an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to appropriately support and provide guidance to our employees. For further details, refer to "*Our Management*" on page 108.

Our Strategies

Our business strategy is designed to capitalize on our competitive strengths and enhance our market standing. Key elements of our strategy include:

Growth of the business through increasing geographical presence in rural and semi-urban areas

We intend to continue to grow our loan portfolio by expanding our network through the addition of new branches. In order to optimize our expansion, we carefully assess potential markets by analyzing demographic, competitive and regulatory factors, site selection and availability, and growth potential. A good reach to customers is very important in our business. Increased revenue, profitability and visibility are the factors that drive the branch network. Currently, we are present in key locations which are predominantly in South India for sourcing business namely Kerala, Karnataka and Tamil Nadu. Our strategy for branch expansion includes further strengthening our presence in South Indian states by providing higher accessibility to customers as well as leveraging our expertise and presence in southern Indian states. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base in rural and semi-urban markets where a large portion of the population has limited access to credit either because they do not meet the eligibility requirements of banks or financial institutions, or because credit is not available in a timely manner at reasonable rates of interest, or at all. A typical loan customer expects rapid and accurate appraisals, easy access, quick approval and disbursement. We believe that we meet these criteria when compared to other money lenders, and thus our focus is to expand our loan financing business. At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base to include customers who otherwise would rely on the unorganized sector.

Build on a scalable operating platform

Our Company started offering customized loans to small enterprises finance segment in 2013-14 and has continually focused on expanding our customer base for this product since then. We see a significant opportunity for our Company to expand our customer base in small enterprise finance segment. As a strategy, we will continue to leverage on the infrastructure provided by entities operating under the 'KLM' brand name. We expect that our diverse revenue stream will reduce our dependence on any particular product line thus enabling us to spread and mitigate our risk exposure to any particular industry, business, geography or customer segment. Offering a wide range of products helps us attract more customers thereby increasing our scale of operations. We have several years of experience of finance sector from self-employed professionals, wholesale/retail dealers, merchants, manufacturers and small and medium scale business operators, which provides us with an extensive database of potential borrowers, especially for our loans to the small enterprises segment. We also propose to extend such loans to our existing customer base for our other products and propose to introduce small enterprises segment loans in all our current business outlets as well as in new business outlets that we open in the future. We intend to strategically leverage the platform in building our MSME finance book. This would not only help us in growing our loan book but also help us in achieving better geographic diversification in the loan portfolio.

Continue to implement advanced processes and systems

We have invested in our technology systems and processes to create a stronger organization and ensure good management of customer credit quality. Our information technology strategy is designed to increase our operational and managerial efficiency. We aim to increasingly use technology in streamlining our credit approval, administration and monitoring processes to meet customer requirements on a real-time basis. We continue to implement technology led processing systems to make our appraisal and collection processes more efficient, facilitate rapid delivery of credit to our customers and augment the benefits of our relationship based approach. We also believe that deploying strong technology systems will enable us to respond to market opportunities and challenges swiftly, improve the quality of services to our customers, and improve our risk management capabilities.

Further strengthen our risk management and loan appraisal

We believe risk management is a crucial element for further expansion of our Loan business. We therefore continually focus on improving our integrated risk management framework with processes for identifying, measuring, monitoring, reporting and mitigating key risks, including credit risk, appraisal risk, custodial risk, market risk and operational risk. We plan to continue to adapt our risk management procedures, to take account of trends we have identified. We believe that prudent risk management policies and development of tailored credit procedures will allow us to expand our Loan financing business without significantly increasing our non-performing assets. Since we plan to expand our geographic reach as well as our scale of operations, we intend to further develop and strengthen our technology platform to support our growth and improve the quality of our services. We are focused on improving our comprehensive knowledge base and customer profile and support systems, which in turn will assist us in the expansion of our business.

Leverage technology to foster growth

As on date all our branches have been centrally connected to our corporate office in Kochi and we have initiated streamlining of our records for the previous years. We regularly update our systems and continue to streamline our credit approval, administration and monitoring processes to meet customer requirements and maintain our risk profile. We continue to focus on developing and strengthening our IT capabilities to support our growth and improve the quality of our services. We believe that improving our technology infrastructure will allow us to respond to challenges on a real-time basis and improve our risks management capabilities. We intend to develop and implement analytics capabilities for lead generation, market mapping, improving customer responsiveness and anticipating customer requirements.

We further intend to develop data-driven insights to understand repayment patterns of our customers and propensity towards certain financial products. We anticipate using such information to conduct targeted marketing efforts allowing us to improve the availability of our products and consequently the quality of our services and credit portfolio. We intend to devote our resources towards identifying growth opportunities across multiple dimensions – products, customers and channels to optimise profitability and growth.

Description of our business line

We primarily operate three principal lines of business, namely gold loan business, micro, small and medium enterprises loan and personal loan. Besides, we have forayed into vehicle and micro finance. The table below sets forth details in relation to our total credit exposure as of the dates indicated:

(Rs. In Lakhs)

	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016	As of March 31, 2015
Gold loan	5,575.95	3,758.45	1,635.32	590.59
MSME loan	7,594.14	3,966.83	766.54	59.32
Personal loan	4,519.10	1,260.21	1,163.01	431.37
Vehicle loan	132.47	150.18	133.64	54.38
Microfinance	1,601.63	0.00	0.00	0.00

Our Business Operations

Gold Loan

One of our primary business is disbursement of gold loans, which are typically small ticket loans collateralized by gold jewellery. For the financial years ended March 31, 2018, 2017, 2016, 2015, income from interest earned on our gold Loans constituted 26.03%, 24.89%, 22.07% and 28.95%, respectively, of our total income.

Loan disbursement process

The principal form of collateral accepted by us is gold jewellery. The amount that we finance against the security of gold jewellery is typically based on the value of the jewellery. We value the gold jewellery brought by our Gold Loan customers based on our centralized policies and guidelines, including policy on interest rate fixation. We currently lend upto 75% of the value of the jewellery. We appraise the jewellery collateral solely based on the weight of its gold content, excluding weight and value of the stone studded in the jewellery. Our gold loans are therefore well collateralized because the actual value of the collateral in all cases will be higher than our appraised value.

The amount we lend against an item and the total value of the collaterals we hold fluctuates according to the gold prices but not exceeding the LTV ratio as prescribed by RBI from time to time. However, an increase in gold price will not result automatically in an increase in our gold loan portfolio unless the per gram rate are revised by our corporate office. Similarly, since adequate margins are kept at the time of disbursement of loan, a decrease in the price of gold has little impact on our interest income. However, a sustained decrease in the market price of gold can cause a decrease in the size of our loan portfolio and our interest income.

We rely on the disposition of collateral to recover the principal amount of an overdue gold loan and the interest due thereon. We also have recourse against the customer for the loan. Since the disbursement of loans is primarily based on the value of collateral, the customer's creditworthiness is not a factor in the loan decision. However, we comply with 'know your customer' norms adopted by the Board and require proof of identification and address proof. We also photograph customers with web-cameras installed in our branches.

All our gold loans have terms of 12 months. However, customers may redeem the loan at any time, and our gold loans are generally redeemed between 90 and 180 days. In the event that a loan is not repaid on time and after providing due notice to the customer, the unredeemed collateral is disposed of on behalf of the customer in satisfaction of the principal and all interest charges. In general, collateral is disposed of only when the recoverable amount is equal to or more than the realizable value of the collateral.

Loan appraisal process

Our gold loan approval process is generally linked with the appraisal of gold jewellery that serves as collateral, which takes only a few minutes. Each of our branches is staffed with persons who have been trained and have experience in appraising the gold content of jewellery. The appraisal process begins with weighing the jewellery using calibrated weighing machines. Jewellery is then subject to prescribed primary tests for the quality of gold, including stone tests and acid tests, followed by additional tests, if required, such as salt tests, sound tests, weight tests, pointed scratching tests, flexibility tests, color tests, smell tests, usability tests, magnifying glass tests and finishing tests. Once the jewellery passes these tests, loans are disbursed based on the rates per gram of gold approved by the corporate office.

Our customers are provided the option to accept loan disbursements in cash or by cheque, as permissible under RBI guidelines. At the time of disbursement, an undertaking is signed by the customer. It states the name and address of our Company's relevant branch office and the customer, a detailed description of the gold jewellery provided as collateral, the amount of the loan, the interest rate, the date of the loan, and other terms and conditions.

The pledged gold jewellery are separately packed by staff of the branch, and then placed in a polythene pouch with the relevant documents on the loan and the customer and stored in the safe or strong room of the branch. The safes and strong rooms in which the gold jewellery is kept are built as per industry standards and practices. The strong rooms are vaults with reinforced concrete cement structures. Currently, almost all of our branches are using strong rooms or safe vaults.

We monitor our loan accounts and recovery of dues on an ongoing basis. Once a loan is fully repaid, the pledged gold jewellery is returned to the customer. When a customer does not repay a loan on or before its maturity, we initiate the recovery process and dispose of the collateral to satisfy the amount owed to us, including both the principal and the accrued interests. Before starting the recovery process, we inform the customer through registered letters or legal notices.

When a loan is repaid, we give the customer an option to pledge the security again and obtain another loan. The procedure of re-pledging entails the same procedure as that of a pledge and is accompanied by the same mode of documentation that a pledge entails. If the loan is not repaid when the loan falls due, we are able to sell the gold collateral in satisfaction of the amount due to us. We also reserve the right to sell the collateral even before a loan becomes past due in the event the market value of the underlying collateral is less than amounts outstanding on the loan, after serving notice to the customer.

Micro, small and medium enterprises loan:

Currently, we offer business loans to the small enterprises segment for an average tenor of upto 40 months. Our target customers in the small enterprises segment typically comprises self-employed professionals, wholesale and retail dealers, merchants, small and medium scale manufacturing concerns etc. Our small enterprises segment is typically customized to suit the requirements of our customers after having assessed and understood their business model. As of March 31, 2018, we had aggregate principal balance of ₹ 7,594.14 lakhs. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our MSME loan portfolio yield representing interest income on MSME loans as a percentage of average outstanding of MSME loans, for the same period were 23.73%, 29.04%, 23.66% and 65.61%, respectively, per annum.

We believe that the small enterprises finance segment is still under banked to a large extent and barring certain public financial institutions and public sector banks, lending in this sector has traditionally been addressed by the unorganized players in most regions in India. Accordingly, we see a significant opportunity for our Company to expand our customer base in small enterprises segment.

Personal Loan

We provide personal loan to our existing and new customers. Our officials reach out directly to our personal loan customers and visit them at their doorstep to carry out loan origination and credit evaluation, so as to ensure speedy processing of loans. We target customer segments who do not have easy access to bank or other

modes of financing for immediate short or medium term funding requirements, within reasonable time or at all. The average tenor for such loans is typically upto 20 months. As on March 31, 2018, the assets under management for personal loans was ₹ 4,519.10 lakhs, which represented 23.27% of our total assets under management as at that date.

Microfinance

In the Fiscal 2017, we have introduced microfinance operations entail providing micro credit lending to our women customers who are predominantly located in rural and semi-urban areas and the purpose of loans sanctioned to them is mainly for utilisation in small businesses or for other income generating activities but not for personal consumption. Primarily, we utilise a village centred, group lending model to provide unsecured loans to our members. This model relies on a form of 'social collateral' and ensures credit discipline through peer support within the group. This model presupposes our members being prudent in conducting their financial affairs and prompt in repaying their outstanding borrowings.

We provide microfinance loans up to ₹ 0.25 lakhs each to a group of 10 – 15 women customers for their business needs. A customer is eligible for a subsequent cycle of the loan if their track record of repayment is good and meets certain other requirements relating to their conduct within the group. In addition, we also extend midterm loans to certain eligible microfinance customers, based on their requirements. All our microfinance loans are offered at fixed interest rates, with principal and interest typically payable in weekly instalments. Interest rates for our microfinance product offerings are a function of our operating and funding costs, in particular our personnel and administrative costs, as well as the RBI limits on microfinance loan interest rates. As on March 31, 2018, the assets under management for Microfinance loans were ₹ 1,601.63 lakhs, which represented 8.25% of our total assets under management as at that date.

Vehicle financing business

In the FY 2013-14, we have ventured asset financing of vehicles. Our customers are predominantly small entrepreneurs and self-employed individuals in rural and semi-urban areas, such as transport operators, taxi operators and farmers. Our customers typically contribute 10.0% to 30.0% of the purchase price of the asset, with the balance financed by us. We secure our loans through the hypothecation of each asset financed.

Interest Rate Model

All of our loans (a) are denominated in Indian Rupees, (b) are offered at fixed or variable interest rates, and (c) have principal and interest payable in weekly, fortnightly or monthly instalments and sometimes the loans are repaid at one go. The interest rates we charge our borrowers are principally based on our high operating and funding costs, particularly our high personnel and administrative costs, which we believe are significantly greater than those of most commercial banks and traditional non-bank finance. We have in the past progressively reduced the interest rates we charge our Borrowers whenever our costs have decreased, either as a result of economies of scale or lowered funding costs. We may continue to reduce our interest rates in the future as we achieve such economies of scale in other markets or further economies of scale in existing regions.

Loan Evaluation, Credit Appraisal and Disbursement

Loan evaluation

Due to our customer profile, in addition to a credit evaluation of the borrower, we rely on guarantor arrangements, the availability of security, referrals from existing relationships and close client relationships in order to manage our asset quality. All customer origination and evaluation, loan disbursement, loan administration and monitoring as well as loan recovery processes are carried out by our executives at each business outlet, who are responsible for (i) loan origination, (ii) credit evaluation, (iii) pre-lending field investigations and (iv) post lending credit appraisal. The team of officials responsible for origination of a loan is also responsible for the timely servicing of loans, recoveries, and monitoring performance of each loan from origination to closure of the loan. We offer incentivized salary structures to such officials where their incentives are directly linked to recovery of instalments of the principal amount and interest on the loans. We do not utilize or engage direct selling or other marketing and distribution agents or appraisers to carry out these processes. We follow certain procedures for the evaluation of the creditworthiness of potential borrowers. The credit appraisal process is as follows:

When a customer is identified and the requisite information for a financing proposal is received, a branch manager or our branch executive personally visits such customer at their homes and/or place of business to assess the loan requirements and creditworthiness of such customer. We also require an applicant to provide

appropriate references from existing or former customers. The proposal form requires the customer to provide information on the age, address, employment details and annual income of the customer, as well as information on outstanding loans.

Credit Appraisal

We undertake various credit control checks, diligence and field investigations on a prospective customer which inter-alia includes an internal data de-duplication check, CIBIL database check, fraud verification, asset verification and valuation, trade credit reference checks and other legal and technical verification procedures which also includes detailed analysis of financial statements, bank statements and other documents put together constitute the credit file for all customers. From time to time, our management lays down loan approval parameters which are linked to the value of the underlying security and/or collateral. The borrower is charged prepayment charges in the event of termination of the loan by prepayment. Security received from the borrower, including unutilized post-dated cheques, if any, is released on repayment of all dues or on collection of the entire outstanding loan amount, provided no other existing right or lien for any other claim exists against the borrower. After having completed our internal verification procedures all documents submitted by the prospective customer are checked and verified as required and any discrepancies and/or gaps in such documentation are highlighted and sent to the prospective customer for corrections, explanations and resubmissions as required.

The files provided are at length reviewed by the credit managers for evaluation using credit evaluation tool. Based on the document review the credit managers conduct personal discussions with the customers at their workplace. The discussion is intended to gather information about the business model of the customer, his positioning in the value chain, dependence of suppliers and/or customers and to ascertain any business risks like export dependence, raw-material supplies, etc. which might adversely impact the business cash flows and hence diminish repayment capacity. Based on the all the information gathered, and assessment of customer's business risks, debt servicing ability and collateral risks, the credit manager puts the transaction proposal to appropriate approving committee in the hierarchy for decision.

Approval and Disbursement Process

Once the credit history, credentials, information and documents have been submitted by the prospective customer and verified to our satisfaction, the applications are approved at the appropriate credit approval level.

There are four progressive levels of approvals which a proposal can be put to which are based on loan product, loan amount and identified risks. All proposals require minimum of two approvals and up to four approvals for larger ticket size loans. Except, gold loan, vehicle loan and microfinance, the branch manager is authorized to approve a loan if the proposal meets the criteria established for the approval of a loan. For, gold loan, vehicle loan and microfinance our corporate office is authorised to provide final approval. The applicant is intimated of the outcome of the approval process, as well as the amount of loan approved, the terms and conditions of such financing, including the rate of interest (annualized) and the application of such interest during the tenure of the loan. With due sanctioning of the loan, we execute agreements in connection with the loan and creation of security in relation thereto, if any, with the customer. Margin money and other charges, if any, are collected prior to loan disbursements. The disbursing officer retains evidence of the applicant's acceptance of the terms and conditions of the loan as part of the loan documentation.

Prior to the loan disbursement, our concerned officer ensures that a Know Your Customer, ("KYC"), checklist is completed by the applicant. The concerned officer verifies such information provided and includes the records in the relevant loan file. The officer is also required to ensure that the contents of the loan documents are explained in detail to the customer either in English or in the local language of the customer. The customer is provided with a copy of the loan documents executed by him. Further although our customers have the option of making payments by cash or cheque, we may require the applicant to submit post-dated cheques covering an initial period prior to any loan disbursement.

Loan administration and monitoring

The customer (and guarantor, if any) execute(s) the security creation documents and the loan agreement setting out the terms of the loan. A loan repayment schedule is attached as a schedule to the loan agreement, which generally sets out periodical repayment terms. Repayments are made in periodical instalments. Loans disbursed are recovered from the customer in accordance with the loan terms and conditions agreed with the customer. We track loan repayment schedules of our customers on a monthly basis, based on the outstanding tenure of the loans, the number of instalments due and defaults committed, if any. This data is analysed based on the loans disbursed and location of the customer. All recovery of amounts due on loans is managed internally by us. We

ensure complete focus on all stages of the collections process. We monitor the completeness of documentation, creation of security etc. through regular visits to the business outlets by our regional as well as head office executives and internal auditors. All customer accounts are reviewed on a regular basis.

We monitor the completeness of documentation, creation of security etc. through regular visits to the business outlets by our regional as well as head office executives and internal auditors. All borrower accounts are reviewed at least once a year, with a higher frequency of reviews for the larger exposures and delinquent borrowers. The branch managers review collections regularly and personally contact borrowers that have defaulted on their loan payments. Branch managers are assisted by the officers responsible for loan origination, who are also responsible for the collection of instalments from each borrower serviced by them. We believe that close monitoring of debt servicing efficiency enables us to maintain high recovery ratios.

Collection and Recovery

We believe that our loan recovery procedure is particularly well-suited to our target market for each of our products. The entire collection operation is administered in-house through our branch officials and we do not outsource loan recovery and collection operations. In case of default, the reasons for the default are identified by the officer responsible for each loan and appropriate action is initiated, such as requiring partial repayment and/or seeking additional guarantees or collateral.

In the event of a default on three loan instalments, the relevant officer is required to make a personal visit to the borrower to determine the gravity of the loan recovery problem. We may initiate the process for repossession of the underlying asset and/or enforcement of the charge if required. Our officers are trained to repossess assets and/or enforce the security interest and no external agency is involved in such processes. Repossessed assets are held at designated secured facilities for eventual disposal. The notice to the customer specifies the outstanding amount to be paid within a specified period, failing which the asset may be disposed of and/or the charge enforced. In the event there is a short fall in the recovery of the outstanding amount from enforcement of the charge, legal proceedings against the customer may be initiated.

Branch Network

As on August 31, 2018, we had 79 branches in the states of Kerala, Karnataka and Tamil Nadu. We propose to target establishing our operations through new business outlets in cities and towns where we historically had relatively limited operations. As an internal policy, we typically introduce our products in a particular location only after having evaluated the regional market and the demand for each individual product. Currently, not all of our business outlets offer our full range of products. As a part of our strategy we target to gradually introduce our entire range of product offerings at each of our existing business outlets across India.

A typical business outlet comprises 3 to 6 employees, including the branch manager. The branch details of our company for August 31, 2018 and during the financial years ended March 31, 2017, March 31, 2016 and March 31, 2015 is as given below:

States	As on August	As on March 31		
	31, 2018	2017	2016	2015
Karnataka	14	7	6	2
Kerala	58	41	36	29
Tamil Nadu	7	7	6	1
Total	79	55	48	32

Marketing, Sales and Customer Care

Our Company undertakes publicity through media, both print and electronic to increase the visibility of our brand. Our media plan ensures the visibility and reach of our KLM brand within the desired budget. These advertisements are carried out across various states wherever our Company has presence. This helps individual branches to target the public and thereby generate business from the locality. For the financial years ended March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015, our total advertisement expenditure was ₹ 267.64 lakhs, ₹ 285.35 lakhs, ₹ 116.22 lakhs and ₹ 35.20 lakhs, respectively.

Risk Management

Risk management forms an integral part of our business as we are exposed to various risks relating to the Loan business. The objective of our risk management systems is to review the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking

appropriate actions to address the most likely threats and to provide a framework that enables future activities to take place in a consistent & controlled manner and to improve the decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.

Asset and Liability Management (“ALM”)

Our business operations require steady flow of working capital and hence managing the day to day liquidity becomes a critical function. The ALM, amongst other functions, is concerned with risk management, providing a comprehensive as well as a dynamic framework for measuring, monitoring and managing liquidity, market risk and interest rate risk. The ALM ensures proper balance of assets and liabilities of the company as per guidelines issued by Reserve Bank of India from time to time. The ALM also computes and monitors periodically the maturity pattern of the various liabilities and assets of the company.

Credit Risk

Credit risk is the possibility of loss due to the failure of any counterparty abiding by the terms and conditions of any financial contract with us. We aim to reduce the aforesaid credit risk through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy.

Operational Risk

Operational risk is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to certain other external events. We have instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Although we disburse loans in a relatively short period of time, we have clearly defined appraisal methods as well as KYC compliance procedures in place to mitigate operational risks. Any loss on account of failure by employees to comply with defined appraisal mechanism is recovered out of their variable incentive. We also have detailed guidelines on movement and security measures of cash or gold. We are in the process of completing the installation of a centralised software which automates inter branch transactions, enabling branches to be monitored centrally and thus reducing the risk of un-reconciled entries. In addition, we are in the process of installing surveillance cameras across our various branches, and subscribe to insurance to cover employee theft or fraud and burglary. Our internal audit department and our centralised monitoring systems assist in the management of operational risk.

Financial Risk

Our business is cash intensive and requires substantial funds, on an on-going basis to finance the loan portfolio and to grow it. Any disruption in the funding sources might have an adverse effect on our liquidity and financial condition. Our Company is proactively pursuing a system of identifying and accessing newer and cheaper sources of funds, to finance the loan book and to grow the business. Our Asset Liability Committee meets regularly and reviews the liquidity position of our Company and ensures availability of sufficient funding in advance.

Market Risk

Market risk refers to potential losses arising from the movement in market values of interest rates in our business. The objective of market risk management is to avoid excessive exposure of our earnings to loss. The majority of our borrowings, and all the loans we make, are at fixed rates of interest. Thus, presently, our interest rate risk is minimal.

Internal Audit Department

Our internal audit department assists in the management of operational risk using our centralised monitoring systems. Separate divisions of our internal audit department are in place to handle the audit of the departments of the corporate office and those of the branch offices. The audits of our branches are divided into two categories: (i) Audit and (ii) Inspection. Branch audit is carried out quarterly with the focus on the verification of documents, accounts, performance and compliance. In addition, an incremental high value loan check is carried out by regional managers as part of their periodical branch inspection.

Risk Management Audit

Our branch auditors also carry out a system driven risk audit on certain identified key risk parameters. These are keyed into the system and alerts are sent to branch controllers and top management in case the risk weight given under a specific parameter goes beyond the prefixed tolerance levels. In all such cases, the concerned branches

are inspected by the branch controllers or top management personnel depending on the severity of risk and immediate remedial actions are initiated.

ALM Organisation

The Asset - Liability Committee (ALCO) is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of our Company (on the assets and liabilities sides) in line with our Company's budget and decided risk management objectives.

The business and risk management strategy of our Company will ensure that our Company operates within the limits/parameters set by the Board. The business issues that an ALCO would consider, inter alia, includes product pricing, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for the similar services/product, etc. In addition to monitoring the risk levels of our Company, the ALCO reviews the results of and progress in implementation of the decisions made in the previous meetings. The ALCO would also articulate the current interest rate view of our Company and base its decisions for future business strategy on this view.

The frequency of holding ALCO meetings will be quarterly.

Liquidity Risk Management

Our ALCO measures not only the liquidity position of our Company on an on-going basis but also examines how liquidity requirements are likely to evolve under different assumptions. Experience shows that assets commonly considered as liquid, like Government securities and other money market instruments, could also become illiquid when the market and players are unidirectional. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool. The format of the Statement of Structural Liquidity as prescribed by RBI may be used for this purpose.

The Maturity Profile based on ALM – II could be used for measuring the future cash flows of company in different time buckets. The time buckets, may be distributed as under:

- (i) 1 day to 30/31 days (One month)
- (ii) Over one month and up to 2 months
- (iii) Over 2 months and up to 3 months
- (iv) Over 3 months and up to 6 months
- (v) Over 6 months and up to 1 year
- (vi) Over 1 year and up to 3 years
- (vii) Over 3 years and up to 5 years
- (viii) Over 5 years

The Statement of Structural Liquidity shall be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability will be a cash outflow while a maturing asset will be a cash inflow. While determining the likely cash inflows/outflows, company will have to make a number of assumptions according to their asset - liability profiles. While determining the tolerance levels, the company may take into account all relevant factors based on their asset-liability base, nature of business, future strategy, etc.

In order to enable the company to monitor their short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, company will estimate their short-term liquidity profiles on the basis of business projections and other commitments for planning purposes. An indicative format ALM – I issued by RBI for estimating 'Short-term Dynamic Liquidity' will be used for the said purpose.

Interest Rate Risk (IRR)

The operational flexibility given to NBFCs in pricing most of the assets and liabilities imply the need for the financial system to hedge the Interest Rate Risk. Interest Rate Risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect our Company. The immediate impact of changes in interest rates is on our Company's earnings (i.e. reported profits) by changing its Net Interest Income (NII). As such our Company is into funding of loans which are always fixed rate loans. The company manages risk on NII by pricing its loan products to customers at a rate which covers Interest Rate Risk. The risk from the earnings perspective can be measured as changes in the NII or Net Interest

Margin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers. Once interest rate risk is measured by the ALCO, lending rates are finalised. RBI has prescribed ALM – III for the purpose of Interest Rate Risk Monitoring and our Company may use the same for the purpose of measurement and monitoring of interest rate risk.

Asset Classification

Non-performing Assets (NPA)

Based on the Master Directions, the norms for asset classification, details of the classification of our gross NPAs for significant classes of our assets for the financial years ending on March 31, 2018, March 31, 2017, March 31, 2016 and March 31, 2015 are as furnished below:

(in ₹ lakhs)

Asset Type	As on March 31			
	2018	2017	2016	2015
Standard	18,568.40	8,749.10	3,455.20	988.27
Sub-standard	818.65	362.17	241.75	147.40
Doubtful	36.25	24.40	0.83	0
Loss	0	0	0	0
Gross NPA	854.90	386.58	242.58	147.40
Total Loans & Advances	19,423.29	9,135.68	3,698.50	1,135.67
Gross NPA % of Total Loans & Advances	4.40%	4.23%	6.56%	12.98%
Less Provisions	90.42	41.45	24.48	14.74
Net NPA	764.47	345.12	218.10	132.66
Net NPA % of Total Loans & Advances	3.94%	3.78%	5.90%	11.68%

Secured loans are classified or provided for, as per management estimates, subject to the minimum provision required as per Master Directions.

NPA Management Policy

A demand or call loan, which remained overdue for six months from the date of demand or call or on which interest amount remained past due for a period of six months, will be considered as non-performing (NPA) loan and suitable provisions as envisaged by RBI from time-to-time is provided for by the Company. Normal tenor of a gold loan can be up to a period of 12 months from the date of advance. Interest is payable at the time of maturity i.e. along with repayment of principal. The loan becomes overdue one month after the maturity date. Effectively, a gold loan qualifies to be categorized as NPA from the 19th month, when it remains unpaid or interest has not been serviced for 18 months from the date of advance or for 6 months from the due date. All loans outstanding beyond the loan validity will be disposed-off within three months from the expiry of the loan period. Our Company has set up an Overdue Loans Cell at Corporate Office under Recovery Manager. The OLC will interact with branches & their controllers for speedy recovery of all loans which has exceeded the stipulated loan tenor. Since disposal of gold loans through individual branches is not feasible, due to small numbers and the high cost of auctioning, it will be desirable to dispose them off through a centralized disposal set up. Since as per the revised RBI guidelines, the company or its promoters cannot participate actively in the auction, a qualified and experienced auctioneer will be appointed by the company to carry out the auction on behalf of the company. The amount due to our Company by the customer, being the aggregate of the principal and up to the date of interest as well as other expenses like expenses for conducting auction, will be adjusted against the sale proceeds, whereas the surplus, if any available, will be refunded to the customer, and deficit if any shall have to be paid by him/her.

Leverage Ratio

As per the Master Directions, every NBFC –Non-Systemically Important Non-Deposit taking company including us are subject to leverage ratio requirements. Currently, we are required to maintain the leverage ratio which shall not be more than 7 at any point of time. We had a leverage ratio of 3.44, 1.26, 0.56 and 0.21 as on March 31, 2018, March 31, 2017, March 31, 2016 and March 2015, respectively

We are under the maximum leverage ratio and satisfied the requirement prescribed by the RBI.

Technology

We use information technology as a strategic tool for our business operations to improve our overall productivity and efficiency. We believe that through our information systems which are currently in place, we are able to manage our operations efficiently, market effectively to our target customers, and effectively monitor and control risks. We believe that this system has improved customer service by reducing transaction time and has allowed us to manage loan collection efforts better and to comply with regulatory record-keeping and reporting requirements. All our branches are computerised. A need was felt for a centralised IT platform for our continued aggressive growth along with risk management. Accordingly, we have implemented centralised IT platform and are streamlining the past records to improve the operational efficiency.

Our Borrowings and Credit Ratings

Source of funding

We have expanded our sources of funds in order to reduce our funding costs, protect interest margins and maintain a diverse funding portfolio. This will enable us to achieve funding stability and liquidity. We have depended on issuance of equity shares & secured non-convertible debentures through private placement and subordinate debt as primary source of funding.

Please refer to sections titled “*Financial Statements*” and “*Financial Indebtedness*” on pages 120 and 146.

Credit Rating:

Credit Rating Agency	Instrument	Date	Ratings	Remarks	Rated amount in ₹ lakhs
CARE	Proposed Non-Convertible Debenture	March 10, 2018 (reaffirmed vide letter dated September 4, 2018)	‘CARE BB: Outlook Stable’ [Double Stable]	The rating of NCDs by CARE indicates that instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.	10,000.00

Security threats and measures taken to mitigate them

The principal security risks to our operations are robbery and employee theft or fraud. We have extensive security and surveillance systems to counter external security threats. To mitigate internal threats, we undertake careful pre-employment screening, including obtaining references before appointment. We have also installed surveillance cameras across our branches to protect against robbery, all branch employees work behind wooden, glass and steel counters, and the back office, strong room/safe and computer areas are locked and closed to customers. We also keep the pledged gold in joint custody stored securely in strong rooms. Since we handle high volumes of cash and gold jewellery at our locations, daily monitoring, spot audits and immediate responses to irregularities are critical to our operations. We have an internal auditing program that includes unannounced branch audits and cash counts at randomly selected branches.

Competition

We face competition from banks, NBFCs and other unregulated/unorganised money lenders. Our Board believes that we can achieve economies of scale and increased operating efficiencies by increasing the number of branches under operation and proven operating methods. We believe that the primary elements of competition are the quality of customer service and relationship management, branch location and the ability to lend competitive amounts at competitive rates. In addition, we believe the ability to compete effectively will be based increasingly on strong management, regional market focus, automated management information systems and access to capital.

Insurance

We believe that we maintain all material insurance policies that are customary for companies operating in similar businesses. These include a money insurance policy in respect of cash-in-safe and in-transit. We also maintain insurance coverage against losses occasioned by burglary for the gold and cash-in-safe.


Property

Our registered office is at Subodh Business Centre 408, Malik Chambers, Hyderguda, Hyderabad – 500 029, Telangana, India. Our corporate office is at 4th Floor, Door No.1871A24, VM Plaza, Palarivattom, Ernakulam-682 025, Kerala, India. As at August 31, 2018, we had 79 branches. We enter into lease and/or leave and license agreements in connection with the premises required for our business outlet. All of our branches, registered and corporate office are located on leased premises. Further, We own following Lands:

Sr. No.	Name of Land	Address	Area of Land (in Acres)
1.	Land - Kumaly	Murikkadi Kara, Periyar Village, Peerumedu Thaluk, Peerumedu Sub Dist., Idukki Dist.	4.999 Acres
2.	Land - Puthencruz	Kutta Kara, Vadavucode Puthencruze Panchayath, Puthencruze Village, Kunnathunadu Thaluk, Puthencruze Sub Dist., Ernakulsm Dist.	0.518 Acres
3.	Land - Kuthukkuzhy	Kothamangalam kara, kothamangalam Municipality, Kothamangalam Village, Kothamangalam Thaluk, Kothamangalam Sub Dist., Ernakulam Dist.	0.974 Acres
4.	Land - Kanjiramattom	Amballoor panchayath, Kanghiramattom muri, Amballoor Village, Kanayannoor Thaluk, Mulanthuruthy Sub Dist., Eranakulam Dist.	0.109 Acres
5.	Land - Tamil Nadu	Theni Dist, Periyakulam Reg. dt Thevaram SRO, Uthampalayam Thaluk Kombi Village, Malligai Nagar, Plot NO.10	0.09 Acres

Intellectual Property



Our corporate logo “” and trade name is registered with the Trade Marks Registry under class 36 and received a Certificate of Registration of Trademark bearing number 3270689 dated May 15, 2016. Additionally, we have filed an application to register the logo as disclosed on the cover of this Prospectus for ‘*KLM Axiva Finvest*’ under class 36 of the TM Act, which is pending registration as on date.

Human Resource

As of August 31, 2018, we had 451 full-time employees. In addition, we have temporary sales, marketing and recovery personnel who work on a commission basis. We adhere to a policy of nurturing dedicated talent by conducting regular training programmes. We provide training to our employees both as a commitment to their career development and also to ensure quality service to our customers. These trainings are conducted on joining as part of employee initiation and include additional on-the-job trainings.

HISTORY AND CERTAIN OTHER CORPORATE MATTERS

Our Company was originally incorporated on April 28, 1997, as a public limited company under the provisions of the Companies Act, 1956 as “Needs Finvest Limited”. Thereafter, our Company was granted the certificate of commencement of business dated May 6, 1997. Subsequently, the name of our Company was changed to “KLM Axiva Finvest Limited” on receipt of a fresh Certificate of Incorporation dated February 29, 2016 from the Registrar of Companies, Andhra Pradesh and Telangana, Hyderabad. The Corporate Identity Number of our Company is U65910TG1997PLC026983.

Our Company had originally obtained a Certificate of Registration in the name of Needs Finvest Limited dated December 13, 1997 bearing registration no. 09.00006 issued by the RBI to commence the business of non-banking financial institution without accepting public deposits subject to the conditions mentioned in the Certificate of Registration under Section 45 IA of the RBI Act. Subsequently, the name of our Company was changed to KLM Axiva Finvest Limited and we had obtained fresh Certificate of Registration dated March 15, 2016 bearing registration no. 09.00006 from RBI.

Our Company does not have any subsidiaries.

As on date of this Prospectus, List of our Group Companies is as follows:

1. KMLM Financial Services Limited
2. KLM Tiana Gold & Diamonds Private Limited
3. Payyoli Granites Private Limited

Registered office of our Company

The registered office of our Company is located at Subodh Business Centre, 408, Malik Chambers, Hyderguda, Hyderabad, Telengana – 500029.

Main objects of our Company

The main objects of our Company as contained in our Memorandum of Association are:

1. *To carry on and undertake the business of finance, whether by making loans or advances or otherwise, gold loan, hire purchase, leasing and to finance lease operations of all kinds, purchasing, selling, hiring or letting on hire all kinds of Plant and Machinery and equipment that the Company may think fit to any Company, body corporate, firm, society, trust, association or individual and to assist in financing of all and every kind and description of hire purchase or deferred payment or similar transactions and to subsidise, finance or assist in subsidising or financing the sale and maintenance of any goods, articles or commodities of all and every kind and description upon any terms whatsoever and for the purpose to purchase or otherwise deal in all forms of immovable and movable property including lands and buildings, plant and machinery, equipment, ships, aircrafts, automobiles, such as motor vehicles, motor cars, two wheelers, computers, and all consumer, commercial and industrial items and to lease or otherwise deal with them in any manner whatsoever including resale thereof, regardless of whether the property purchased and leased be new and/ or used to carry on finance against shares, securities and any other valuable articles.*
2. *To invest, lend, advance, deposit or deal with the money belonging to, entrusted to or at the disposal or Company, or to give credit to any Company, Companies, Firms or persons, and in particular to the customers of the Company, with or without security and on such terms as may seem expedient and to give guarantees or securities for any such persons, firms, or Companies.*
3. *To subscribe, purchase, acquire, hold, sell, invest, dispose off or otherwise deal, for self and on behalf of others in shares, stocks, debentures, bonds, units, mortgages, obligations and securities issued to or guaranteed by Company or Mutual Fund and Government, Trust, Municipal. Local or other authority, and to invest by original subscription, syndicate participation, tender, purchase or otherwise out of the funds of the Company obtained either by subscription of capital, borrowings or by receipt of income from any trust which may be discretionary or otherwise or by gift of money received by the company from any person and also to invest in Badian finance and fiancé against shares and securities.*
4. *To become a corporate member of Stock Exchange, Security Exchange, OTC Exchange, any other recognized stock exchanges with trading privileges and to act as brokers and dealers for shares, securities,*

stocks, financial instruments, bonds, debentures, foreign exchanges and render consultancy services to their clientele whether in India and in abroad for investment in shares, debentures, bonds and all kinds of securities and to act as underwriters, issue managers, Lead Managers, Co-Managers, Portfolio Managers for all public issues including euro – issues or otherwise.

Key milestones and major events

Financial Year	Particulars
2012-13	Present management acquired KLM Axiva Finvest Limited formerly known as Needs Finvest Limited and got permission for management change from RBI in 2013
2015-16	Company extended the area of business to states of Tamilnadu and Karnataka
2016-17	Company raised fund through issue of non-convertible debentures through private placements and issue of subordinated debts
2017-18	Our Company had started a Microfinance division in September 2017.

Key Agreements

Share purchase agreement dated March 9, 2013 entered into amongst Varalakshmi Kanapala, Satyanarayana Konapala, Konapala Rajasekhar, Balla Ramalingeswara Rao, Uppu Nagarathnam, K V L Narayana, Vatti Satyavathi, Vatti Arjuna Rao and Sri Lakshmi K (collectively referred as “Sellers”), Biji Shibu, Jijo M Varghese, Simi Gijo, Princy Josekutty, Ann Jose, Bindu Peeyus, Chinnamma Kuriakose, John J Pullan and Aleyamma Varghese (collectively referred as “Purchasers”), and our Company

Our Company, Sellers and Purchasers entered into a share purchase agreement dated March 9, 2013 (“SPA”), pursuant to which Sellers agreed to sell and Purchasers agreed to purchase, 100% of the issued and paid up equity share capital of the Company. The consideration of ₹ 85,34,588/- (Rupees Eighty Five Lakhs Thirty Four Thousands Five Hundred and Eighty Eight only) was discharged by the Purchasers for transfer of 758,300 Equity Shares of our Company at a price of ₹ 11.25 per Equity Shares.

OUR MANAGEMENT

In compliance with the Companies Act, 2013, of our Company require us to have not less than three Directors and not more than fifteen Directors. As on the date of this Prospectus, we have six Directors on the Board which include two Executive Directors, four Non-Executive Directors.

Board of Directors

The general superintendence, direction and management of our affairs and business are vested in the Board of Directors. Currently, we have seven Directors on the Board of Directors.

Details relating to Directors

Sr. No.	Name, designation, occupation, date of appointment, term and address	DIN	nationality	Age (years)	Other Directorships
1.	<p>Dr. Alexander John Joseph</p> <p>Designation: Non-Executive Chairman (Independent)</p> <p>DIN: 00485766</p> <p>Nationality: Indian</p> <p>Occupation: Retired IAS</p> <p>Date of appointment/reappointment: February 29, 2016</p> <p>Term: For a period of five years from September 26, 2016</p> <p>Address: 507, CMH Road, Indira Nagar Bangalore, Karnataka- 560 038, India.</p>			80	<ol style="list-style-type: none"> 1. Stumpp Schuele & Somappa Private Limited 2. SPR Sugars Private Limited 3. Symphony TV and Entertainments Private Limited 4. Transaction Analysts (India) Private Limited 5. JPT Securities Limited 6. Skil Infrastructure Limited 7. Navi Mumbai Smart City Infrastructure Limited 8. Skil-Himachal Infrastructure and Tourism Limited 9. Kings Infra Ventures Limited 10. M Far Constructions Private Limited 11. Orange Smart City Infrastructure Private Limited 12. KLG Capital Services Limited 13. Karanja Logistics Private Limited
2.	<p>Mr. Josekutty Xavier</p> <p>Designation: Whole-Time Director</p> <p>DIN: 02073994</p> <p>Nationality: Indian</p> <p>Occupation: Business</p> <p>Date of appointment/reappointment: December 2, 2014</p> <p>Term: For a period upto December 30, 2018</p> <p>Address: Kannattumadam House, K.M.C. 14, 634, opp. St. George HS Kothamangalam P.O., Kerala – 686 691, India</p>			58	<ol style="list-style-type: none"> 1. KLM Fincorp Limited 2. Reliant Credits (India) Limited 3. KLM Nidhi Limited 4. Axiva Mfin Limited

Sr. No.	Name, designation, DIN, nationality, occupation, date of appointment, term and address	Age (years)	Other Directorships
3.	<p>Mr. Shibu Theekumpurathu Varghese</p> <p>Designation: Whole-Time Director</p> <p>DIN: 02079917</p> <p>Nationality: Indian</p> <p>Occupation: Business</p> <p>Date of appointment/reappointment: July 27, 2016</p> <p>Term: For a period of 3 years upto August 29, 2019</p> <p>Address: Theekumpurath House, Chelad PO, Kothamangalam, Ernakulam, Kerala – 686 681, India.</p>	53	<ol style="list-style-type: none"> 1. Payyoli Granites Private Limited. 2. KLM Nidhi Limited 3. KMLM Financial Services Limited 4. Axiva Mfin Limited
4.	<p>Ms. Biji Shibu</p> <p>Designation: Non-Executive Director (Non-Independent)</p> <p>DIN: 06484566</p> <p>Nationality: Indian</p> <p>Occupation: Business</p> <p>Date of appointment/reappointment: March 9, 2013</p> <p>Term: Liable to retire by rotation</p> <p>Address:Theekempurath House, Chelad P.O, Ernakulam, Kerala- 686 681, India.</p>	48	<ol style="list-style-type: none"> 1. Carbomix Polymers (India) Private Limited 2. KLM Tiana Gold & Diamonds Private Limited
5.	<p>Mr. James Joseph Arambankudyil</p> <p>Designation: Non-Executive Director (Non-Independent)</p> <p>DIN: 06566906</p> <p>Nationality: Indian</p> <p>Occupation: Business</p> <p>Date of appointment/reappointment: May 19, 2013</p> <p>Term: Liable to retire by rotation</p> <p>Address: Arambankudyil House, Kothamangalam Ernakulam, Kerala- 686 691, India</p>	64	<ol style="list-style-type: none"> 1. Reliant Credits (India) Limited 2. Shangrila Financial Services Limited 3. Aiswarya Nidhi Limited 4. KLM Tiana Gold & Diamonds Private Limited 5. KLM Nidhi Limited
6.	<p>Mr. Issac Jacob</p> <p>Designation: Independent Director (Additional)</p>	33	<ol style="list-style-type: none"> 1. Payyoli Granites Private Limited 2. Basil Rubber Factory Private Limited

Sr. No.	Name, designation, DIN, nationality, occupation, date of appointment, term and address	Age (years)	Other Directorships
	DIN: 02078308		
	Nationality: Indian		
	Occupation: Business		
	Date of appointment/reappointment: March 17, 2018		
	Term: from March 17, 2018 upto the ensuing General Meeting		
	Address: Arambankudyil House, Kothamangalam Ernakulam, Kerala- 686 691, India		

Brief Profile of Directors

Dr. Alexander John Joseph: aged 80 years is the Non- Executive Chairman of our Company. He is a retired IAS officer and holds a doctorate of philosophy from Karnataka University. He has been associated with our Company since February 29, 2016.

Mr. Josekutty Xavier: aged 58 years is the Whole-Time Director of our Company. He holds a bachelor's degree in Commerce from University of Kerala. He has a rich experience in finance business and has served as a director in KLM Fincorp Limited, KMLM Chits India Limited and KLM Nidhi Limited. He has been associated with our Company since December 2, 2014.

Mr. Shibu Thekumpurathu Varghese: aged 53 years is the Whole-Time Director of our Company. He holds a bachelor's degree in arts from Gandhiji University. He has served as a director in Payyoli Granites Private Limited, KLM Nidhi Limited, KMLM Financial Serviced Limited and KMLM Chits India Limited. He has over 25 years of experience in finance business. He has been associated with our Company since July 27, 2016.

Ms. Biji Shibu: aged 48 years is our Non-Executive Director. She holds a bachelor's degree in arts from Mahatma Gandhi University. She has served as a Director in Carbomix Polymers (India) Private Limited and KLM Tiana Gold & Diamonds Private Limited. She has a rich experience in finance business and has been associated with our Company since March 9, 2013.

Mr. James Joseph Arambankudyil: aged 64 years is a Non-Executive Director. He has cleared the pre-degree examination from Mar Athanasius College. Prior to joining our Company, he has worked with Ras Al Khaimah Plastic Establishment, U.A.E and Anabeeb Pipes Manufacturing Factories, U.A.E as a sales manager. He has a wide range of experience in the G.R.P industry. He has been associated with our Company since May 19, 2013.

Mr. Issac Jacob: aged 33 years is Independent (Additional) Director. He holds Bachelor's degree in technology under mechanical branch. He has been associated with our Company since March 17, 2018.

Confirmations

None of our Directors have been restrained or prohibited or debarred by SEBI from accessing the securities market or dealing in securities.

None of our Directors have been identified as a 'wilful defaulter' by any financial institution or bank, or a consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI. None of our director's features in any list of defaulters by ECGC or any government/regulatory authority.

None of our Directors was a promoter, director or person in control of any company which was delisted within a period of ten years preceding the date of this Prospectus, in accordance with Chapter V of the SEBI Delisting Regulations.

Relationship between Directors

Except as stated below, none of our Directors are related to each other.

Sl. No.	Name of Director	Designation	Relationship with other Directors
1.	Mr. Shibu Thekumpurathu Varghese	Whole time Director	Husband of Ms. Biji Shibu
2.	Ms. Biji Shibu	Director	Wife of Mr. Shibu Thekumpurathu Varghese

Remuneration to the Directors

Chairman

Dr. Alexander John Joseph was appointed as the Independent Director of the Company by a resolution passed at the AGM dated September 26, 2016. Previously, he was appointed as the Additional Independent Director of our Company by a resolution passed by the Board of Directors dated February 29, 2016 and his appointment was regularised by the Company vide a resolution passed at the AGM dated September 26, 2016. Subsequently, he was elected as the Non-Executive Chairman of our Company by the Board of Directors on March 8, 2016.

No sitting fee is paid to the Independent Directors by our Company.

Whole-Time Directors

Mr. Shibu Thekumpurathu Varghese was appointed for a period of 3 years, with effect from August 30, 2016 as the Whole-Time Director of our Company by a resolution of the Board of Directors dated August 30, 2016 and the approval of the members pursuant to an EGM held on September 26, 2016.

The remuneration to be paid to Mr. Shibu Thekumpurathu Varghese is ₹ 2,00,000 per month subject to a maximum limit of ₹ 30,00,000 per annum. Leave and encashment of leave, Gratuity and reimbursement of expenses is as per the rules of the Company.

Mr. Josekutty Xavier was appointed as the Whole-Time Director of our Company, with effect from August 8, 2017 by a resolution passed by the Board of Directors dated August 8, 2017. Previously, he was appointed as the Managing Director of the Company, his designation was changed to Whole-Time Director vide a resolution passed by the Board of Directors dated August 8, 2017.

The remuneration to be paid to Mr. Josekutty Xavier is ₹ 1,25,000 per month subject to a maximum limit of ₹24,00,000 per annum. Leave and encashment of leave, Gratuity and reimbursement of expenses is as per the rules of the Company.

Non-Executive other than Independent Directors

None of the Non- Executive Directors of our company were paid remuneration for the financial year ended March 3, 2017.

Independent Directors

None of the Independent Directors of our company were paid sitting fee for the financial year ended March 31, 2017.

Borrowing Powers of the Board

Pursuant to the resolution passed by the shareholders of our Company at their EGM held on October 3, 2017 and in accordance with provisions of Section 180(1)(c) of the Companies Act, 2013 and all other applicable provisions of the Companies Act, 2013 and the Articles of Association of our Company, the Board has been authorised to borrow sums of money as they may deem necessary on such terms and conditions that the board may deem fit, notwithstanding that the aggregate of amounts so borrowed and outstanding at any one time (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed an amount of ₹ 800 crore. Out of the overall borrowing limit specified above, Rs.300 crore can be raised through the issue of fully unsecured subordinated Debts forming the tier II capital of the company in accordance

with the RBI guidelines and in different tranches and at different times as the board of directors consider in the best interests of the company

Interest of the Directors

All the directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. Further, other than the Promoter Director of our Company, none of the Directors have any interest in the promotion of our Company.

All the directors of our Company, may also be deemed to be interested to the extent of Equity Shares, if any, held by them or by companies, firms and trusts in which they are interested as directors, partners, members or trustees and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

All our directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as otherwise stated in this Prospectus and statutory registers maintained by our Company in this regard, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made with them.

Appointment of Relatives of Directors to an office of profit

As on date, none of the relatives of Directors are appointed to an office or place of profit.

Debenture holding of Directors

As on date, none of our Directors hold any debentures issued by our Company.

Details of remuneration paid/ payable to our Directors during the financial year ended March 31 2018, by our Company and our associates are as follows:

As on March 31, 2018

Sl. No.	Name of the Director	By the Company		By the Associates		Total Remuneration (₹)
		Remuneration	Nature	Remuneration	Nature	
1.	Mr. Josekutty Xavier	17,00,000	Managerial Remuneration	Nil	-	17,00,000
2.	Mr. Shibu Thekumpurathu Varghese	30,00,000	Managerial Remuneration	Nil	-	30,00,000
3.	Dr. Alexander John Joseph	Nil	-	Nil	-	Nil
4.	Ms. Biji Shibu	Nil	-	Nil	-	Nil
5.	Mr. James Joseph Arambankudyil	Nil	-	Nil	-	Nil
6.	Mr. Issac Jacob	Nil	-	Nil	-	Nil

Appointment to office of Profit

None of our Directors' relatives have been appointed to an office or place of profit.

Changes in the Directors of the company during the last three years

Name of Director	Date of Change	Reason
Mr. Reji Kuriakose	August 14, 2015	Appointment as Additional Director
Mr. George Kuriape	August 14, 2015	Appointment as Additional Director

Mr. Josekutty Xavier		September 26, 2015	Change in Designation – appointed as Director
Mr. Reji Kuriakose		September 26, 2015	Change in Designation – appointed as Independent Director
Mr. George Kuriape		September 26, 2015	Change in Designation – appointed as Independent Director
Mr. Josekutty Xavier		December 31, 2015	Change in Designation – appointed as Managing Director
Dr. AlexanderJohn Joseph		February 29, 2016	Appointment as Additional Director
Mr. Varghese Jijo		June 6, 2016	Resignation
Mr. Shibu Thekumpurathu Varghese		July 27, 2016	Appointment as Additional Director
Mr. Shibu Thekumpurathu Varghese		August 30, 2016	Change in Designation - appointed as WTD
Mr.Kavil Raveendrivilasm	Viswambharan	August 30, 2016	Appointment as Additional Independent Director
Mr. Kavil Raveendrivilasm	Viswambharan	September 16, 2016	Resignation
Dr. AlexanderJohn Joseph		September 26, 2016	Change in Designation – appointed as Independent Director
Mr. Josekutty Xavier		August 8, 2017	Change in Designation - appointed as WTD
Mr. Reji Kuriakose		March 13, 2018	Resignation
Mr. George Kuriape		March 13, 2018	Resignation
Mr. Issac Jacob		March 17, 2018	Appointment as Additional Independent Director

Shareholding of Directors, including details of qualification shares held by Directors

As per the provisions of our MOA and AOA, Directors are not required to hold any qualification shares. Details of the Equity Shares held in our Company by our Directors, as on date, are provided in the table given below:

Sr. No.	Name of Director	Number of Equity Shares held	Percentage of the total paid-up capital (%)
1	Mr. Josekutty Xavier	3,22,500	0.81
2	Mr. Shibu Thekumpurathu Varghese	19,61,200	4.90
4	Ms. Biji Shibu	4,40,300	1.10
5.	Mr. James Joseph Arambankudyil	10,000	0.03

Shareholding of Directors in our Group Companies

Sr. No.	Name of Director	Name of the Company	Number of equity shares held	Percentage of the total paid-up capital (%)
1.	Mr. Shibu Thekumpurathu Varghese	KMLM Financial Service Limited	2500	11.60
		KLM Tiana Gold & Diamonds Private Limited	-	-
		Payyoli Granites Private Limited	25000	25
2.	Mr. Josekutty Xavier	KMLM Financial Service Limited	1250	5.80
		KLM Tiana Gold & Diamonds Private Limited	-	-
		Payyoli Granites Private Limited	-	-
3.	Dr. Alexander John Joseph	KMLM Financial Service Limited	-	-
		KLM Tiana Gold & Diamonds Private Limited	-	-
		Payyoli Granites Private	-	-

Sr. No.	Name of Director	Name of the Company	Number of equity shares held	Percentage of the total paid-up capital (%)
4.	Ms. Biji Shibu	Limited		
		KMLM Financial Service Limited	2500	11.60
		KLM Tiana Gold & Diamonds Private Limited	2500	50
5.	Ms. James Joseph Arambankudyil	Payyoli Granites Private Limited	-	-
		KMLM Financial Service Limited	-	-
		KLM Tiana Gold & Diamonds Private Limited	2500	50
6.	Mr. Issac Jacob	Payyoli Granites Private Limited	-	-
		KMLM Financial Service Limited	-	-
		KLM Tiana Gold & Diamonds Private Limited	25000	25

Details of various Committees of the Board

1. Audit Committee

Audit committee was constituted by the Board of directors through its resolution dated August 14, 2015 and reconstituted as on April 3, 2018. It currently comprises of the following directors:

- (i) Mr. Josekutty Xavier
- (ii) Dr. Alexander John Joseph
- (iii) Mr. Issac Jacob

The scope and functions of the Audit committee are in accordance with Section 177 of the Companies Act, 2013 and its terms of reference are as follows:

- a) Reviewing internal controls and internal audit function with the management/internal auditors.
- b) Oversight of financial reporting process/disclosures and review of interim & annual financial statements before the Board approval.
- c) Periodic discussion with the statutory auditors of the company (whether before, during or after the audit) on internal systems, nature and scope of audit, audit observations and areas of concern, if any.
- d) Review the outcome of internal investigations of material fraud, irregularity and failure of internal system.
- e) Review financial & risk management policies.
- f) To look into substantial defaults, if any, in payments to creditors and shareholders.
- g) To look into any matter pertaining to finance and accounts areas, as it may deem fit and for this purpose the Audit Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary.
- h) To supervise, guide and review the accounting, financial statements and the internal control systems
- i) To suggest improvements/changes in financial and accounting policies and practices of the company
- j) To ensure compliance with accounting standards
- k) To ensure compliance with stock exchange and legal requirements concerning financial statements
- l) Recommend the appointment and removal of external auditor

2. Nomination and Remuneration Committee

The Nomination Committee was constituted by a board resolution dated August 14, 2015 and reconstituted as on April 3, 2018. It currently comprises the following Directors:

The Committee currently comprises:

- (i) Ms. Biji Shibu
- (ii) Dr. Alexander John Joseph

(iii) Mr. Issac Jacob

The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act and its terms of reference are as follows:

- a) To formulate the criteria for determining qualifications, positive attributes and independence of a director
- b) To recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.

3. Finance Committee

The Finance Committee was constituted by a Board Resolution dated March 31, 2016 and was last reconstituted on January 22, 2017 and it currently comprises:

- (i) Mr. Shibu Thekumpurathu Varghese
- (ii) Mr. Josekutty Xavier
- (iii) Ms. Biji Shibu
- (iv) Mr. James Joseph Arambankudiyil

The scope and function of the Finance Committee and its terms of reference are as follows:

- a) To oversee annual audit process;
- b) To oversee the financial affairs of the organization;
- c) To maintain oversight of the financial management;
- d) To report to the Board about the financial management of the organization on regular basis.
- e) To allot share, debenture and subordinate debt of the company.

4. Asset Liability Management Committee

The Asset Liability Management Committee was constituted by a Board Resolution dated November 15, 2017 and it currently comprises:

- (i) Mr. Josekutty Xavier
- (ii) Ms. Biji Shibu
- (iii) Mr. Shibu Thekumpurathu Varghese

The scope and function of the Asset Liability Committee and its terms of reference are as follows:

- a) To create an institutional mechanism to compute and monitor periodically the maturity pattern of the various liabilities and assets of the company.
- b) To ensure proper balance of assets and liabilities of the company as per guidelines issued by Reserve Bank of India from time to time.
- c) The major objectives of the committee are as follows:
 1. Liquidity risk management
 2. Management of market risks
 3. Funding and capital planning
 4. Profit planning and growth projection

5. Risk Management Committee

The Risk Management Committee was constituted by a Board Resolution dated November 15, 2017 and it currently comprises:

- (i) Mr. Shibu Thekumpurathu Varghese
- (ii) Mr. Josekutty Xavier
- (iii) Mr. James Joseph Arambankudiyil

The scope and function of the Risk Management Committee and its terms of reference are as follows:

- a) To review the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.
- b) To identify the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action.

- c) To provide a framework that enables future activities to take place in a consistent & controlled manner
- d) To improve the decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
- e) To contribute towards more efficient use/ allocation of the resources within the organization.
- f) To develop and support people and knowledge base of the organization.
- g) To optimize operational efficiency in the organization

6. Stakeholder Relationship Committee

Stakeholders Relationship Committee was constituted in compliance with the provisions of Section 178 of Companies Act, 2013 by a Board Resolution dated April 4, 2017 and it currently comprises:

- (i) Ms. Biji Shibu
- (ii) Mr. Josekutty Xavier
- (iii) Mr. James Joseph Arambankudiyil

The scope and function of the Stakeholder Relationship Committee are in accordance with Section 178 (6) of the Companies Act and its terms of reference are as follows:

- a) To consider and resolve the grievances of security holders of the company.
- b) To work in coordination with Finance Committee of Board.
- c) Redressal of shareholders and investor complaints on non-receipt of declared dividend, annual report, transfer of Equity Shares and issue of duplicate/split/consolidated share certificates, etc.;
- d) To monitor transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by the Company.
- e) Redresal of complaints on Allotment and listing of shares and debentures;
- f) To refer to the statutory and regulatory authorities regarding investor grievances and guide the company;
- g) To ensure proper and timely attendance and redressal of investor queries and grievances;
- h) To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers.

7. Debenture Committee

The Debenture Committee was re-constituted by the Board of Directors through its resolution dated March 20, 2018. The Debenture Committee comprises of the following persons:

- (i) Mr. Shibu Thekumpurathu Varghese;
- (ii) Ms. Biji Shibu;
- (iii) Mr. James Joseph Arambankudiyil
- (iv) Mr. Josekutty Xavier

The terms of reference of the Debenture Committee includes the following:

To determine and approve, the terms and conditions and number of the debentures to be issued, the timing, nature, type, pricing and such other terms and conditions of the issue including coupon rate, minimum subscription, retention of oversubscription, if any, etc., to approve and make changes to the draft prospectus, to approve the prospectus, including any corrigendum, amendments supplements thereto, and the issue thereof and to issue and allot the debentures and to approve all other matters relating to the issue and do all such acts, deeds, matters and things including execution of all such deeds, documents, instruments, applications and writings as it may, at its discretion, deem necessary and desirable for such purpose including without limitation the utilisation of the issue proceeds, modify or alter any of the terms and conditions, including size of the Issue, as it may deem expedient, extension of issue and/or early closure of the issue.

8. Corporate Social Responsibility (CSR) Committee:

The CSR Committee constituted by the Board of Directors through its resolution dated April 3, 2018. The CSR Committee comprises of the following persons:

- (i) Mr. Shibu Thekumpurathu Varghese;
- (ii) Ms. Biji Shibu;
- (iii) Dr. AlexanderJohn Joseph

The terms of reference of the CSR Committee includes the following:

- 1. To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;*
- 2. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;*
- 3. To monitor the CSR policy of the Company from time to time;*
- 4. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.*

OUR PROMOTERS

The Promoters of our Company are Ms. Biji Shibu and Ms. Princy Josekutty and they hold 4,87,300 Equity Shares aggregating to 1.22% of the share capital of our Company.

Profile of our Promoters

1. **Ms. Biji Shibu:** aged 47 years is our Non-Executive Director. She holds a bachelor's degree in arts from Mahatma Gandhi University. She has served as a director in Carbomix Polymers (India) Private Limited and KLM Tiana Gold & Diamonds Private Limited. She has a rich experience in finance business and has been associated with our Company since March 9, 2013. She holds 4,40,300 Equity Shares, which constitutes 1.10% shareholding of our Company.
2. **Ms. Princy Josekutty:** aged 56 years holds a bachelor's degree in arts from University of Calicut. She is holding office as a director in KLM Prime Nidhi Limited and as an additional director in K M L M Chits India Limited. She has over 10 year experience in finance business. She holds 47,000 Equity Shares, which constitutes 0.12% shareholding of our Company.

Interest of our Promoter in our Company

Except as stated under “*Our Management*” beginning on page 108 and as stated above, to the extent of their shareholding in our Company and to the extent of remuneration received by them in their capacity as Ms. Biji Shibu as Director and Ms. Princy Josekutty as Head-Operations of the Company, our Promoters do not have any other interest in our Company's business. Further, our Promoters have no interest in any property acquired by our Company in the last two years from the date of this Prospectus, or proposed to be acquired by our Company, or in any transaction with respect to the acquisition of land, construction of building or supply of machinery.

Other Confirmations

Our Promoters have not been identified as wilful defaulters by any financial institution or bank or a consortium thereof in accordance with the guidelines on identification of wilful defaulters prescribed by the RBI.

Our Promoters, or person(s) in control of our Company were not a promoter, director or person(s) in control of any company which was delisted within a period of ten years preceding the date of this Prospectus, in accordance with Chapter V of the SEBI Delisting Regulations.

No violations of securities laws have been committed by our Promoters in the past or are currently pending against them. Our Promoters have not been restrained or debarred or prohibited from accessing the capital markets or restrained or debarred or prohibited from buying, selling or dealing in securities under any order or directions passed for any reasons by SEBI or any other authority or refused listing of any of the securities issued by any stock exchange in India or abroad.

Our Promoters equity shareholding in our Company, as on the date of this Prospectus, is as set forth below:

Sr. No.	Name of Promoter	Total number of Equity Shares	Number of shares held in dematerialised Form	Total shareholding as a % of total number of Equity Shares	Equity Shares pledged or otherwise encumbered	% of Equity Shares pledged with respect to shares owned
1.	Ms. Biji Shibu	4,40,300	Nil	1.10	Nil	Nil
2.	Ms. Princy Josekutty	47,000	Nil	0.12	Nil	Nil

Details of Promoters Contribution in our Company:

1. Ms. Biji Shibu

Date of allotment/transfer	No. of Equity Shares	Face value (in ₹)	Issue price (in ₹)	Consideration (Cash/Other than cash)	Nature of allotment/transfer	Sources
March 9, 2013	2,00,300	10	-	Cash	Transfer	Own Funds
July 3, 2014	80,000	10	11.25	Cash	Preferential Allotment	Own Funds
September 18, 2014	80,000	10	11.25	Cash	Preferential Allotment	Own Funds
July 16, 2015	80,000	10	11.25	Cash	Preferential Allotment	Own Funds
Total	4,40,300					

2. Ms. Princy Josekutty

Date of allotment/transfer	No. of Equity Shares	Face value (in ₹)	Issue price (in ₹)	Consideration (Cash/Other than cash)	Nature of allotment/transfer	Sources
March 9, 2013	47,000	10	-	Cash	Transfer	Own Funds
Total	47,000					

SECTION V - FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Sr. No.	Particulars	Page No.
1.	Statutory Auditor's report on the Reformatted Financial Statements of our Company for the Financial Years ended March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014.	121 to 123
2.	Financial information of our Company for the Financial Years ended March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014.	124 to 144



BALAN & CO.

Chartered Accountants

CA P.E.B. Menon
CA P. Mohandas
CA Vishnu Prasad B. Menon

Bank Road, Aluva - 683 101

Phone : 0484-2625371, 2625066

E-mail : balanandco@gmail.com, Website : balanandco.com

The Board of Directors,
KLM Axiva Finvest Limited,
Subodh Business Centre 408,
Malik Chambers, Hyderguda,
Hyderabad,
Telangana- 500029

Dear Sirs,

We have examined the attached reformatted standalone financial information of KLM Axiva Finvest Limited, (the "Company") annexed to this report, which is proposed to be included in the Draft Prospectus/Prospectus of the Company in connection with the proposed issue of **SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES OF FACE VALUE OF `1,000 EACH ("NCDS"), AT PAR, AGGREGATING UP TO 10,000 LAKHS** in terms of the requirement of Section 26 of the Companies Act, 2013 ("the Act"), Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended ("the Regulations") issued by Securities and Exchange Board of India (SEBI), as amended from time to time in pursuance of Section 11A of the Securities and Exchange Board of India Act, 1992 (the "SEBI Act") and related clarifications and in terms of our engagement letter dated March 21, 2018. This financial information has been prepared by the Company and is approved by the debenture committee of the Board of Directors of the Company. The preparation and presentation of the reformatted financial information is the responsibility of the Company's management. This reformatted financial information is proposed to be included in the Draft Prospectus/Prospectus of the Company in connection with the issue. These reformatted financial information have been regrouped and reclassified in accordance to Revised Schedule VI/Schedule III to the Act effective from April 1, 2012 (but not restated retrospectively for change in any accounting policy) for the years ended March 31, 2018, 2017, 2016, 2015 and 2014 to be included in the Offer Documents of the Company in connection with the issue.

We have examined this financial information taking into consideration the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India.

1. Reformatted Standalone Financial Statements as per Audited Standalone Financial Statements of the Company

We have examined the following attached statements of the Company:

- The "Reformatted Standalone Statement of Assets and Liabilities" as at March 31, 2018, 2017, 2016, 2015 and 2014 (Annexure I) and the schedules forming part thereof (Annexure IV); and
- The "Reformatted Standalone Statement of Profits and Losses" for the year ended March 31, 2018, 2017, 2016, 2015 and 2014 (Annexure II) and the schedules forming part thereof (Annexure V); and



- c. The "Reformatted Standalone Statement of Cash Flows" for the year ended March 31, 2018, 2017, 2016, 2015 and 2014 (Annexure III), together referred to as "Reformatted Standalone Financial Statements".

The financial statements for the years ended as at March 31, 2018, 2017, 2016, 2015 and 2014 have been approved/ adopted by the Board of Directors and the members of the Company.

We have performed such tests and procedures, which in our opinion were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached Reformatted Financial Information with the Company's audited financial statements for the year ended March 31, 2018, 2017, 2016, 2015 and 2014 and regrouping and reclassification as per Schedule VI/Schedule III of the 'Act' and requirements of 'SEBI Regulations'.

These Reformatted Standalone Financial Statements have been extracted from the Audited Standalone Financial Statements of the Company after making such adjustments, reclassifications and regroupings as considered appropriate and based on our examination of these Reformatted Standalone Financial Statements, we state that:

- a. These Reformatted Standalone Financial Statements have been presented in "Rupees in lakhs" solely for the convenience of readers;
- b. These Reformatted Standalone Financial Statements have to be read in conjunction with the relevant Significant Accounting Policies and Notes to Financial Statements on the Reformatted Standalone Financial Statements given as per Annexure VI;
- c. The figures of earlier years/periods have been regrouped (but not restated) wherever necessary, to conform to the classification adopted for the Reformatted Standalone Financial Statements;
- d. There are no extra-ordinary items that need to be disclosed separately other than those already disclosed in the Reformatted Standalone Financial Statements;
- e. These Reformatted Standalone Financial Statements to conform to the requirements of the Schedule III of the Companies Act, 2013.

2. Other Standalone Financial Information of the Company

We have examined the following Other Standalone Financial Information of the Company in respect of year ended March 31, 2018, 2017, 2016, 2015 and 2014 proposed to be included in the Draft Prospectus/Prospectus, and annexed to this report:

- a. Significant Accounting Policies (Annexure VI)
- b. Capitalisation Statement (Annexure VII)
- c. Statement of Secured & Unsecured Loans (Annexure VIII)
- d. Statement of Accounting Ratios (Annexure IX)
- e. Statement of Dividends (Annexure X)
- f. Statement of Contingent Liability (Annexure XI)
- g. Statement of Tax Shelter (Annexure XII)
- h. Statement of List of Related Parties & Transaction with them (Annexure XIII A & B)

3. Based on our examination of these Reformatted Standalone Financial Information, we state that in our opinion, the "Reformatted Standalone Financial Statements as per Audited Standalone Financial Statements of the Company" and "Other Standalone Financial Information of the Company" mentioned above for the year ended March 31, 2018, 2017, 2016, 2015 and 2014 have been prepared in accordance with Section 26 of the Act and the Regulations amended by time to time, by SEBI Act.




4. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.
5. This report is intended solely for your information and for inclusion in the Draft Prospectus/Prospectus in connection with the proposed issue of NCDs aggregating to Rs. 10,000 lakhs and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Place: Aluva
Date: August 31, 2018



For Balan & Co.,
Chartered Accountants
(FRN 000340 S)


P. Mohandas FCA
Partner (M. No. 021262)

Annexure - I : Reformatted Summary Statement of Assets and Liabilities

(Rs. In lakhs)

Particulars	Note No.	As at 31.03.2018	As at 31.03.2017	As at 31.03.2016	As at 31.03.2015	As at 31.03.2014
I. EQUITY AND LIABILITIES						
(1) Shareholder's Funds						
(a) Share Capital	1	3,998.88	3,667.90	2,153.06	1,221.33	430.33
(b) Reserves and Surplus	2	947.63	935.12	504.05	238.90	70.34
(c) Money received against share warrants		-	-	-	-	-
(2) Share application money pending allotment		-	-	-	124.30	11.25
(3) Non-Current Liabilities						
(a) Long-term borrowings	3	15,131.61	3,516.24	1,467.10	306.20	26.00
(b) Deferred tax liabilities (Net)	8	-	-	-	-	0.33
(c) Other Long term liabilities		-	-	-	-	-
(d) Long term provisions	4	164.70	67.67	31.36	17.25	0.69
(4) Current Liabilities						
(a) Short-term borrowings	5	450.14	-	-	-	-
(b) Trade payables		-	-	-	-	-
(c) Other current liabilities	6	1,842.54	2,692.59	21.31	14.07	0.56
(d) Short-term provisions	7	400.41	18.72	78.92	10.71	7.42
Total		22,935.89	10,898.23	4,255.80	1,932.76	546.92
II. Assets						
(1) Non-current assets						
(a) Fixed assets						
(i) Tangible assets	8	666.01	629.21	219.69	93.32	5.85
(ii) Intangible assets		12.79	12.35	13.76	11.82	1.80
(iii) Capital work-in-progress		-	-	-	-	-
(iv) Intangible assets under development		-	-	-	-	-
(b) Non-current investments		-	-	-	-	-
(c) Deferred Tax Asset (Net)	9	74.89	38.06	8.36	5.09	-
(d) Long term loans and advances - Financing Activities	10	3,149.02	3,197.49	705.97	297.18	-
(e) Long term loans and advances	11	168.09	123.71	74.04	23.95	-
(f) Other non-current assets		-	-	-	-	-
(2) Current assets						
(a) Current investments		-	-	-	-	-
(b) Inventories		-	-	-	-	0.10
(c) Trade receivables		-	-	-	-	-
(d) Cash and cash equivalents	12	1,848.10	621.95	77.75	613.60	255.77
(e) Short-term loans and advances - Financing Activities	10	16,274.28	5,938.19	2,992.53	838.48	275.47
(f) Short-term loans and advances	13	210.66	8.02	3.84	3.96	-
(g) Other current assets	14	532.05	329.26	159.86	45.33	7.93
Total		22,935.89	10,898.23	4,255.80	1,932.76	546.92

The accompanying statement of significant accounting policies and notes to accounts on financial statements are interegral part of this statement.



Annexure - II : Reformatted Summary Statement of Profit and Loss

(Rs. In lakhs)

PARTICULARS	NOTE No	For the year ended				
		31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
REVENUE						
Revenue from operations	15	4,154.72	2,389.23	1,077.96	313.88	40.33
Other Income	16	118.46	4.52	3.93	0.33	0.06
TOTAL REVENUE		4,273.17	2,393.75	1,081.88	314.21	40.39
EXPENSES						
Changes in inventory		-	-	-	-	-0.10
Employee benefit expenses	17	863.07	720.01	331.02	42.80	3.13
Financial costs	18	1,152.54	394.82	13.45	11.82	-
Depreciation and amortization expense		140.06	106.57	49.44	18.39	0.19
Other expenses	19	1,325.25	856.92	426.84	155.76	10.66
TOTAL EXPENSES		3,480.93	2,078.32	820.76	228.77	13.88
Profit before tax and Extra ordinary Items		792.25	315.43	261.13	85.44	26.51
Extraordinary item:						
Excess Provision for Taxation		-	-	-	-	-0.01
Profit before tax		792.25	315.43	261.13	85.44	26.52
Tax expense:						
(1) Income Tax		260.43	132.15	100.16	36.71	9.67
(2) Deferred Tax		-36.83	-29.70	-3.26	-5.42	0.33
Profit/(Loss) for the period		568.65	212.98	164.22	54.15	16.52



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Annexure - III : Reformatted Summary of Cash Flow Statement

(Rs. In lakhs)

PARTICULARS	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
A CASH FLOW FROM OPERATING ACTIVITIES :					
Net profit Before Taxation	792.25	315.43	261.13	85.44	26.51
<i>Adjustments for:</i>					
Depreciation	140.06	106.57	49.44	18.39	0.19
Finance Cost	1,146.19	386.01	12.34	11.06	-
Interest on Income Tax	5.93	8.81	1.11	-	-
Provision for Bad debt	15.19	-	-	-	-
Provision for Standard asset	48.06	19.34	4.37	1.82	0.69
NPA provision	48.97	16.96	9.74	14.74	-
Operating Profit before Working Capital Changes	2,196.64	853.12	338.13	131.45	27.39
(Increase)/Decrease in Loans & Advances - financing activity	(10,287.62)	(5,437.17)	(2,562.84)	(860.19)	(275.68)
(Increase)/Decrease in Short term Loans & Advances	(202.64)	(4.17)	0.12	(3.96)	-
(Increase)/Decrease in Current Assets	(202.79)	(169.40)	(114.53)	(37.30)	(7.93)
(Increase)/Decrease in Inventory	-	-	-	-	(0.10)
Increase/(Decrease) in Short Term Borrowings	450.14	-	-	-	-
Increase/(Decrease) in Other current liabilities	450.00	2,671.28	7.24	13.51	0.56
Cash flow from extraordinary items	-	-	-	-	0.01
Cash from operations	(7,596.27)	(2,086.34)	(2,331.87)	(756.51)	(255.75)
Income Tax Paid	(139.79)	(201.16)	(33.07)	(33.42)	(2.05)
<i>Net Cash From Operating Activities</i>	(7,736.06)	(2,287.50)	(2,364.94)	(789.93)	(257.80)
B CASH FLOW FROM INVESTING ACTIVITIES :					
Purchase of Fixed Assets	(169.01)	(509.91)	(170.57)	(102.92)	(5.92)
Purchase of Intangible Assets	(8.29)	(4.78)	(7.17)	(12.98)	(1.92)
Sale of Fixed assets	-	-	-	-	-
(Increase)/ Decrease in Deposits	(44.39)	(49.67)	(50.09)	(23.95)	-
<i>Net Cash From Investing Activities</i>	(221.69)	(564.36)	(227.83)	(139.84)	(7.84)
C CASH FLOW FROM FINANCING ACTIVITIES:					
Proceeds from issuance of equity shares	330.98	1,514.85	931.73	791.00	354.50
Share Premium on issue of shares	49.65	218.09	100.93	114.41	44.31
(Decrease)/ Increase in share application money	-	-	(124.30)	113.05	11.25
Proceeds from issue of Debentures	1,078.00	998.00	1,150.90	-	-
Debenture application money	-	(10.00)	10.00	-	-
Proceeds from issuance of Subordinate Debts	9,494.67	1,061.14	-	-	-
Proceeds from Long term Borrowings	-	-	-	280.20	26.00
Repayment of long-term borrowings	(306.20)	-	-	-	-
Dividend Paid	(263.37)	-	-	-	-
Dividend Distribution Tax	(53.64)	-	-	-	-
Finance Cost	(1,146.19)	(386.01)	(12.34)	(11.06)	-
<i>Net Cash From Financing Activities</i>	9,183.90	3,396.06	2,056.91	1,287.61	436.06
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,226.15	544.20	(535.85)	357.83	170.42
OPENING CASH AND CASH EQUIVALENTS	621.95	77.75	613.60	255.77	85.34
CLOSING CASH AND CASH EQUIVALENTS	1,848.10	621.95	77.75	613.60	255.77



Annexure - IV : Notes to Reformatted Summary Statement of Assets and Liabilities

Note - 1
SHARE CAPITAL

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Authorised					
Equity shares of Rs. 10/- each	4,500.00	4,000.00	3,000.00	1,500.00	800.00
Preference shares of Rs. 1000/- each	-	-	-	500.00	200.00
Issued, Subscribed & Fully Paid Up					
Equity Shares of Rs. 10/- each	3,998.88	3,667.90	2,153.06	1,221.33	430.33
TOTAL	3,998.88	3,667.90	2,153.06	1,221.33	430.33

i. Reconciliation statement of shares

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
No: of shares at the beginning of the year	3,66,79,005	2,15,30,555	1,22,13,300	43,03,300	7,58,300
Issued During the year	33,09,782	1,51,48,450	93,17,255	79,10,000	35,45,000
Bonus Issue	-	-	-	-	-
Less: shares bought back	-	-	-	-	-
Outstanding at the end of the year	3,99,88,787	3,66,79,005	2,15,30,555	1,22,13,300	43,03,300

ii. Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ' 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

iii. Details of Shareholders holding more than 5% Shares*

Name of shareholder	No. of Shares Held As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Biji Shibu	-	-	-	-	-
Aliyamma Varghese	36,56,450	-	12,08,000	7,08,000	-
Bindu Peeyus	-	-	-	-	-
Simi Jijo	-	-	-	-	-
Chinnamma Kuriakkose	-	-	-	-	-
John J. Pullan	-	-	-	-	-
Princy Josekutty	-	-	-	-	-
Jijo M. Varghese	-	-	-	-	-
Ann Jose	-	-	-	-	-
Joby George	-	-	-	10,00,000	10,00,000
Jose Sebastian	-	-	15,00,000	6,80,000	4,00,000
Unni S. Kappen	-	-	-	-	2,95,000
Aleena James	-	-	-	-	2,55,000
Sebastian C. Kappen	-	-	-	-	2,50,000
Lissy Ittoop	-	-	-	7,20,000	-
Ittoop K. O.	-	-	-	6,80,000	-
George Jacob A. K./ Majie George	-	-	-	7,00,000	-
Baby Mathew	-	-	-	7,60,000	-
Shibu Theckumpuram	-	-	12,71,200	-	-

Name of shareholder	Percentage Holding As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Biji Shibu	-	-	-	-	-
Aliyamma Varghese	9.14%	-	5.61%	5.80%	-
Bindu Peeyus	-	-	-	-	-
Simi Jijo	-	-	-	-	-
Chinnamma Kuriakkose	-	-	-	-	-
John J Pullan	-	-	-	-	-
Princy Josekutty	-	-	-	-	-



Signature

Jijo.M Varghese	-	-	-	-	-
Ann Jose	-	-	-	-	-
Joby George	-	-	-	-	-
Jose Sebastian	-	-	-	8.19%	23.24%
Unni S. Kappen	-	-	6.97%	5.57%	9.30%
Aleena James	-	-	-	-	6.86%
Sebastian C. Kappen	-	-	-	-	5.93%
Lissy Ittoop	-	-	-	-	5.81%
Ittoop K. O.	-	-	-	5.90%	-
George Jacob A. K./ Majie George	-	-	-	5.57%	-
Baby Mathew	-	-	-	5.73%	-
Shibu Theekumpuram	-	-	5.90%	6.22%	-

Note - 2

RESERVES & SURPLUS

(Rs. In lakhs)

Reserves and Surplus	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Statutory Reserve					
Amount as per Last Balance Sheet	99.26	56.66	23.82	12.99	9.69
(+) Additions/ transfers during the Year	113.73	42.60	32.84	10.83	3.30
Closing Balance	212.99	99.26	56.66	23.82	12.99
(b) Share Premium Account:					
As Per last balance sheet	477.74	259.65	158.73	44.31	-
(+) Additions during the Year	49.65	218.09	100.93	114.41	44.31
	527.39	477.74	259.65	158.73	44.31
(c) General Reserve					
Amount as per Last Balance Sheet	4.08	4.08	4.08	4.08	4.08
(+) Additions/ transfers during the Year	-	-	-	-	-
Closing Balance	4.08	4.08	4.08	4.08	4.08
(d) Surplus					
Balance as per last financial statements	354.04	183.66	52.28	8.96	(4.26)
(+) Net profit/(net loss) for the current year	568.65	212.98	164.22	54.15	16.52
(-) Transfer to Statutory Reserve	113.73	42.60	32.84	10.83	3.30
(-) Transfer to General Reserve	-	-	-	-	-
(-) Interim dividend on equity shares	503.31	-	-	-	-
(-) Tax on Dividend	102.48	-	-	-	-
(-) Adjustment relating to Fixed Assets	-	-	-	0.00	-
Balance as at the end of the year	203.17	354.04	183.66	52.28	8.96
TOTAL	947.63	935.12	504.05	238.90	70.34

Note - 3

LONG TERM BORROWINGS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
SECURED					
(a) Non Convertible debentures - Private Placement	4,575.80	2,148.90	1,150.90	-	-
(b) Debenture application money pending allotment	-	-	10.00	-	-
UNSECURED					
From Directors	-	306.20	306.20	306.20	26.00
Subordinate Debts	10,555.81	1,061.14	-	-	-
TOTAL	15,131.61	3,516.24	1,467.10	306.20	26.00

Nature of Security - First ranking pari passu charge with existing secured creditors on all movable assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future, of the Company.



3.1 Secured Non Convertible Debentures - Private Placement

Series wise classification of secured non convertible debentures*

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Non Convertible Debentures 2015 - 16 Series	885.80	1,075.40	1,150.90	-	-
Non Convertible Debentures 2016 - 17 Series	2,800.70	3,308.20	-	-	-
Non Convertible Debentures 2017 - 18 Series	1,775.10	-	-	-	-
TOTAL	5,461.60	4,383.60	1,150.90	-	-

Interest wise classification of secured non convertible debentures*

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Non Convertible Debentures - 12.5%	3,516.80	4,277.50	1,150.90	-	-
Non Convertible Debentures - 12%	1,944.80	106.10	-	-	-
TOTAL	5,461.60	4,383.60	1,150.90	-	-

Maturity wise classification of secured non convertible debentures*

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Non Convertible Debentures - 36 months maturity	3,228.10	3,417.50	1,150.90	-	-
Non Convertible Debentures - 60 months maturity	2,233.50	966.10	-	-	-
TOTAL	5,461.60	4,383.60	1,150.90	-	-

* includes current maturities of secured non convertible debentures.

Nature of Security - First ranking pari passu charge with existing secured creditors on all movable assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future, of the Company.

3.2 Unsecured Subordinated Debt - Private Placement

Series wise classification of unsecured subordinated debt

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Unsecured Subordinated Debt 2016 - 17 Series	1,061.14	1,061.14	-	-	-
Unsecured Subordinated Debt 2017 - 18 Series	9,494.67	-	-	-	-
TOTAL	10,555.81	1,061.14	-	-	-

Interest wise classification of unsecured subordinated debt

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Unsecured Subordinated Debt - 12%	5,799.52	164.96	-	-	-
Unsecured Subordinated Debt - 12.5%	3,120.56	823.83	-	-	-
Unsecured Subordinated Debt - >12.5%	1,635.73	72.35	-	-	-
TOTAL	10,555.81	1,061.14	-	-	-

Maturity wise classification of unsecured subordinated debt

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Unsecured Subordinated Debt - 5 years maturity	8,920.08	237.31	-	-	-
Unsecured Subordinated Debt - 5 to 6 years maturity	1,635.73	823.83	-	-	-
TOTAL	10,555.81	1,061.14	-	-	-



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Note - 4
LONG TERM PROVISIONS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Provision Others:					
Contingent Provision against Standard Assets	74.27	26.22	6.88	2.51	0.69
Contingent Provision for NPA on Gold Loan & Business Loan	58.31	39.10	23.49	14.67	-
Contingent Provision for NPA on Vehicle Loan and Personal Loan	32.11	2.34	1.00	0.07	-
TOTAL	164.70	67.67	31.36	17.25	0.69

Note - 5
SHORT TERM BORROWINGS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Loans repayable on demand :					
From Banks	-	-	-	-	-
Secured	450.14	-	-	-	-
TOTAL	450.14	-	-	-	-

1. Nature of Security

(a) Loans repayable on demand from banks

Particulars	Primary	Collateral	Guarantors
South Indian Bank	Books debts/ Receivables	<p>1. EM of vacant land in the name of Josekutty Xavier admeasuring 22.91 cents under Sy No: 1160/6B, 1160/6A ; 31.56 cents under Sy No:1160/6B, 1160/8, 160/7; 20.35 cents under Sy No:1159/9 ; 21.61 cents under Sy No:1159/9 of Kothamangalam Village,Ernakulam District.</p> <p>2. EM of commercial property admeasuring 3.50 cents in the name of Mr. Shibu T Varghese Sy No :1023/11B/5/49 of Kothamangalam , Ernakulam.</p> <p>3. EM of residential property in the name of Mrs.Biji Shibu with building and land admeasuring 118.16 cents in SY no:1068/113 of Kothamangalam Village,Ernakulam District.</p>	<p>1. Josekutty Xavier</p> <p>2. Shibu T Varghese</p> <p>3. Biji Shibu</p>

Note - 6
OTHER CURRENT LIABILITIES

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Current maturities of long-term debt					
Non Convertible Debentures	885.80	2,234.70	-	-	-
Term loans	270.00	-	-	-	-
(b) Unpaid dividends	1.57	-	-	-	-
(c) Other payables					
(i) Statutory remittances (Refer note(i) below)	92.84	37.25	6.04	2.26	-
(ii) Salaries and Wages Payable	-	-	-	-	-
(iii) Expenses Payable	592.28	238.24	15.27	11.09	0.56
(iv) Others(Suspense loan collection)	0.05	182.40	-	0.71	-
TOTAL	1,842.54	2,692.59	21.31	14.07	0.56

(i) Statutory dues includes provident fund, employees state insurance, professional tax, withholding taxes and indirect tax payable



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Note - 7
SHORT TERM PROVISIONS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Provision for employee benefits:	-	-	-	-	-
(b) Provision - Others:					
(i) Provision for Income Tax (Net of Advance Tax & TDS)	145.29	18.72	78.92	10.71	7.42
(ii) Interim dividend payable	239.93	-	-	-	-
(iii) Provision for bad debts	15.19	-	-	-	-
TOTAL	400.41	18.72	78.92	10.71	7.42

Note - 8

FIXED ASSET

(Rs. In lakhs)

Particulars	GROSS BLOCK AS ON				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Tangible Assets					
Land	291.63	246.51	-	-	-
Computers and data processing units	76.94	62.27	28.13	14.40	1.32
Electrical Installations and Equipment	61.65	50.16	24.97	15.58	1.48
Furniture and furnishings	429.75	338.71	193.04	63.17	3.12
Office Equipments	98.37	91.67	33.27	15.69	-
Total	958.33	789.32	279.41	108.84	5.92
Intangible Assets					
Compuer Software	35.13	26.84	22.07	14.90	1.92
Total	35.13	26.84	22.07	14.90	1.92
TOTAL	993.47	816.16	301.47	123.73	7.84

Particulars	ACCUMULATED DEPRECIATION AS ON				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Tangible Assets					
Land	-	-	-	-	-
Computers and data processing units	52.20	30.40	12.64	3.27	0.00
Electrical Installations and Equipment	24.49	14.22	5.68	1.94	0.03
Furniture and furnishings	156.98	85.67	29.93	7.07	0.04
Office Equipments	58.65	29.81	11.47	3.24	-
Total	292.32	160.11	59.72	15.51	0.07
Intangible Assets					
Compuer Software	22.34	14.49	8.31	3.07	0.12
Total	22.34	14.49	8.31	3.07	0.12
TOTAL	314.66	174.60	68.03	18.59	0.19

Particulars	NET BLOCK AS ON				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Tangible Assets					
Land	291.63	246.51	-	-	-
Computers and data processing units	24.73	31.87	15.49	11.13	1.31
Electrical Installations and Equipment	37.16	35.94	19.29	13.64	1.46
Furniture and furnishings	272.77	253.05	163.11	56.10	3.08
Office Equipments	39.72	61.86	21.80	12.45	-
Total	666.01	629.21	219.69	93.32	5.85
Intangible Assets					
Compuer Software	12.79	12.35	13.76	11.82	1.80
Total	12.79	12.35	13.76	11.82	1.80
TOTAL	678.81	641.57	233.45	105.15	7.65



Note - 9
DEFERRED TAX ASSET/ (LIABILITY)

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Deferred Tax Assets/(Liabilities)					
On difference between book balance and tax balance	32.48	16.43	3.69	(0.52)	(0.33)
Others	42.41	21.63	4.67	5.61	-
Net Deferred Tax Asset/(Liability)	74.89	38.06	8.36	5.09	(0.33)

Note - 10

LOANS AND ADVANCES - FINANCING ACTIVITIES

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) NON CURRENT					
(i) Secured, considered good					
Gold Loan	-	1,315.46	356.45	7.00	-
Vehicle Loan	25.64	52.56	29.40	43.66	-
Personal Loan	644.42	441.07	255.86	214.52	-
Business Loan	2,478.96	1,388.39	64.26	32.01	-
	3,149.02	3,197.49	705.97	297.18	-
(b) CURRENT					
(i) Secured, considered good					
Gold Loan	5,575.95	2,442.99	1,278.87	583.59	177.09
Vehicle Loan	106.83	97.62	104.24	10.72	22.85
Personal Loan	3,874.68	819.14	907.15	216.86	41.08
Business Loan	5,115.19	2,578.44	702.27	27.31	34.45
(ii) Unsecured, considered good					
Microfinance Loan	1,601.63	-	-	-	-
	16,274.28	5,938.19	2,992.53	838.48	275.47
TOTAL	19,423.29	9,135.68	3,698.50	1,135.67	275.47

Note - 11

LONG TERM LOANS AND ADVANCES - OTHERS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Security Deposits					
Unsecured, considered good	168.09	123.71	74.04	23.95	-
TOTAL	168.09	123.71	74.04	23.95	-

Note - 12

CASH AND CASH EQUIVALENTS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Cash in hand	383.61	172.37	23.87	9.47	39.84
(b) Balance with banks					
(i) In Current Accounts	1,152.49	449.57	53.88	604.13	215.93
(ii) In Deposit Accounts	309.00	-	-	-	-
(iii) In Earmarked Accounts	-	-	-	-	-
- Unpaid dividend accounts	2.99	-	-	-	-
TOTAL	1,848.10	621.95	77.75	613.60	255.77



Note - 13

SHORT TERM LOANS AND ADVANCES

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Loans and advances to employees Unsecured, considered good	-	-	0.19	2.77	-
(b) Balances with government authorities Unsecured, considered good	26.80	6.57	0.06	-	-
(c) Other Loans and Advance Advances for land	1.44	1.44	1.44	1.00	-
Income Tax Advance	168.51	-	-	-	-
Others	13.91	-	2.15	0.20	-
TOTAL	210.66	8.02	3.84	3.96	-

Note - 14

OTHER CURRENT ASSETS

(Rs. In lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Accruals Interest accrued on deposits/Securities	0.63	-	-	-	-
(b) Others Stock of Stationery	0.13	0.13	0.13	0.13	-
Interest Receivable	531.30	316.98	154.10	45.21	7.93
Other Receivables	-	12.16	5.64	-	-
TOTAL	532.05	329.26	159.86	45.33	7.93

Annexure - V : Notes to Reformatted Summary Statement of Profit and Loss

Note - 15

REVENUE FROM OPERATIONS

(Rs. In lakhs)

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Financing Activities Interest on Vehicle Loan	22.84	52.81	16.51	6.71	1.84
Interest on Gold Loan	1,112.36	595.86	238.79	90.96	13.61
Interest on Personal Loan	1,583.72	1,053.27	724.96	185.44	15.87
Interest on Business Loan	1,371.74	687.29	97.70	30.76	9.02
Interest on Micro Finance Loans	64.06	-	-	-	-
TOTAL	4,154.72	2,389.23	1,077.96	313.88	40.33

Note - 16

OTHER INCOME

(Rs. In lakhs)

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Interest Income Interest on FD with Bank	14.30	-	-	-	-
Interest on Inter corporate Deposit	-	-	-	-	-
Interest income	17.82	1.50	-	-	-
(b) Other non-operating income (net of expenses directly attributable to such income) Notice Charge	0.41	0.04	3.76	0.33	0.06
Commision on money transfer	2.36	2.98	0.12	-	-
Processing Fee	31.95	-	-	-	-
Documentation Charges	30.32	-	-	-	-
Social Security Charges	16.48	-	-	-	-
Miscellaneous Income	4.81	-	0.04	-	-
TOTAL	118.46	4.52	3.93	0.33	0.06



Note - 17

EMPLOYEE BENEFIT EXPENSES

(Rs. In lakhs)

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Salaries & Wages	803.27	676.65	312.01	42.53	3.13
Contributions to provident and other funds	59.80	43.36	19.01	0.27	-
TOTAL	863.07	720.01	331.02	42.80	3.13

Note - 18

FINANCE COST

(Rs. In lakhs)

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(a) Interest expense on :					
(i) Borrowings					
Interest on Bank Loan	0.43	-	-	-	-
Interest on Directors Deposits	-	-	12.25	11.06	-
(ii) Others					
Interest on delayed payment of income tax	5.93	8.81	1.11	0.76	-
Interest on Bond	615.23	44.16	-	-	-
Interest on Debenture	530.96	341.85	0.09	-	-
TOTAL	1,152.54	394.82	13.45	11.82	-

Note - 19

OTHER EXPENSES

(Rs. In lakhs)

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Advertisement	267.64	285.35	116.22	35.20	0.05
Audit fee	3.00	2.36	1.73	1.14	0.86
Audit Expenses	0.37	0.18	-	-	-
Bad Debt	-	-	-	0.18	-
Meeting Expenses	4.21	8.53	7.49	0.14	-
Business Promotion	20.86	26.97	14.83	4.30	-
Customer meet expenses	16.47	4.73	8.72	-	-
Collection Expenses	16.28	14.76	7.57	1.91	0.00
Canvassing Expenses	0.00	0.28	0.61	1.52	-
Celebration Expense	3.35	2.21	3.88	0.49	0.02
Computer & Software Expenses	15.63	0.87	1.38	3.74	-
Crisil rating expenses	5.00	-	-	-	-
Debenture Trustee Remuneration	1.10	-	-	-	-
Discount/Bonus on Prompt Payment	-	0.63	8.69	1.89	-
Donation	0.58	0.70	0.25	0.79	-
Electricity charges & Water charges	24.29	19.65	12.67	3.54	0.11
Inaugural Expense	3.17	1.30	5.15	2.10	-
Incentive	250.73	68.07	10.40	5.73	0.74
Insurance charges	3.94	2.12	1.32	0.83	0.20
Bank charges	4.50	1.71	1.98	0.84	0.07
Interest for share money	-	-	-	0.56	-
Interest on EPF	0.00	-	-	-	-
Internet Charge	10.28	2.38	-	-	-
Labour Charges	-	-	0.38	-	-
License Fees	-	0.06	-	-	-
Legal Expense	19.61	7.75	4.48	0.34	-
Loss on Auction Gold	49.33	-	-	-	-
Staff Training Expense	3.78	1.26	0.69	1.19	-
Membership Fee	2.96	0.72	-	-	-
Miscellaneous Expense	0.33	0.08	-	0.05	-
Newspaper & Periodicals	1.77	0.69	0.41	0.09	-
Office Expense	52.68	51.42	26.32	9.46	0.46
Postage	7.22	5.67	2.40	0.81	0.02
Printing & Stationery	15.79	29.56	22.50	15.27	0.92
Professional Fee	66.62	2.83	6.89	1.61	0.34
Provision for Bad debt	15.19	-	-	-	-



Provision for Standard assets	48.06	19.34	4.37	1.82	0.69
Provision for NPA	48.97	16.96	9.74	14.74	-
Diminishment in Value of Gold	-	2.02	4.26	-	-
Rates & Taxes	12.68	3.70	0.69	0.30	-
Refreshments	-	-	12.38	8.25	-
Repairs and Maintenance	13.02	19.81	3.50	1.23	-
Rent	218.06	161.21	77.71	14.36	-
ROC Filing Charge	6.77	13.17	10.00	10.00	5.99
Vat/GST Paid	0.87	0.83	-	-	-
Service Tax Paid	-	0.96	-	-	-
Sitting Fees	1.30	-	-	-	-
Telephone charges	21.76	27.81	14.31	3.69	0.11
Travelling expenses	62.56	46.09	22.51	7.66	0.06
Vehicle Maintenance	3.79	1.48	-	-	-
Water Charges	0.71	0.67	0.41	-	-
TOTAL	1,325.25	856.92	426.84	155.76	10.66



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NOTES TO THE REFORMATTED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a systemically important Non-Banking Financial Company ("NBFC") registered with the Reserve Bank of India (RBI) under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. Klm Axiva Finvest Limited is a Public limited company incorporated on 28 April 1997. The Company has received the certificate of registration 09.00006 on 13th December, 1997 enabling the Company to carry on business as Non-Banking Financial Company.

The Company offers broad suite of lending and other financial products such as mortgage loan, gold loan, loan against securities etc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended).

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

Prudential norms: The Company Complies all the material aspect, with the prudential norms relating to the income recognition, asset classification and provisioning for bad and doubtful debts and other matters, specified in the direction issued by the Reserve Bank of India in terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("RBI Directions, 2007) as applicable to the company.

2.2. Uses of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period.

Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3. Revenue recognition

General: Revenue is recognised as earned and accrued when it is reasonably certain that its ultimate collection will be made and the revenue is measurable.

Income from loans:

Interest income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.

Delayed payment charges, fee based income and interest on trade advances are recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.

Income on business assets classified as Non-performing Assets, is recognized strictly in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies.



Dividend income: Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. Dividend income is recognised when the right to receive payment is established.

Income from investments: Profit earned from sale of securities recognised on trade date basis .The cost of securities is computed on weighted average basis.

Other Income: In respect of the other heads of income, the Company accounts the same on accrual basis.

2.4. Tangible assets

Tangible fixed assets are carried at the cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses if any. Subsequent expenditures related to an item of tangible asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

The cost of fixed assets comprises of its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use.

Tangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Capital work-in-progress". Advances given towards acquisition of fixed assets outstanding at each balance sheet date are disclosed as Long Term Loans & Advances.

Losses arising from the retirement of, and gains or losses arising from disposal of tangible assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation is provided on a pro-rata basis on the Written down Value method at the rates prescribed under Schedule II to the Companies Act, 2013.

2.5. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

2.6. Depreciation and Amortisation

Depreciation on tangible fixed assets is provided using the Written down value Method based on the useful life of the asset and is charged to the Statement of Profit and Loss in the manner prescribed in Schedule II to the Companies Act, 2013.

Intangible Assets are amortised on a Straight Line basis over the estimated useful economic life. Computer Software which is not an integral part of the related hardware is classified as an intangible asset, and amortised over a period of five years, being its estimated useful life.

2.7. Impairment

At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An assessment is also done at each Balance Sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in the Statement of Profit and Loss for the year.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the fixed asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on written down value basis over its remaining useful life.



2.8. Investments

Investments are classified into current and non-current investments. Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as Current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Investment in subsidiary company is stated at cost.

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

2.9. Borrowing Cost

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs, if any, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized. All other borrowing costs are expensed in the period they occur.

2.10. Employee Benefits

Short Term Employee Benefits: All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense)

Post-employment benefits:

- 1. Defined contribution plans:** Defined contribution plans are employee state insurance scheme and employee pension scheme all applicable employees and superannuation scheme for eligible employees. The Company's contribution to defined contribution plans are recognised in the Statement of Profit and Loss in the financial year to which they relate.
- 2. Defined benefit plans:** Eligible Employees receives benefit from the provident fund, which is a defined benefit plan. Both the employee and company, make monthly contribution to provident fund plan equal to a specified percentage of covered employee's salary.
The Company makes specified monthly contributions towards to the government administrated pension fund. The Company has no obligation other than the contribution payable to provident fund authorities.

2.11. Income taxes

Tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities using the applicable tax rates and tax laws.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual



certainty of realisation of such assets. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date for any write down, as considered appropriate.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

2.12. Cash and Cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2.13. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information. Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.14. Earnings per share

The basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.15. Provisions and Contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements



Annexure - VII : Capitalisation Statement as at March 31, 2018

(Rs. In Lakhs)

Particulars	Pre - Issue	Post - Issue
Long Term Debts (incl. Current maturities of long term debt)	16,287.41	26,287.41
Short Term Debts	450.14	450.14
Total Debts	16,737.55	26,737.55
Shareholders' Funds		
Equity Share Capital	3,998.88	3,998.88
Reserves & Surplus		
Capital Reserve	-	-
Statutory Reserve	212.99	212.99
Share Premium	527.39	527.39
General Reserve	4.08	4.08
Surplus in Profit and Loss A/c	203.17	203.17
Total Shareholders' Funds	4,946.50	4,946.50
Long Term Debts/ Equity	3.29	5.31
Debt/Equity	3.38	5.41

Notes:-

- Short term debts represent debts which are due within 12 months from March 31, 2018.
- Long term debts represent debts other than short term debts, as defined above.
- The pre-issue figures disclosed are based on the Audited Financial Statements of the Company as at March 31, 2018.
- Long Term Debt/Equity = Long Term Debt/ Shareholders Funds.
- The Debt Equity ratio post issue is indicative and is on account of the assumed inflow of Rs. 10,000 Lakhs from the proposed issue.
- The following events happened between 01/04/2018 to 31/08/2018 may have an impact on calculations above made :
 - The Company has come out with private placement of Non-Convertible Debentures (NCD) and has allotted Non-Convertible Debentures amounting to Rs. 341.60 lakhs and has issued Subordinated Debts amounting to Rs. 4,970.77 lakhs, which has not been considered for the calculation of Pre and Post Issue Debt Equity Ratio..



Annexure - VIII : Statement of Secured Loans and Unsecured Loans

1. Secured Loans

(Rs. In Lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
(i) <i>Debentures</i> Secured Redeemable Non Convertible Debentures (Private Placement)	5,461.60	4,383.60	1,160.90	-	-
(ii) <i>Term Loans from Banks</i> Loan against fixed deposit	270.00	-	-	-	-
(iii) <i>Short Term Loan from Banks</i> Cash Credit/Overdraft	450.14	-	-	-	-
Total Secured Loans	6,181.74	4,383.60	1,160.90	-	-

(i) First ranking paripassu charge with the existing secured creditors on all movable assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of the Company.

(ii) **South Indian Bank Overdraft** - Sanctioned Limit Rs. 1,000 Lakhs

South Indian Bank Overdraft is repayable on demand and carries interest @ Base rate + 2% p.a. monthly rest.

Primary Security

Book debts/Receivables

Collateral Security

- EM of vacant land in the name of Josekutty Xavier admeasuring 22.91 cents under Sy No: 1160/6B, 1160/6A ; 31.56 cents under Sy No:1160/6B, 1160/8, 160/7; 20.35 cents under Sy No:1159/9 ; 21.61 cents under Sy No:1159/9 of Kothamangalam Village,Ernakulam District.
- EM of commercial property admeasuring 3.50 cents in the name of Mr. Shibu T Varghese Sy No :1023/IIB/5/49 of Kothamangalam Village, Ernakulam District.
- EM of residential property in the name of Mrs. Biji Shibu with building and land admeasuring 118.16 cents in SY no:1068/113 of Kothamangalam Village, Ernakulam District.

2. Unsecured Loans

(Rs. In Lakhs)

Particulars	As at				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
<i>Long Term</i>					
a. Subordinated Debt	10,555.81	1,061.14	-	-	-
b. From Directors	-	306.20	306.20	306.20	26.00
Total Unsecured Loans	10,555.81	1,367.34	306.20	306.20	26.00



Annexure - IX : Statement of Accounting Ratios*(Rs. In Lakhs except share data)*

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Earnings Per Share - Basic (Rs.)	1.46	0.73	0.85	0.71	0.77
Earnings Per Share - Diluted (Rs.)	1.46	0.73	0.85	0.71	0.77
Return on Net Worth (%)	11.50%	4.63%	6.18%	3.71%	3.30%
Net Asset Value per Equity Share (Rs.)	12.37	12.55	12.34	11.96	11.63
Weighted Avg. No. of Equity Shares used in calculating Basic EPS	3,88,20,083	2,93,59,885	1,92,79,228	75,92,360	21,44,176
Weighted Avg. No. of Equity Shares used in calculating Diluted EPS	3,88,20,083	2,93,59,885	1,92,79,228	75,92,360	21,44,176
Total No. of Equity Shares outstanding at the end of the year / period	3,99,88,787	3,66,79,005	2,15,30,555	1,22,13,300	43,03,300

Notes:

- The ratios have been computed as below:
Earnings per Share (Basic) = Net Profit/(Loss) as reformatted, attributable to equity shareholders / Weighted average number of equity shares outstanding during the year.
Earnings per Share (Diluted) = Net Profit/(Loss) as reformatted, attributable to potential equity shareholders / Weighted average number of equity shares outstanding during the year.
- Return on Net Worth (%) = Net Profit/(Loss) after tax as reformatted / Net Worth as reformatted.
- Net Assets Value per Equity Share = Net Worth as reformatted / Number of equity shares outstanding at the end of the year.
- Net Worth = Equity Share Capital (+) Reserves and Surplus (excluding Revaluation Reserve)
Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings Per Share".

Annexure - X : Details of Dividend*(Rs. In Lakhs)*

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
On Equity Shares					
Full Paid-up Share Capital (Nos.)	3,99,88,787	3,66,79,005	2,15,30,555	1,22,13,300	43,03,300
Face Value/Paid up Value (Rs.)	10	10	10	10	10
Equity Share Capital	3,998.88	3,667.90	2,153.06	1,221.33	430.33
Final Dividend - F.Y. 2016-17					
Rate of Dividend	5%	-	-	-	-
Dividend per share	0.50	-	-	-	-
Dividend Distribution Tax	37.34	-	-	-	-
Total Dividend	183.40				
Interim Dividend - I					
Rate of Dividend	2%	-	-	-	-
Dividend per share	0.20	-	-	-	-
Dividend Distribution Tax	16.30	-	-	-	-
Total Dividend	79.98				
Interim Dividend - II					
Rate of Dividend	6%	-	-	-	-
Dividend per share	0.60	-	-	-	-
Dividend Distribution Tax	48.84	-	-	-	-
Total Dividend	239.93	-	-	-	-

Annexure - XI : Statement of Contingent Liabilities*(Rs. In Lakhs)*

Particulars	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Contingent Liability	-	-	-	-	-



Annexure - XII : Statement of Tax Shelter

(Rs. In Lakhs)

	For the year ended				
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Profits/(Losses) before taxes as per books (A)	792.25	315.43	261.13	85.44	26.51
Income Tax Rates (including surcharge and education cess) applicable (B)	27.55%	31.96%	33.06%	32.45%	30.90%
Tax Expenses (C)	218.28	100.81	86.34	27.72	8.19
<u>Permanent Differences</u>					
Any other disallowances	12.40	21.49	15.01	11.62	5.85
Dividend Income	-	-	-	-	-
Loss on Sale of Fixed Asset	-	-	-	-	-
Other Exempt Income	-	-	-	-	-
Total Permanent Differences (D)	12.40	21.49	15.01	11.62	5.85
<u>Timing Differences</u>					
Provision for NPA and Standard Assets	65.85	36.30	14.12	16.56	-
Difference between Tax and book Depreciation or vice versa	74.71	40.25	12.70	(0.46)	-
Other Adjustments	-	-	-	-	-
Total Timing Differences (E)	140.56	76.55	26.81	16.09	(1.07)
Net Adjustments (F) = (D+E)	152.96	98.04	41.83	27.72	4.78
Tax Impact of adjustments (G) = (F) * (B)	42.14	31.34	13.83	8.99	1.48
Taxable Income (H) = (A+F)	945.21	413.47	302.95	113.15	31.29
Tax provision based on taxable income (I) = (H * B)	260.43	132.15	100.16	36.71	9.67
Taxable Income at 19.055% - MAT	-	-	-	-	-
Tax provision - MAT (K) = (J*19.055%)	-	-	-	-	-
Total tax provision for current tax (L)	260.43	132.15	100.16	36.71	9.67
Deferred Tax Charges/(Credit) (M)	(36.83)	(29.70)	(3.26)	(5.42)	0.33
Tax for Earlier Years (N)	-	-	-	-	-
Total tax expense/(credit) during the year on timing difference (O) = (L+M+N)	223.60	102.45	96.90	31.29	10.00

Notes :

- The aforesaid Statement of Tax Shelters is based on the Profit/(Losses) as per the "Reformatted Summary Statement of Profit and Losses".



Annexure - XIII - A : Details of the list of Related Parties and Nature of Relationships

A - Key Managerial Personnel (with whom transactions have been taken place during the period)

Sl. No.	31-03-2018	31-03-2017	31-03-2016	31-03-2015	31-03-2014
1.	-	Biji Shibu	Biji Shibu	Biji Shibu	Biji Shibu
2.	-	James Joseph Arambankudyil	James Joseph Arambankudyil	James Joseph Arambankudyil	James Joseph Arambankudyil
3.	-	-	Varghese Maniyattu Jijo	Varghese Maniyattu Jijo	Varghese Maniyattu Jijo
4.	Josekutty Xavier	Josekutty Xavier	Josekutty Xavier	Josekutty Xavier	-
5.	Shibu Thekkumpurathu Varghese	Shibu Thekkumpurathu Varghese	-	-	-
6.	Bibin Mavelikunnel Cherian	-	-	-	-
7.	Thanish Dalee	-	-	-	-

B - Relatives of Key Managerial Personnel (with whom transactions have been taken place during the period)

Sl. No.	31-03-2018	31-03-2017	31-03-2016	31-03-2015	31-03-2014
1.	Aleyamma Varghese	-	Shibu Thekkumpurathu Varghese	Shibu Thekkumpurathu Varghese	-
2.	Princy Josekutty	-	-	-	-

Annexure - XIII - B : Transactions with Related Parties

1. Key Managerial Personnel

(Rs. In Lakhs)

Particulars	31-03-2018	31-03-2017	31-03-2016	31-03-2015	31-03-2014
<i>Transactions during the year</i>					
Deposits accepted	-	-	-	300.20	-
Deposits repaid	-	-	-	20.00	-
Interest paid	-	-	12.25	11.06	-
Remuneration paid	66.40	19.00	-	-	-
<i>Balances outstanding</i>					
Borrowings	-	306.20	306.20	306.20	-

2. Relative of Key Managerial Personnel

(Rs. In Lakhs)

Particulars	31-03-2018	31-03-2017	31-03-2016	31-03-2015	31-03-2014
<i>Transactions during the year</i>					
Remuneration paid	15.50	-	-	6.00	-
Shares issue including share premium	255.30	-	-	-	-



MATERIAL DEVELOPMENT

There have been no material developments since March 31, 2018 and there haven't arisen any circumstances that would materially or adversely affect the operations, or financial condition or profitability of our Company or the value of its assets or its ability to pay its liabilities within the next 12 months, except as stated below.

The following table sets out our capital adequacy ratios computed on the basis of applicable RBI requirements as of the dates indicated:

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015
Tier I Capital Adequacy Ratio (%)	23.04	44.30	63.07	109.41
Leverage Ratio (Times)	3.44	1.26	0.56	0.21

Declaration of Interim dividend

Our Directors in their meeting held on April 3, 2018 had declared interim dividend at the rate of 8% on the profits of the company for the financial year ended March 31, 2018.

FINANCIAL INDEBTEDNESS

As on August 31, 2018, our Company had outstanding secured borrowings of ₹ 5,384.80 lakhs and unsecured borrowings of ₹ 15,526.58 lakhs. A summary of all the outstanding secured and unsecured borrowings together with a brief description of certain significant terms of such financing arrangements are as under:

A. Secured loan facilities

➤ Secured Non-Convertible Debentures

Our Company has issued, on private placement basis, secured redeemable non-convertible debentures under various series of which ₹ 4,931.90 was cumulatively outstanding as on August 31, 2018, the details of which are set forth below.

Debenture Series	Tenor	Coupon (in %)	Amount outstanding as on August 31, 2018 (in ₹)	Date of Allotment	Redemption Date	Credit Rating	Security
Non-Convertible Debentures 15-16/A	1 year to 3 years	12.5%	7,67,00,000	March 8, 2016 to March 31, 2016	March 7, 2017 to March 30, 2019	Nil	Pari Passu floating charge on the book debts of the Company, loan receivable and unencumbered assets having a market value being equivalent to 110% of the outstanding balance of debentures at any time. The security crated shall be renewed every month for its adequacy and for reduction in value of security or for any other reason shall be compensated by additional adequate security of similar nature
Non-Convertible Debentures 16-17/A	1 year to 3 years	12.5%	15,44,50,000	May 12, 2016 to September 6, 2016	May 11, 2017 to September 5, 2019	Nil	
Non-Convertible Debentures 16-17/B	1 year to 5 years	12% to 12.5%	4,28,60,000	October 1, 2016 to February 13, 2017	September 30, 2017 to February 12, 2022	Nil	
Non-Convertible Debentures 16-17/C	1 year to 5 years	12% to 12.5%	4,30,30,000	March 31, 2017	February 28, 2022	Nil	
Non-Convertible Debentures 17-18/A	1 year to 5 years	12% to 12.5%	3,16,20,000	April 26, 2017 to June 6, 2017	April 25, 2018 to June 5, 2022	Nil	
Non-Convertible Debentures 17-18/B	1 year to 5 years	12% to 12.5%	8,50,00,000	June 23, 2017 to August 14, 2017	June 22, 2018 to August 13, 2022	Nil	
Non-Convertible Debentures 17-18/C	1 year to 5 years	12% to 12.5%	2,53,70,000	August 28, 2017 to March 31, 2018	August 27, 2018 to March 31, 2023	Nil	
Non-Convertible Debentures 18-19/A*	1 year to 5 years	12% to 12.5%	3,41,60,000	April 01, 2018 to August 31, 2018	March 31, 2019 to August 30, 2023	Nil	
Total			49,31,90,000				

*Charge yet to be registered

Restrictive Covenants

Our financing agreements include various restrictive conditions and covenants restricting certain corporate actions and our Company is required to take the prior approval of the debenture trustees before carrying out such activities. For instance, our Company, inter-alia, is required to obtain the prior written consent in the

following instances:

- to commence any proceedings directly affecting the assets charged in favour of the debenture trustee
- for any change in nature and conduct of business by the Company
- for any significant change in the composition of Company's Board of Directors
- for any amalgamation, merger or reconstruction scheme proposed by the Company
- to create any further charge or encumbrance over the trust property
- **Loans from South Indian Bank**

Name of Bank	Type of Facility	Amount Sanctioned (₹)	Principal Amount outstanding as on August 31, 2018	Repayment Date
South Indian Bank	Secured Overdraft Loan	10,00,00,000	4,52,89,922	To be renewed on an annual basis

B. Unsecured facilities

➤ Subordinate Debt

Debenture series	Tenor	Coupon		Amounts outstanding as on August 31, 2018 (in ₹)	Dates of allotment	Redemption date	Total issue size (principal amount) (in ₹ lakhs)
2016-17/A	5 years	12 % to 12.5%	to	7,95,85,500	April 3, 2016 to December 31, 2016	April 3, 2021 to August 31, 2022	7,95,85,500
2016-17/B	5 years	12 % to 12.5%	to	2,65,28,500	January 1, 2017 to March 31, 2017	January 1, 2022- November 30, 2022	2,65,28,500
2017-18/A	5 years	12 % to 12.5%	to	94,94,67,000	April 1, 2017 to March 31, 2018	April 1, 2022 to October 30, 2023	94,94,67,000
2018-19/A	5 & 6 years	12 % to 12.5 %	to	49,70,77,000	April 1, 2018 to August 31, 2018	April 1, 2023 to August 31, 2024	49,70,77,000
Total				1,55,26,58,000			1,55,26,58,000

Perpetual Debt Instruments

Our Company has not issued any Perpetual Debt Instruments

Commercial Papers

Our Company has not issued any commercial papers.

Inter Corporate Loans

Our Company has not borrowed any amount in the nature of demand loans from Companies under same management.

Servicing behaviour on existing debt securities, payment of interest on due dates on financing facilities or securities

Our Company has not defaulted upon or delayed in payment of any interest and/or principal for the existing term loan and the non-convertible debentures. Our Company has not issued any corporate guarantee.

SECTION VI - ISSUE RELATED INFORMATION

ISSUE STRUCTURE

Public Issue by our Company of Secured NCDs of face value ₹ 1,000.00 each, for an amount aggregating up to ₹ 10,000 lakhs without an option to retain over-subscription.

The Issue has been authorised by resolution of the Board passed during meeting held on April 03, 2018.

The key common terms and conditions of the NCDs are as follows:

Particulars	Terms and Conditions
Issuer	KLM Axiva Finvest Limited
Lead Manager	Vivro Financial Services Private Limited
Debenture Trustee	Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited)
Registrar to the Issue	Karvy Computershare Private Limited
Minimum Application Size	5 NCDs i.e., ₹ 5,000 (across all Options of NCDs)
Mode of Allotment	dematerialised form
Mode of Trading	NCDs will be traded in dematerialised form
Terms of Payment	Full amount on Application
Trading Lot	1 (one) NCD
Who can apply	Category I <ul style="list-style-type: none">• Resident Public Financial Institutions as defined in Section 2(72) of the Companies Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks,• Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs;• Provident Funds of minimum corpus of ₹ 2,500 lakhs, Pension Funds of minimum corpus of ₹2,500 lakhs, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs;• Venture Capital funds and/or Alternative Investment Funds registered with SEBI;• Insurance Companies registered with the IRDA;• National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India);• Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India;• Mutual Funds, registered with SEBI; and• Systemically Important NBFCs. Category II <ul style="list-style-type: none">• Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs;• Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorised to invest in the NCDs;• Trust including Public/private charitable/religious trusts which are authorised to invest in the NCDs;• Association of Persons• Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;• Partnership firms in the name of the partners;• Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); and

Particulars	Terms and Conditions
	<ul style="list-style-type: none"> Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ₹5 lakhs.
	Category III*
	<ul style="list-style-type: none"> Resident Indian individuals; and Hindu undivided families through the Karta.
	<i>* applications aggregating to a value not more than ₹ 5 lakhs.</i>

Participation by any of the above-mentioned investor classes in this Issue will be subject to applicable statutory and/or regulatory requirements. Applicants are advised to ensure that applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and/or regulatory provisions.

In case of Application Form being submitted in joint names, the applicants should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Application Form.

Applicants are advised to ensure that they have obtained the necessary statutory and/or regulatory permissions/consents/approvals in connection with applying for, subscribing to, or seeking allotment of NCDs pursuant to the Issue.

For further details, see “Issue Procedure” on page 167.

Principal Terms and Conditions of the Issue

TERMS AND CONDITIONS IN CONNECTION WITH THE NCDs

Issuer	KLM Axiva Finvest Limited
Lead Manager	Vivro Financial Services Private Limited
Debenture Trustee	Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited)
Registrar to the Issue	Karvy Computershare Private Limited
Type and nature of Instrument	Secured redeemable non-convertible debentures
Face Value of NCDs (₹/NCD)	₹ 1,000
Issue Price (₹/NCD)	₹ 1,000
Minimum Application	5 NCDs i.e., ₹ 5,000 (across all options of NCDs)
In multiples, of	One NCD after the minimum application
Seniority	Senior (the claims of the Debenture Holders holding the Secured NCDs shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements).
	The Secured NCDs would constitute secured obligations of our Company and shall rank <i>pari passu</i> with the Existing Secured Creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value 1 time of the debentures outstanding plus interest accrued thereon and first ranking <i>pari passu</i> charge on the immovable property situated at Theni District, Periyakulam Reg.Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1.
Mode of Issue	Public Issue
Minimum Subscription	If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. ₹ 7,500 lakhs, within 30 days from the date of the Prospectus or such other period as may be prescribed by SEBI, the entire application amounts shall be refunded to the Applicants within 12 days from the date of closure of the Issue. Failing which, our Company and our Directors who are officers in default shall be jointly and severally liable to pay that money with interest for the delayed period, at the rate of 15% per annum.
Issue	Public Issue by our Company of NCDs aggregating up to ₹ 10,000 lakhs without an

	option to retain over-subscription, on the terms and in the manner set forth herein; Base Issue Size being ₹ 10,000 lakhs.
Stock proposed for listing of the NCDs	Exchange BSE Limited (“ BSE ”), the Designated Stock Exchange (“ DSE ”)
Listing and timeline for Listing	The NCDs shall be listed within 12 Working Days of Issue Closing Date
Depositories Security	NSDL and CDSL The principal amount of the Secured NCDs to be issued in terms of this Prospectus together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking <i>pari passu</i> charge with the existing secured creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value of one time of the Secured NCDs outstanding plus interest accrued thereon and first ranking <i>pari passu</i> charge on the immovable property situated at Theni District, Periyakulam Reg.Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1
Security Cover	Our Company shall maintain a minimum 100 per cent security cover on the outstanding balance of the Secured NCDs plus accrued interest thereon.
Who can apply	<p>Category I</p> <ul style="list-style-type: none"> • Resident Public Financial Institutions as defined in Section 2(72) of the Companies Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks, • Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs; • Provident Funds of minimum corpus of ₹ 2,500 lakhs, Pension Funds of minimum corpus of ₹ 2,500 lakhs, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs; • Venture Capital funds and/or Alternative Investment Funds registered with SEBI; • Insurance Companies registered with the IRDA; • National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India); • Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India; • Mutual Funds, registered with SEBI; and • Systemically Important NBFCs. <p>Category II</p> <ul style="list-style-type: none"> • Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs; • Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorised to invest in the NCDs; • Trust including Public/private charitable/religious trusts which are authorised to invest in the NCDs; • Association of Persons • Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; • Partnership firms in the name of the partners; • Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); and • Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ₹5 lakhs.

Category III*

- Resident Indian individuals; and
- Hindu undivided families through the Karta.

* applications aggregating to a value not more than ₹5 lakhs.

Credit Rating	Rating agency	Instrument	Rating symbol	Date of credit rating letter	Amount rated	Rating definition
	CARE	Proposed Non-Convertible Debenture Issue of Secured NCDs	‘CARE BB’: Outlook Stable	March 10, 2018 (reaffirmed vide letter dated September 4, 2018)	₹10,000 lakhs	The rating of NCDs by CARE indicates that instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
Issue Size	Public Issue by our Company of NCDs aggregating up to ₹ 10,000 lakhs without an option to retain over-subscription, on the terms and in the manner set forth herein; Base Issue Size being ₹ 10,000 lakhs.					
Pay-in date	Three (3) Business Days from the date of upload of application in the book building system of the Exchange or the date of realisation of the cheques/demand drafts, whichever is later. Interest on Application Money shall start on the Pay-in date and shall be payable up to one day prior to the date of Allotment.					
Application money	The entire Application Amount is payable on submitting the application.					
Record Date	The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 10 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchanges, as the case may be. In case Record Date falls on a day when stock exchanges are having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.					
Issue Schedule	The Issue shall be open from September 27, 2018 to October 26, 2018 with an option to close earlier as may be determined by a duly authorised committee of the Board and informed by way of newspaper publication on or prior to the earlier closer date/date of closure up to maximum 30 days from the date of opening of the issue.					
Objects of the Issue	Please see “ <i>Objects of the Issue</i> ” on page 69.					
Put/Call Option	None					
Details of the utilisation of the proceeds of the Issue	Please see “ <i>Objects of the Issue</i> ” on page 69.					
Coupon rate and redemption premium	Please see “ <i>Issue Structure – Terms and Conditions in connection with the NCDs</i> ” on page 150.					
Working Days convention/Day count convention/Effect of holidays on payment	Actual/ Actual All days other than 2 nd and 4 th Saturday of the month, Sunday or a public holiday in Mumbai and/or Kochi, or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period where working days shall mean all days, excluding Saturdays, Sundays and public holidays in Mumbai and/or Kochi, or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881.					
For Options I, II, III and IV the interest shall be calculated from the first day till the last date of every month on an actual/actual basis during the tenor of such NCDs. However, if period from the Deemed Date of Allotment/anniversary date of Allotment till one day prior to the next anniversary/redemption date includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs.						

For Options V, VI, VII and VIII paid on an annual basis and the relevant interest will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under Options V, VI, VII and VIII shall be made at the time of redemption of the NCDs..

Interest shall be computed on a 365 day a year basis on the principal outstanding on the NCDs for Option IX which has tenor on cumulative basis.

Pursuant to SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016, if the date of payment of coupon does not fall on a Working Day, then the succeeding Working Day (which shall be a day when the money market is functioning in Mumbai) will be considered as the effective date for such payment of interest (the “**Effective Date**”) however the future coupon payment dates would be as per the schedule originally stipulated. In other words, the subsequent coupon schedule would not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a holiday. Coupon will be paid on the Effective Date. For avoidance of doubt, in case of interest payment on Effective Date, interest for period between actual interest payment date and the Effective Date will be adjusted in normal course in next interest payment date cycle. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Maturity Date falls on a holiday, the payment will be made on the previous Working Day, without any interest for the period outstanding.

Issue Opening Date	September 27, 2018
Issue Closing Date	October 26, 2018*
Default interest date	In the event of any default in fulfilment of obligations by our Company under the Secured Debenture Trust Deed, the Default Interest Rate payable to the Applicant shall be as prescribed under the Secured Debenture Trust Deed.
Interest on Application Money	Please see “ <i>Issue Structure- Interest on Application Money</i> ” on page 161.
Deemed Date of Allotment	The date on which the Board or a duly authorised committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on NCDs shall be available to Investors from the Deemed Date of Allotment. The actual allotment of NCDs may take place on a date other than the Deemed Date of Allotment.
Transaction documents	This Prospectus read with any notices, corrigenda, addenda thereto, the Debenture Trusteeship Agreement, the Debenture Trust Deed and other security documents, if applicable, and various other documents/agreements/undertakings, entered or to be entered by the Company with Lead Manager and/or other intermediaries for the purpose of this Issue including but not limited to the Debenture Trust Deed, the Debenture Trusteeship Agreement, the Escrow Agreement, the Agreement with the Registrar and the Agreement with the Lead Manager. For further details, see “ <i>Material Contracts and Documents for Inspection</i> ” on page 230.
Affirmative and Negative covenants precedent and subsequent to the Issue	The covenants precedent and subsequent to the Issue will be finalised upon execution of the Secured Debenture Trust Deed which shall be executed within three months of closure of the Issue as per Regulation 15 of SEBI Debt Regulations.
Events of default	Please see “ <i>Issue Structure - Events of Default</i> ” on page 160.
Cross Default	Please see “ <i>Issue Structure - Events of Default</i> ” on page 160.
Roles and responsibilities of the Debenture Trustee	Please see “ <i>Issue Structure - Debenture Trustees for the NCD holders</i> ” on page 160.
Settlement Mode	Please see “ <i>Issue Structure - Payment on Redemption</i> ” on page 158.
Governing law and jurisdiction	The Issue shall be governed in accordance with the laws of the Republic of India and shall be subject to the exclusive jurisdiction of the courts of Kochi, India.

The subscription list shall remain open at the commencement of banking hours and close at the close of banking hours for the period as indicated, with an option for early closure, as may be decided by the Board or the duly authorised committee of the Board constituted by resolution of the Board. In the event of such early closure of subscription list of the Issue, our Company shall ensure that notice of such early closure is given to the prospective investors through an advertisement in a leading daily national newspaper on or before such earlier date or extended date of closure. Applications Forms for the Issue will be accepted only from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges, on Working Days

during the Issue Period. On the Issue Closing Date, Application Forms will be accepted only from 10:00 a.m. till 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchange.

Terms of the NCDs

Tenure	1 year	2 year	3 year	5 year	1 year	2 year	3 year	5 year	6 years
Nature	Secured								
Options	I	II	III	IV	V	VI	VII	VIII	IX
Frequency of Interest Payment	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Annually	Annually	Cumulative
Minimum Application	5 NCDs (₹ 5,000) (across all options of NCDs)								
In multiples, of	1 NCD after the minimum application								
Face Value of NCDs (₹/NCD)	₹ 1,000								
Issue Price (₹/NCD)	₹ 1,000								
Mode of Interest Payment/Redemption	Through various options available								
Coupon (%) per annum in Category I, II and III	11.25	11.50	11.75	12.00	11.50	11.75	12.00	12.25	NA
Coupon Type	Fixed								
Redemption Amount (₹/NCD) for NCD Holders in Category I, II and III	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,000
Effective Yield (%) (per annum) – Category I, II and III	11.85	12.13	12.40	12.68	11.50	11.75	12.00	12.25	12.25
Put and Call Option	Not Applicable								
Deemed Date of Allotment	The date on which the Board or a duly authorised committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment.								

Interest and Payment of Interest

1. Monthly interest payment options

Interest would be paid monthly under Option I, II, III and IV at the following rates of interest in connection with the relevant categories of NCD holders, on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of NCDs:

Category of NCD Holder	Rate of Interest (p.a.) for the following tenures			
	1 year	2 years	3 years	5 years
	Option I	Option II	Option III	Option IV
Category I, II and III (%)	11.25	11.50	11.75	12.00

For avoidance of doubt where interest is to be paid on a monthly basis, relevant interest will be calculated from the first day till the last date of every month on an actual/actual basis during the tenor of such NCDs, and paid on the first day of every subsequent month. For the first interest payment for NCDs under the monthly options if the Deemed Date of Allotment is prior to the fifteenth of that month, interest for that month will be paid on first day of the subsequent month and if the Deemed Date of Allotment is post the fifteenth of that month, interest from the Deemed Date of Allotment till the last day of the subsequent month will be clubbed and paid on the first day of the month next to that subsequent month.

2. Annual interest payment options

Interest would be paid yearly under Option V, VI, VII and VIII at the following rates of interest in connection with the relevant categories of NCD holders, on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of NCDs:

Category of NCD Holder	Rate of Interest (p.a.) for the following tenures			
	1 year	2 years	3 years	5 years
	Option V	Option VI	Option VII	Option VIII
Category I, II and III (%)	11.50	11.75	12.00	12.25

For avoidance of doubt where interest is to be paid on an annual basis, relevant interest will be calculated from the first day till the last date of every year on an actual/actual basis during the tenor of such NCDs, and paid on

the first day of every subsequent year. The last interest payment under this option shall be made at the time of redemption of the NCDs.

3. Cumulative bond redemption options

Option IX NCDs shall be redeemed as below:

Category of NCD Holder	Redemption Amount (per NCD)
	6 years
	Option IX
Category I, II and III (₹)	2,000

Our Company shall provide a list of debenture holders of our Company who hold non-convertible debentures in our Company, issued on a private placement basis as on the Issue Opening Date to the Registrar.

Day count convention

Please refer to Annexure I for details pertaining to the cash flows of the Company in accordance with the SEBI circular bearing number CIR/IMD/DF/18/2013 dated October 29, 2013 and SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016.

Please note that in case the NCDs are transferred and/or transmitted in accordance with the provisions of this Prospectus read with the provisions of the Articles of Association of our Company, the transferee of such NCDs or the transferee of deceased holder of NCDs, as the case may be, shall be entitled to any interest which may have accrued on the NCDs subject to such Transferee holding the NCDs on the Record Date.

Tax on interest accrued

As per clause (ix) of Section 193 of the IT Act, no tax is required to be deducted at source on any interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the rules made thereunder. Accordingly, no tax will be deducted at source from the interest on listed NCDs held in the dematerialised form.

However, in case of NCDs held in physical form, as per the current provisions of the IT Act, tax will not be deducted at source from interest payable on such NCDs held by the investor (in case of resident individual NCD holders and Hindu Undivided Family), if such interest does not exceed ₹5,000 in any financial year and the interest is paid by an account payee cheque. If interest exceeds the prescribed limit of ₹ 5,000 on account of interest on the NCDs, then the tax will be deducted at applicable rate. However in case of NCD holders are claiming non-deduction or lower deduction of tax at source, as the case may be, the NCD holders should furnish either (a) a declaration (in duplicate) in the prescribed form i.e. (i) Form 15H which can be given by individuals who are of the age of 60 years or more (ii) Form 15G which can be given by all applicants (other than companies, and firms), or (b) a certificate, from the Assessing Officer which can be obtained by all applicants (including companies and firms) by making an application in the prescribed form i.e. Form No. 13.

The aforesaid documents, as may be applicable, should be submitted to our Company quoting the name of the sole/first NCD holder, NCD folio number and the distinctive number(s) of the NCD held, prior to the Record Date to ensure non-deduction/lower deduction of tax at source from interest on the NCD. The investors need to submit Form 15H/15G/certificate in original from Assessing Officer for each financial year during the currency of the NCD to ensure non-deduction or lower deduction of tax at source from interest on the NCD.

Payment of Interest/Maturity Amount to NCD Holders

Payment of Interest/Maturity Amount will be made to those NCD holders whose names appear in the register of Debenture Holders (or to first holder in case of joint-holders) as on Record Date.

We may enter into an arrangement with one or more banks in one or more cities for direct credit of interest to the account of the investors. In such cases, interest, on the interest payment date, would be directly credited to the account of those investors who have given their bank mandate.

We may offer the facility of NACH, NEFT, RTGS, Direct Credit and any other method permitted by RBI and SEBI from time to time to help NCD holders. The terms of this facility (including towns where this facility

would be available) would be as prescribed by RBI. For further details see, “*Manner of Refund (except ASBA Application)/Payment of Interest/Redemption*” on page 156.

Tax exemption certificate/document, if any, must be lodged at the office of the Registrar at least 7 (seven) days prior to the Record Date or as specifically required, failing which tax applicable on interest will be deducted at source on accrual thereof in our Company’s books and/or on payment thereof, in accordance with the provisions of the IT Act and/or any other statutory modification, enactment or notification as the case may be.

A tax deduction certificate will be issued for the amount of tax so deducted.

Maturity and Redemption

The NCDs issued pursuant to this Prospectus have a fixed maturity date. The NCDs will be redeemed at the expiry of 1 year from the Deemed Date of Allotment for Option I and V, 2 years from the Deemed Date of Allotment for Option II and VI, 3 years from the Deemed Date of Allotment for Option III and VII and 5 years from the Deemed Date of Allotment for Option IV and VIII and 6 years from the Deemed Date of Allotment for Option IX. There is no put or call option available to any Investor.

Deemed Date of Allotment

The date on which the Board or a duly authorised committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment.

Application Size

Each application should be for a minimum of five (5) NCDs and multiples of one (1) NCD thereafter. The minimum application size for each application for NCDs would be ₹ 5,000 (across all Options of NCDs) and in multiples of ₹1,000 thereafter.

Applicants are advised to ensure that applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions.

Terms of Payment

The face value of ₹1,000 per NCD is payable on application itself. In case of allotment of lesser number of NCDs than the number of NCDs applied for, our Company shall refund/unblock the excess amount paid on application to the applicant in accordance with the terms of this Prospectus. For further details, see “*Interest on Application Money*” beginning on page 161.

Record Date

The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 10 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchanges, as the case may be.

In case Record Date falls on a day when stock exchanges are having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.

Manner of Refund (except ASBA Application)/Payment of Interest/Redemption

The manner of payment of interest/refund/redemption in connection with the NCDs is set out below:

The bank details will be obtained from the Depositories for payment of Interest/refund (except ASBA Applications)/redemption as the case may be. Applicants who have applied for or are holding the NCDs in Demat form, are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so may result in delays in credit of refunds to the applicant at the applicant’s sole risk, and the Lead Manager, our Company nor the Registrar to the Issue shall have any

responsibility and undertake any liability for the same.

The mode of refund/interest/redemption payments shall be undertaken in the following order of preference:

1. Direct Credit

Investors having their bank account with the Refund Bank shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any, would be credited directly to their bank account with the Refund Banker.

2. NACH

National Automated Clearing House which is a consolidated system of ECS. Payment of refund would be done through NACH for NCD Holders/Applicants having an account at one of the centres specified by the RBI, where such facility has been made available. This would be subject to availability of complete bank account details including Magnetic Ink Character Recognition (MICR) code wherever applicable from the depository. The payment of refund through NACH is mandatory for NCD Holders/Applicants having a bank account at any of the centres where NACH facility has been made available by the RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

3. RTGS

NCD Holders/Applicants having a bank account with a participating bank and whose interest payment/refund/redemption amount exceeds Rupees Two lakhs, or such amount as may be fixed by RBI from time to time, have the option to receive refund through RTGS. Such eligible NCD Holders/Applicants who indicate their preference to receive interest payment/refund/redemption through RTGS are required to provide the IFSC code in the Application Form or intimate our Company and the Registrars to the Issue at least 7 (seven) days before the Record Date. Charges, if any, levied by the NCD Holders/Applicants' bank receiving the credit would be borne by the NCD Holders/Applicant. In the event the same is not provided, interest payment/refund/redemption shall be made through NACH subject to availability of complete bank account details for the same as stated above.

4. NEFT

Payment of interest/refund/redemption shall be undertaken through NEFT wherever the NCD Holders/Applicants' bank has been assigned the Indian Financial System Code ("IFSC"), which can be linked to a Magnetic Ink Character Recognition ("MICR"), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the NCD Holders/Applicants have registered their nine-digit MICR number and their bank account number while opening and operating the de-mat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of interest/refund/redemption will be made to the NCD Holders/Applicants through this method.

5. Interest payment/refund/redemption orders dispatched through Registered Post/Speed Post

For all other NCD Holders/Applicants, including those who have not updated their bank particulars with the MICR code and if the interest payment through NACH to such Applicants is unsuccessful to such Applicants interest will be paid annually and the interest payment/refund/redemption orders shall be dispatched through Speed Post/Registered Post.

Please note that NCD Holders/Applicants are eligible to receive payments through the modes detailed in (1), (2) (3), and (4) herein above provided they provide necessary information for the above modes and where such payment facilities are allowed/available. Please note that our Company shall not be responsible to the holder of NCD, for any delay in receiving credit of interest/refund/redemption so long as our Company has initiated the process of such request in time.

Printing of Bank Particulars on Interest Warrants

As a matter of precaution against possible fraudulent encashment of refund orders and interest/redemption warrants due to loss or misplacement, the particulars of the NCD Holders/Applicants' bank account are mandatorily required to be given for printing on the refund orders/warrants. In relation to NCDs held in

dematerialised form, these particulars would be taken directly from the depositories. In case of NCDs held in physical form either (i) on account of rematerialisation; or (ii) transfer of physical debenture certificates, the investors are advised to submit their bank account details with our Company/Registrar at least seven days prior to the next record date failing which the warrants will be filled with the bank account details and dispatched to the postal address of the holder of the NCD available with the depositories in case of rematerialisation of debentures or as available in the records of our Company as on the record date.

Bank account particulars will be printed on the refund orders/warrants which can then be deposited only in the account specified.

Buy Back of NCDs

Our Company may, at its sole discretion, from time to time, consider, subject to applicable statutory and/or regulatory requirements, buyback of NCDs, upon such terms and conditions as may be decided by our Company.

Procedure for Redemption by NCD holders

No action is required on the part of NCD holder(s) at the time of redemption of NCDs.

Payment on Redemption

On the redemption date (which shall be a day when the money market is functioning in Mumbai), redemption proceeds would be paid by cheque/pay order/electronic mode to those NCD holders whose names appear on the list of beneficial owners given by the Depositories to us. These names would be as per the Depositories' records on the record date fixed for the purpose of redemption. These NCDs will be simultaneously extinguished to the extent of the amount redeemed through appropriate debit corporate action upon redemption of the corresponding value of the NCDs. It may be noted that in the entire process mentioned above, no action is required on the part of NCD holders.

Our liability to NCD holder(s) towards his/their rights including for payment or otherwise shall stand extinguished from the date of redemption in all events and when we dispatch the redemption amounts to the NCD holder(s). Further, we will not be liable to pay any interest, income or compensation of any kind from the date of redemption of the NCD(s).

Right to Re-issue NCD(s)

Subject to the provisions of Companies Act, 2013, where we have fully redeemed or repurchased any NCD(s), we shall have and shall be deemed always to have had the right to keep such NCDs in effect without extinguishment thereof, for the purpose of resale or reissue and in exercising such right, we shall have and be deemed always to have had the power to resell or reissue such NCDs either by reselling or reissuing the same NCDs or by issuing other NCDs in their place, in accordance with the applicable rules and regulations. The aforementioned right includes the right to reissue original NCDs.

Transfer/Transmission of NCD(s)

The NCDs shall be transferred or transmitted freely in accordance with the applicable provisions of the Companies Act, 2013. The provisions relating to transfer and transmission and other related matters in respect of our shares contained in the Articles and the Companies Act, 2013 shall apply, mutatis mutandis (to the extent applicable to debentures) to the NCD(s) as well.

The NCDs shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DP of the transfer or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the record date. In the absence of the same, interest will be paid/redemption will be made to the person, whose name appears in the register of debenture holders maintained by the Depositories/Company, as the case may be. In such cases, claims, if any, by the transferees would need to be settled with the transferor(s) and not with us or Registrar.

The normal procedure followed for transfer of securities held in dematerialised form shall be followed for transfer of the NCDs held in Demat form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

In case the transferee does not have a DP account, the seller can re-materialise the NCDs and thereby convert his dematerialised holding into physical holding. Thereafter the NCDs can be transferred in the manner as stated above.

Joint-holders

Where two or more persons are holders of any NCD(s), they shall be deemed to hold the same as joint holders with benefits of survivorship subject to other provisions contained in the Articles.

Sharing of Information

We may, at our option, use on our own, as well as exchange, share or part with any financial or other information about the NCD holders available with us and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither we or our affiliates nor their agents shall be liable for use of the aforesaid information.

Notices

All notices to the NCD holder(s) required to be given by us or the Debenture Trustee will be sent by post/courier or through email or other electronic media to the Registered Holders of the NCD(s) from time to time.

Issue of Duplicate NCD Certificate(s)

If any NCD certificate(s) is/are mutilated or defaced or the cages for recording transfers of NCDs are fully utilised, the same may be replaced by us against the surrender of such certificate(s). Provided, where the NCD certificate(s) are mutilated or defaced, the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible.

If any NCD certificate is destroyed, stolen or lost then upon production of proof thereof to our satisfaction and upon furnishing such indemnity/security and/or documents as we may deem adequate, duplicate NCD certificate(s) shall be issued. Upon issuance of a duplicate NCD certificate, the original NCD certificate shall stand cancelled.

Security

The issue comprises of public issue of Secured NCDs of face value of ₹1,000 each.

The principal amount of the Secured NCDs to be issued in terms of this Prospectus together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking *pari passu* charge with the Existing Secured Creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our Company equal to the value of one time of the Secured NCDs outstanding plus interest accrued thereon and first ranking *pari passu* charge on the immovable property situated at Theni District, Periyakulam Reg.Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1

Our Company will create the security for the Secured NCDs in favour of the Debenture Trustee for the Debenture Holders holding the Secured NCDs on the assets to ensure 100.00% security cover of the amount outstanding including interest in respect of the Secured NCDs at any time.

Our Company has entered into a Debenture Trusteeship Agreement dated May 5, 2018 and in furtherance thereof intends Company to enter into a deed of agreement with the Debenture Trustee, (“**Secured Debenture Trust Deed**”), the terms of which shall govern the appointment of the Debenture Trustee and the issue of the Secured NCDs. Our Company proposes to complete the execution of the Secured Debenture Trust Deed before finalisation of the Basis of Allotment in consultation with the Designated Stock Exchange and shall utilise the funds only after the stipulated security has been created.

Under the terms of the Secured Debenture Trust Deed, our Company will covenant with the Debenture Trustee that it will pay the Debenture Holders holding the Secured NCDs the principal amount on the Secured NCDs on the relevant redemption date and also that it will pay the interest due on the Secured NCDs at the rate specified in this Prospectus and in the Secured Debenture Trust Deed.

The Secured Debenture Trust Deed will also provide that our Company may withdraw any portion of the security subject to prior written consent of the Debenture Trustee and/or may replace with another asset of the same or a higher value.

Our Company confirms that the issue proceeds shall be kept in an escrow account until the documents for creation of security i.e. the Secured Debenture Trust Deed, is executed.

Debenture Trustees for the NCD holders

We have appointed Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited) to act as the Debenture Trustees for the NCD holders by way of the Debenture Trusteeship Agreement. We and the Debenture Trustee will execute a Secured Debenture Trust Deed, *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and us with respect to the Secured NCDs. The NCD holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the NCDs as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the NCD holder(s). Any payment made by us to the Debenture Trustee on behalf of the NCD holder(s) shall discharge us *pro tanto* to the NCD holder(s).

The Debenture Trustee will protect the interest of the NCD holders in the event of default by us in regard to timely payment of interest and repayment of principal and they will take necessary action at our cost.

Events of Default

Subject to the terms of the Secured Debenture Trust Deed, the Debenture Trustee at its discretion may, or if so requested in writing by the holders of at least three-fourths of the outstanding amount of the NCDs or with the sanction of a special resolution, passed at a meeting of the NCD Holders, (subject to being indemnified and/or secured by the NCD Holders to its satisfaction), give notice to our Company specifying that the NCDs and/or any particular Options of NCDs, in whole but not in part are and have become due and repayable on such date as may be specified in such notice *inter alia* if any of the events listed below occurs. The description below is indicative and a complete list of events of default including cross defaults, if any, and its consequences will be specified in the Debenture Trust Deed:

- (i) default is committed in payment of the principal amount of the NCDs on the due date(s); and
- (ii) default is committed in payment of any interest on the NCDs on the due date(s).

Lien

As per the RBI circular dated June 27, 2013, the Company is not permitted to extend loans against the security of its debentures issued by way of private placement or public issues. The Company shall have the right of set off and lien, present as well as future on the moneys due and payable to the NCD holders or deposits held in the account of the NCD holders, whether in single name or joint name, to the extent of all outstanding dues by the NCD holders to the Company, subject to applicable law.

Lien on pledge of NCDs

The Company may, at its discretion note a lien on pledge of NCDs if such pledge of NCD is accepted by any third-party bank/institution or any other person for any loan provided to the NCD holder against pledge of such NCDs as part of the funding, subject to applicable law.

Future Borrowings

We will be entitled to borrow/raise loans or avail of financial assistance in whatever form as also to issue debentures/NCDs/other securities in any manner having such ranking in priority, *pari passu* or otherwise, subject to applicable consents, approvals or permissions that may be required under any statutory/regulatory/contractual requirement, and change the capital structure including the issue of shares of any class, on such terms and conditions as we may think appropriate, without the consent of, or intimation to, the NCD holders or the Debenture Trustee in this connection. However, until the payment of the outstanding amounts/secured obligations for the Secured NCDs, the Company shall not create any mortgage or charge on the Security without obtaining prior approval of the Debenture Trustee. Provided that at the time of raising such further loans, advances or such other facilities from Banks, Financial Institutions and/or any other person(s) on the Security, the Company shall maintain the required security cover as prescribed in this Prospectus. In the

event of such request by the Company, the Debenture Trustee shall provide its approval for creation of further charges provided that the Company provides a certificate from a chartered accountant stating that after creation of such further charges, the required Security cover will be maintained.

Interest on Application Money

Interest on application monies received which are used towards allotment of NCDs

Our Company shall pay interest on application money on the amount allotted, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, to any Applicant to whom NCDs are allotted pursuant to the Issue from the date of realisation of the cheque(s)/demand draft(s), up to one day prior to the Deemed Date of Allotment, at the rate of 8% p.a.

Please note no interest is to be paid on application monies to the ASBA Applicants.

Our Company may enter into an arrangement with one or more banks in one or more cities for direct credit of interest to the account of the applicants. Alternatively, the interest warrant will be dispatched along with the Letter(s) of Allotment at the sole risk of the applicant, to the sole/first applicant.

Interest on application monies received which are liable to be refunded

Our Company shall pay interest on application money which is liable to be refunded to the Applicants, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, from the date of realisation of the cheque(s)/demand draft(s) up to one day prior to the Deemed Date of Allotment, at the rate of 4 % per annum. Such interest shall be paid along with the monies liable to be refunded. Interest warrant will be dispatched/credited (in case of electronic payment) along with the Letter(s) of Refund at the sole risk of the applicant, to the sole/first applicant. However, no interest is to be paid on application monies to the ASBA Applicants.

Provided that, notwithstanding anything contained hereinabove, our Company shall not be liable to pay any interest on monies liable to be refunded in case of (a) invalid applications or applications liable to be rejected, and/or (b) applications which are withdrawn by the applicant. For further details, see “*Rejection of Application*” at page 183.

TERMS OF THE ISSUE

Authority for the Issue

Pursuant to the resolution passed by the shareholders of our Company at their EGM held on October 3, 2017 and in accordance with provisions of Section 180(1)(c) of the Companies Act, 2013, the Board has been authorised to borrow sums of money as they may deem necessary on such terms and conditions that the board may deem fit, notwithstanding that the aggregate of amounts so borrowed and outstanding at any one time (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed an amount of ₹ 800 crore. Out of the overall borrowing limit specified above, Rs. 300 crore can be raised through the issue of fully unsecured subordinated Debts forming the tier II capital of the company in accordance with the RBI guidelines and in different tranches and at different times as the board of directors consider in the best interests of the company.

At the meeting of the Board of Directors of our Company, held on April 3, 2018, the Board approved the issue of NCDs to the public up to an amount not exceeding ₹ 10,000 lakhs (Rupees Ten Thousand Lakhs).

Principal Terms & Conditions of this Issue

The NCDs being offered as part of the Issue are subject to the provisions of the SEBI Debt Regulations, the applicable provisions of Companies Act, 2013 and the Companies Act, 1956, the Memorandum and Articles of Association of our Company, the terms of this Prospectus, the Prospectus, the Application Forms, the terms and conditions of the Debenture Trusteeship Agreement, the Secured Debenture Trust Deed, other applicable statutory and/or regulatory requirements including those issued from time to time by SEBI/the Government of India/BSE, RBI, and/or other statutory/regulatory authorities relating to the offer, issue and listing of securities and any other documents that may be executed in connection with the NCDs.

Ranking of Secured NCDs

The Secured NCDs would constitute secured obligations of our Company and shall rank *pari passu* with the Existing Secured Creditors on all movable assets and fixed assets, including book debts and receivables, cash and bank balances, loans and advances both present and future of our Company equal to the value 1 time of the debentures outstanding plus interest accrued thereon and first ranking *pari passu* charge on the immovable property situated at Theni District, Periyakulam Reg. Dt., Thevaram SRO, Uthampalyam Taluk, Kombai Village, Malligai Nagar, Plot No. 10 in Survey No. 595/1. The Secured NCDs proposed to be issued under the Issue and all earlier issues of debentures outstanding in the books of our Company having corresponding assets as security, shall rank *pari passu* without preference of one over the other except that priority for payment shall be as per applicable date of redemption. Our Company confirms that all permissions and/or consents for creation of a *pari passu* charge on the current assets, book debts, loans and advances, and receivables, both present and future as stated above, have been obtained from all relevant creditors, lenders and debenture trustees of our Company, who have an existing charge over the above-mentioned assets.

Debenture Redemption Reserve

Regulation 16 of the SEBI Debt Regulations and Section 71 of the Companies Act 2013 states that any company that intends to issue debentures must create a Debenture Redemption Reserve out of the profits of the company available for payment of dividend until the redemption of the debentures.

The Companies (Share Capital and Debentures) Rules, 2014 inter alia provides as follows:

“**Rule 18 (7)** The company shall create a Debenture Redemption Reserve for the purpose of redemption of debentures, in accordance with the conditions given below:

- (a) the Debenture Redemption Reserve shall be created out of the profits of the company available for payment of dividend;
- (b) the company shall create Debenture Redemption Reserve (DRR) in accordance with following conditions:
 - (i) No DRR is required for debentures issued by All India Financial Institutions (AIFIs) regulated by RBI and Banking Companies for both public as well as privately placed debentures. For other Financial Institutions (FIs) within the meaning of clause (72) of Section 2 of the Companies Act, 2013, DRR will be as applicable to NBFCs registered with RBI.

- (ii) For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997 and for Housing Finance Companies registered with the National Housing Bank, 'the adequacy' of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures.
- (iii) For other companies including manufacturing and infrastructure companies, the adequacy of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and also 25% DRR is required in the case of privately placed debentures by listed companies. For unlisted companies issuing debentures on private placement basis, the DRR will be 25% of the value of outstanding debentures.

Provided that where a company intends to redeem its debentures prematurely, it may provide for transfer of such amount in Debenture Redemption Reserve as is necessary for redemption of such debentures even if it exceeds the limits specified in this sub-rule.

- (c) every company required to create Debenture Redemption Reserve shall on or before the 30th day of April in each year, invest or deposit, as the case may be, a sum which shall not be less than fifteen per cent, of the amount of its debentures maturing during the year ending on the 31st day of March of the next year, in any one or more of the following methods, namely:
 - (i) in deposits with any scheduled bank, free from any charge or lien;
 - (ii) in unencumbered securities of the Central Government or of any State Government;
 - (iii) in unencumbered securities mentioned in sub-clauses (a) to (d) and (ee) of Section 20 of the Indian Trusts Act, 1882;
 - (iv) in unencumbered bonds issued by any other company which is notified under sub-clause (f) of Section 20 of the Indian Trusts Act, 1882;
 - (v) the amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above.

Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below fifteen per cent of the amount of the debentures maturing during the year ending on the 31st day of March of that year;”

The said Companies (Share Capital and Debentures) Rules, 2014 further provides that the amount credited to the Debenture Redemption Reserve shall not be utilised by the company except for the purpose of redemption of debentures.

Face Value

The face value of each NCD to be issued under this Issue shall be ₹ 1,000.

NCD holder not a Shareholder

The NCD holders will not be entitled to any of the rights and privileges available to the equity and/or preference shareholders of our Company.

Rights of NCD holders

Some of the significant rights available to the NCD holders are as follows:

1. The NCDs shall not, except as provided under the Companies Act, 2013, confer upon the NCD holders thereof any rights or privileges available to our members including the right to receive notices or annual reports of, or to attend and/or vote, at our general meeting. However, if any resolution affecting the rights attached to the NCDs is to be placed before the members, the said resolution will first be placed before the concerned registered NCD holders for their consideration. In terms of Section 136 of the Companies Act, 2013, holders of NCDs shall be entitled to a copy of the balance sheet and copy of trust deed on a specific request made to us.

2. Subject to applicable statutory/regulatory requirements, including requirements of the RBI, the rights, privileges and conditions attached to the NCDs may be varied, modified and/or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the NCDs or with the sanction of a special resolution passed at a meeting of the concerned NCD holders, provided that nothing in such consent or resolution shall be operative against us, where such consent or resolution modifies or varies the terms and conditions governing the NCDs, if the same are not acceptable to us.
3. The registered NCD holder or in case of joint-holders, the one whose name stands first in the register of debenture holders shall be entitled to vote in respect of such NCDs, either in person or by proxy, at any meeting of the concerned NCD holders and every such holder shall be entitled to one vote on a show of hands and on a poll, his/her voting rights on every resolution placed before such meeting of the NCD holders shall be in proportion to the outstanding nominal value of NCDs held by him/her.
4. The NCDs are subject to the provisions of the SEBI Debt Regulations, the applicable provisions of Companies Act, 2013 and the Companies Act, 1956, the Memorandum and Articles of Association of our Company, the terms of this Prospectus, the Application Forms, the terms and conditions of the Debenture Trust Deed, requirements of the RBI, other applicable statutory and/or regulatory requirements relating to the issue and listing, of securities and any other documents that may be executed in connection with the NCDs.
5. A register of NCD holders (**“Register of Debenture holder”**) will be maintained in accordance with Section 88 of the Companies Act, 2013 and all interest/redemption amounts and principal sums becoming due and payable in respect of the NCDs will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the Register of NCD holders as on the record date. Further as the NCDs issued are also being issued in Demat form, the Depositories shall also maintain the updated register of holders of the NCDs in Demat Form.
6. Subject to compliance with RBI requirements, NCDs can be rolled over only with the consent of the holders of at least 75% of the outstanding amount of the NCDs after providing at least 21 days’ prior notice for such roll over and in accordance with the SEBI Debt Regulations. Our Company shall redeem the debt securities of all the debt securities holders, who have not given their positive consent to the rollover.
7. The aforementioned rights of the NCD holders are merely indicative. The final rights of the NCD holders will be as per the terms of this Prospectus and the Debenture Trust Deed to be executed between our Company and the Debenture Trustee.

Minimum Subscription

If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. ₹ 7,500 lakhs, within 30 days from the date of Issue of the Prospectus or such other period as may be prescribed by SEBI, the entire application amounts shall be refunded to the Applicants within 12 days from the date of closure of the Issue. Failing which, our Company and our Directors who are officers in default shall be jointly and severally liable to pay that money with interest for the delayed period, at the rate of 15 percent per annum.

Market Lot and Trading Lot

Since trading of the NCDs is in dematerialised form, the tradable lot is one NCD.

Allotment in the Issue will be in Demat form in multiples of one NCD. For details of allotment, see *“Issue Procedure”* beginning on page 167.

Nomination facility to NCD holder

In accordance with Section 72 of the Companies Act, 2013, the sole NCD holder or first NCD holder, along with other joint NCD holders (being individual(s)) may nominate any one person (being an individual) who, in the event of death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the NCD. A person, being a nominee, becoming entitled to the NCD by reason of the death of the NCD holder(s), shall be entitled to the same rights to which he would be entitled if he were the registered holder of the NCD. Where the nominee is a minor, the NCD holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the NCD(s), in the event of his death, during the minority. A nomination shall stand rescinded upon sale of a NCD by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the NCD is held by two or more persons, the nominee shall become

entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered/Corporate Office or at such other addresses as may be notified by us.

NCD holder(s) are advised to provide the specimen signature of the nominee to us to expedite the transmission of the NCD(s) to the nominee in the event of demise of the NCD holder(s). The signature can be provided in the Application Form or subsequently at the time of making fresh nominations. This facility of providing the specimen signature of the nominee is purely optional.

In accordance with Section 72 of the Companies Act, 2013, any person who becomes a nominee by virtue of the provisions of the same Section, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the NCDs; or
- to make such transfer of the NCDs, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the NCDs, and if the notice is not complied with, within a period of 90 days, the Board may thereafter withhold payment of all interests or redemption amounts or other monies payable in respect of the NCDs, until the requirements of the notice have been complied with.

For nominations made in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective Depository Participant.

Succession

Where NCDs are held in joint names and one of the joint NCD Holder dies, the survivor(s) will be recognised as the NCD Holder(s). It will be sufficient for our Company to delete the name of the deceased NCD Holder after obtaining satisfactory evidence of his death. Provided, a third person may call on our Company to register his name as successor of the deceased NCD Holder after obtaining evidence such as probate of a will for the purpose of proving his title to the NCDs. In the event of demise of the sole or first holder of the NCDs, our Company will recognise the executors or administrator of the deceased NCD Holders, or the holder of the succession certificate or other legal representative as having title to the NCDs only if such executor or administrator obtains and produces probate or letter of administration or is the holder of the succession certificate or other legal representation, as the case may be, from an appropriate court in India. Our Directors, in their absolute discretion may, in any case, dispense with production of probate or letter of administration or succession certificate or other legal representation. In case of death of NCD Holders who are holding NCDs in dematerialised form, third person is not required to approach the Company to register his name as successor of the deceased NCD holder. He shall approach the respective Depository Participant of the NCD Holder for this purpose and submit necessary documents as required by the Depository Participant.

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with the competent courts of jurisdiction in Kochi, India.

Application in the Issue

NCDs being issued through this Prospectus can be applied for, through a valid Application Form filled in by the applicant along with attachments, as applicable.

Period of Subscription

The subscription list shall remain open for a period as indicated below, with an option for early closure or extension by such period, as may be decided by the duly authorised committee of Directors of our Company, subject to necessary approvals. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure is given one day prior to such early date of closure through advertisement/s in a leading national daily newspaper.

Issue Opening Date	September 27, 2018 [#]
Issue Closing Date	October 26, 2018*

The subscription list for the Issue shall remain open for subscription up to 5 p.m., with an option for early closure by such period, up to a period of 29 days from the date of Opening of the Issue, as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure of the Issue is given as the case may be on or before such early date of closure or the initial Closing Date through advertisement/s in a leading national daily newspaper.

**Application and any further changes to the Applications shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time, "IST") during the Issue Period as mentioned above by the Members of the Syndicate, Trading Members and designated branches of SCSBs, except that on the Issue Closing Date when the Applications and any further changes in details in Applications, if any, shall be accepted only between 10.00 a.m. and 3.00 p.m. (IST) and shall be uploaded until 5.00 p.m. (IST) or such extended time as permitted by the Stock Exchanges. It is clarified that the Applications not uploaded in the Stock Exchange Platform would be rejected.*

Due to limitation of time available for uploading the Applications on the Issue Closing Date, the Applicants are advised to submit their Applications one day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Issue Closing Date. All times mentioned in this Prospectus are Indian Standard Time. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, as is typically experienced in public offerings, some Applications may not get uploaded due to lack of sufficient time.

Such Applications that cannot be uploaded will not be considered for allocation under the Issue. Applications will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holiday). Neither our Company, nor any Member of the Syndicate, Trading Members or designated branches of SCSBs is liable for any failure in uploading the Applications due to faults in any software/hardware system or otherwise.

Restriction on transfer of NCDs

There are no restrictions on transfers and transmission of NCDs and on their consolidation/splitting except as may be required under RBI requirements and as provided in our Articles of Association. For further details, see "Summary of Main Provisions of the Articles of Association" beginning on page 218.

ISSUE PROCEDURE

Our Company and the Lead Manager would not be liable for any amendment, modification or change in applicable law, which may occur after the date of this Prospectus. Investors are advised to make their independent investigations and ensure that their Application does not exceed the investment limits or maximum number of NCDs that can be held by them under applicable law or as specified in this Prospectus.

This chapter applies to all categories of Applicants. ASBA Applicants and Applicants applying through the Direct Online Application Mechanism (as defined hereinafter) should note that the ASBA process and the Direct Online Application Mechanism involve application procedures that are different from the procedure applicable to all other Applicants. Applicants applying through the ASBA process and the Direct Online Application Mechanism should carefully read the provisions applicable to such applications before making their application in this Issue. Please note that all the Applicants are required to make payment of the full Application Amount along with the Application Form or ensure that the ASBA Account has sufficient credit balance such that the entire Application Amount can be blocked by the SCSB at the time of making the Application. In case of ASBA Applicants, an amount equivalent to the full Application Amount will be blocked by the SCSBs.

ASBA Applicants should note that they may submit their ASBA Applications to the Members of the Syndicate or Trading Members of the Stock Exchange only at the Syndicate ASBA Application Locations, or directly to the Designated Branches of the SCSBs. Applicants other than direct ASBA Applicants are required to submit their Applications to the Members of the Syndicate or Trading Members (at the application centres of the Members of the Syndicate will be mentioned in the Application Form) or make online Applications using the online payment gateway of the Stock Exchanges.

Please note that the Applicants cannot apply in this Issue by filling in the application form directly through the online interface of BSE.

Please note that this section has been prepared based on the Circular No. CIR/IMD/DF-1/20/2012 dated July 27, 2012 issued by SEBI. The following Issue procedure is subject to the functioning and operations of the necessary systems and infrastructure put in place by the Stock Exchanges for implementation of the provisions of the abovementioned circular, including the systems and infrastructure required in relation to Direct Online Applications through the online platform and online payment facility to be offered by Stock Exchanges and is also subject to any further clarifications, notification, modification, direction, instructions and/or correspondence that may be issued by the Stock Exchange(s) and/or SEBI. Please note that the Applicants can apply for NCDs under the Issue, through the direct online applications mechanism of the Stock Exchanges, if provided for by the Stock Exchanges. Please note that clarifications and/or confirmations regarding the implementation of the requisite infrastructure and facilities in relation to direct online applications and online payment facility have been sought from the Stock Exchanges and we will appropriately notify and/or intimate Investors in connection with the availability of Direct Online Applications Facility either through disclosures in this Prospectus and/or by way of a public announcement or advertisement.

Please note that as per the Circular No. CIR/IMD/DF/18/2013 dated) October 29, 2013 issued by SEBI, Allotment in this Issue shall be made on the basis of date of upload of each Application into the electronic book of the Stock Exchange.

PLEASE NOTE THAT ALL TRADING MEMBERS OF THE STOCK EXCHANGE(S) WHO WISH TO COLLECT AND UPLOAD APPLICATION IN THIS ISSUE ON THE ELECTRONIC APPLICATION PLATFORM PROVIDED BY THE STOCK EXCHANGES WILL NEED TO APPROACH THE RESPECTIVE STOCK EXCHANGE(S) AND FOLLOW THE REQUISITE PROCEDURES AS MAY BE PRESCRIBED BY THE RELEVANT STOCK EXCHANGE.

THE MEMBERS OF THE SYNDICATE AND THE COMPANY SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY ERRORS OR OMISSIONS ON THE PART OF THE TRADING MEMBERS IN CONNECTION WITH THE RESPONSIBILITY OF SUCH TRADING MEMBERS IN RELATION TO COLLECTION AND UPLOAD OF APPLICATIONS IN THIS ISSUE ON THE ELECTRONIC APPLICATION PLATFORM PROVIDED BY THE STOCK EXCHANGES.

FURTHER, THE RELEVANT STOCK EXCHANGE SHALL BE RESPONSIBLE FOR ADDRESSING INVESTOR GRIEVANCES ARISING FROM APPLICATIONS THROUGH TRADING MEMBERS REGISTERED WITH SUCH STOCK EXCHANGE.

Please note that as per Para 4 of SEBI Circular No. CIR/CFD/DIL/12/2012 dated September 13, 2012, for

making Applications by SCSBs on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB/s. Such account shall be used solely for the purpose of making Application in public issues and clear demarcated funds should be available in such account for ASBA Applications.

1. Who can Apply

The following categories of persons are eligible to apply in the Issue:

Category I

- Resident Public Financial Institutions as defined in Section 2(72) of the Companies Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks,
- Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs;
- Provident Funds of minimum corpus of ₹ 2,500 lakhs, Pension Funds of minimum corpus of ₹2500 lakhs, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs;
- Venture Capital funds and/or Alternative Investment Funds registered with SEBI;
- Insurance Companies registered with the IRDA;
- National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India);
- Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India;
- Mutual Funds, registered with SEBI; and
- Systemically Important NBFCs.

Category II

- Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs;
- Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorised to invest in the NCDs;
- Trust including Public/private charitable/religious trusts which are authorised to invest in the NCDs;
- Association of Persons
- Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;
- Partnership firms in the name of the partners; and
- Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); and
- Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding ₹ 5 lakhs.

Category III*

- Resident Indian individuals; and
- Hindu undivided families through the Karta.

** applications aggregating to a value not more than ₹ 5 lakhs.*

Applications cannot be made by:

- Minors without a guardian (A guardian may apply on behalf of a minor. However, the name of the guardian will need to be mentioned on the Application Form) *;
- Non-resident investors including NRIs, QFIs and FPIs who are (i) based in the USA and/or, (ii) domiciled in or resident of the USA, and/or, (iii) U.S. Persons or those who apply on account of or for the benefit of such persons, and/or, (iv) subject to any tax laws of the USA;
- Foreign nationals;
- Persons resident outside India including without limitation Foreign Institutional Investors, Non-Resident Indians, Qualified Foreign Investors, Foreign Venture Capital Funds and Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

** Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872*

For Applicants applying for NCDs in demat form, the Registrar shall verify the above on the basis of the records provided by the Depositories based on the DP ID and Client ID provided by the Applicants in the

Application Form and uploaded onto the electronic system of the Stock Exchanges by the Members of the Syndicate or the Trading Members, as the case may be.

Applicants are advised to ensure that applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions.

Applicants are advised to ensure that they have obtained the necessary statutory and/or regulatory permissions/consents/approvals in connection with applying for, subscribing to, or seeking allotment of NCDs pursuant to the Issue.

The Lead Manager and its respective associates and affiliates are permitted to subscribe in the Issue.

2. How to Apply?

(i) Applicants may use any of the following facilities for making Applications:

- (a) ASBA Applications through the Members of Syndicate and Trading Members of the Stock Exchange(s), (“**Syndicate ASBA**”);
- (b) ASBA Applications through SCSBs, both in physical and electronic mode (wherever provided by the respective SCSB);
- (c) Non ASBA Applications through the Members of Syndicate and Trading Members of the Stock Exchange(s); and
- (d) Non ASBA Applications through the Members of Syndicate and Trading Members of the Stock Exchange(s) for applicants who intend to hold the NCDs in physical form.

Please note that there is a single Application Form for ASBA as well as non-ASBA Applicants who are Persons Resident in India.

(ii) Availability of Prospectus and Application Forms

Copies of the Abridged Prospectus containing the salient features of the Prospectus together with Application Forms and the copies of the Prospectus may be obtained from our Registered Office, the offices of the Lead Manager, Members of the Syndicate, designated branches of the SCSB and Trading members. Additionally, the Prospectus will be available for download on the website of BSE at www.bseindia.com and the website of the Lead Manager at www.vivro.net. The Abridged Prospectus and Application Forms shall be available on the website of BSE at www.bseindia.com, and the Members of the Syndicate.

A unique application number will be generated for every Application Form downloaded from the websites of the Stock Exchange and Members of the Syndicate. In addition, online demat account portals may also provide the facility of submitting the Application Forms online to their account holders.

The prescribed colour of the Application Form for the Applicants is as follows:

Category	Colour of the Application Form
ASBA Applicants as well as non-ASBA Applicant	White

Electronic Application Forms will also be available on the website of Stock Exchanges. Trading members are required to download the Electronic Application Forms from stock exchanges platforms and submit these forms along with cheques/drafts/payment instrument to the collecting banks.

Applicants are requested to note that in terms of the SEBI Circular No. CIR./IMD/DF-1/20/2012 dated July 27, 2013 (“**Debt Application Circular**”), SEBI has mandated issuers to provide, through a recognised stock exchange which offers such a facility, an online interface enabling direct application by investors to a public issue of debt securities with an online payment facility (“**Direct Online Application Mechanism**”). In this regard, SEBI has, through the Debt Application Circular, directed recognised stock exchanges in India to put in necessary systems and infrastructure for the implementation of the Debt Application Circular and the Direct Online Application Mechanism. Eligible investors desirous of applying in the Issue through the Direct Online Application Mechanism shall be able to apply through the Direct Online Application Mechanism, as and when provided for by the Stock Exchanges.

The information below is given for the benefit of the investors. Our Company and/or the Lead Manager are not liable for any amendment or modification or changes in applicable laws or regulations, which may occur after the date of this Prospectus.

Grouping of Applications

For the purposes of the basis of allotment:

- (a) Applications received from Category I applicants: Applications received from Category I, shall be grouped together, (**“Institutional Portion”**);
- (b) Applications received from Category II applicants: Applications received from Category II, shall be grouped together, (**“Non-Institutional Portion”**);
- (c) Applications received from Category III applicants: Applications received from Category III, shall be grouped together, (**“Retail Individual Portion”**);

For removal of doubt, **“Institutional Portion”**, **“Non-Institutional Portion”** and **“Retail Individual Portion”** are individually referred to as **“Portion”** and collectively referred to as **“Portions”**

3. Filing of the Prospectus with RoC

A copy of the Prospectus has been filed with the RoC, in terms of Section 26 of the Companies Act, 2013.

4. Pre-Issue Advertisement

Subject to Section 30 of the Companies Act, 2013, our Company will issue a statutory advertisement on or before the Issue Opening Date. This advertisement will contain the information as prescribed under the SEBI Debt Regulations. Material updates, if any, between the date of filing of the Prospectus with RoC and the date of release of the statutory advertisement will be included in the statutory advertisement.

5. Procedure for Application

(a) Non-ASBA Applications

Applications through the Members of the Syndicate/Trading Members of the Stock Exchanges through Collecting Banks without using ASBA Facility

All Application Forms, either in physical or downloaded Application Forms, duly completed or accompanied by account payee cheques/bank drafts shall be submitted with the Members of the Syndicate or Trading Members of the Stock Exchanges before the closure of the Issue. The Members of the Syndicate/Trading Members of the Stock Exchanges, upon receipt of the Non-ASBA Applications, shall upload all the details of the applications on the online platform of the Stock Exchanges. The Applications are to be submitted to the Members of the Syndicate or Trading Members on a timely manner so that the details can be uploaded by the closure of banking hours on to the Stock Exchange platform i.e. from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) during the Issue Period, following which they shall acknowledge the uploading of the Application Form by stamping the acknowledgment slip with the date and returning it to the Applicant. This acknowledgement slip shall serve as the duplicate of the Application Form for the records of the Applicant and the Applicant should preserve this and should provide the same for any grievances relating to their Application. The Members of the Syndicate/Trading Members of the Stock Exchanges shall thereafter submit the physical Application Form along with the cheque/bank draft to the Escrow Collection Banks, which will realise the payment instrument and send the Application details to the Registrar.

All cheques/bank drafts accompanying the application should be crossed **“A/c Payee only”** and all cheques/bank drafts accompanying the applications made by eligible applicants must be made payable to **“KLM Axiva Finvest Limited - NCD Escrow Account”**.

The Members of the Syndicate/Trading Members of the Stock Exchanges shall on receipt of the completed Application Form and the cheque/draft, provide an acknowledgment of the application to the Applicant. The Members of the Syndicate/Trading Members of the Stock Exchanges shall upload all such details of the Applicant that is required for the purpose of allotment based on the Application Form on the online platform of the Stock Exchanges.

The Members of the Syndicate/Trading Members of the Stock Exchanges shall thereafter submit the physical

Application Form (duly stamped by such Members of the Syndicate/Trading Members of the Stock Exchanges) along with the cheque/bank draft to the Escrow Collecting Bank(s), which will realise the payment instrument, and send the Application Form to the Registrar. The Registrar shall match Application details as received from the online platform of Stock Exchanges with the Application Amount details received from the Escrow Collection Banks for reconciliation of funds received from the Escrow Collection Banks. In case of discrepancies between the two data bases, the details received from the online platform of Stock Exchanges will prevail. The Members of the Syndicate/Trading Members are requested to note that all Applicants are required to be banked with only the banking branches of Escrow Collection Banks, details of which will be available at the websites of the BSE at www.bseindia.com). Accordingly, Applicants are requested to note that they must submit Application Forms to Trading Members who are located in towns/cities which have at least one banking branch of the Escrow Collection Banks. Upon Allotment, the Registrar will dispatch Bond Certificates to the successful Applicants to their addresses as provided in the Application Form.

The Members of the Syndicate and the Trading Members of the Stock Exchange shall ensure they shall accept Application Forms only in such cities/towns where the banking branches (escrow banks) are available. Details of such banking branches are available on the website of BSE on www.bseindia.com.

Payment mechanism for non-ASBA Applicants

The cheque/bank draft can be drawn on any bank, including a co-operative bank which is situated at and is member or sub-member of the Bankers' clearing-house located at the place where the Application Form is submitted, i.e. at designated collection centres of the Escrow Collection Bank. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected and the collecting bank shall not be responsible for such rejections. Payment through Stockinvest would also not be allowed as the same has been discontinued by the RBI *vide* notification no. DBOD.NO.FSC.BC. 42/24.47.001/2003-04 dated November 5, 2003. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted. In case payment is effected in contravention of conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon. A separate cheque/bank draft must accompany each Application Form. No cash payments shall be accepted.

All cheques/bank drafts accompanying the application should be crossed "A/c Payee only" and (a) all cheques/bank drafts accompanying the applications made by eligible applicants must be made payable to "***KLM Axiva Finvest Limited - NCD Escrow Account***".

Please note that neither our Company, Lead Manager, nor the Members of the Syndicate, nor the Registrar shall be responsible for redressal of any grievances that Applicants may have in regard to the non-ASBA Applications made to the Trading Members, including, without limitation, relating to non-upload of the Applications data. All grievances against Trading Members in relation to the Issue should be made by Applicants to the relevant Stock Exchange.

Escrow Mechanism

Each Applicant (except for ASBA Applicants) shall draw a cheque or demand draft for the Application Amount as per the following terms:

- a) All Applicants would be required to pay the full Application Amount at the time of the submission of the Application Form.
- b) The Applicants shall, with the submission of the Application Form, draw a payment instrument for the Application Amount in favour of the Escrow Accounts and submit the same along with their Application. If the payment is not made favouring the Escrow Accounts along with the Application Form, the Application will be rejected. Application Forms accompanied by cash, stock invest, money order or postal order will not be accepted.
- c) The payment instruments from the Applicants shall be payable into the Escrow Account drawn in favour of "***KLM Axiva Finvest Limited - NCD Escrow Account***".
- d) Payments should be made by cheque, or a demand draft drawn on any bank (including a cooperative bank), which is situated at cities/towns where the banking branches (escrow banks) are available. Details of such branches of the Escrow Banks where the Application Form along with the cheque/demand draft submitted by a Non ASBA applicant shall be deposited by the Members of the Syndicate/Trading Members are available on the website of BSE at www.bseindia.com. Outstation cheques/bank drafts shall

be rejected.

Details of the branches of the Escrow Banks where the Application Form along with the cheque/demand draft submitted by a Non ASBA applicant shall be deposited by the Members of the Syndicate and Trading Members are available on the website of BSE at www.bseindia.com.

Upon creation of Security as disclosed in the Trust Deed and receipt of necessary communication from the Lead Manager to the Issue, as per the provisions of the Escrow Agreement, the Escrow Collection Bank(s) shall transfer the monies from the escrow accounts to separate bank accounts i.e. The Public Issue Accounts.

The Fees for Lead Manager shall be paid out of the Public Issue Account once listing/trading approvals are received from Stock Exchange, upon receipt of instructions from the Lead Manager as provided for in the Escrow Agreement.

The balance amount in the Escrow Accounts, after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund and interest on Application Amount to the relevant Applicants shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Prospectus.

The Escrow Collection Banks will act in terms of this Prospectus and the Escrow Agreement. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein.

(b) ASBA Applications

Procedure for Application through the Members of the Syndicate/Trading Members of the Stock Exchanges using the Applications Supported by Blocked Amount (“ASBA”) facility and Applications through SCSBs using ASBA facility

This section is for the information of the Applicants proposing to subscribe to the Issue through the ASBA Process (“ASBA Investors”). Please note that application through ASBA is optional for all categories of Applicants. The Lead Manager and our Company are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Prospectus. ASBA Investors are advised to make their independent investigations and to ensure that the Application Form is correctly filled up.

Our Company, our Directors, affiliates and associates and the Lead Manager, its respective directors, officers, affiliates and associates and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs including, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Applicants can submit their Applications through the ASBA process by submitting the Application Forms in physical mode to the SCSB with whom the ASBA Account is maintained or through the Members of the Syndicate or Trading Members (ASBA Applications through the Members of the Syndicate and Trading Members shall hereinafter be referred to as the “**Syndicate ASBA**”), prior to or on the Issue Closing Date. **ASBA Applications through the Members of the Syndicate and Trading Members is permitted only at the Syndicate ASBA Application Locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bangalore, Hyderabad, Pune, Vadodara and Surat).** Kindly note that Application Forms submitted by ASBA Applicants to Members of the Syndicate and the Trading Members at the Syndicate ASBA Application Locations will not be accepted if the SCSB with which the ASBA Account, as specified in the Application Form is maintained has not named at least one branch at that location for the Member of the Syndicate or the Trading Members to deposit the Application Form (A list of such branches is available at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time). The Members of Syndicate and Trading Members shall accept ASBA Applications only at the Syndicate ASBA Application Locations and should ensure that they verify the details about the ASBA Account and relevant SCSB prior to accepting the Application Form.

Members of Syndicate and Trading Members shall, upon receipt of physical Application Forms from ASBA Applicants, upload the details of these Application Forms to the online platform of the Stock Exchanges and submit these Application Forms with the SCSB with whom the relevant ASBA Accounts are maintained in accordance with the Debt Application Circular.

An ASBA Applicant shall submit the Application Form, which shall be stamped at the relevant Designated Branch of the SCSB. Application Forms in physical mode, which shall be stamped, can also be submitted to be Members of the Syndicate and the Trading Members at the Syndicate ASBA Application Locations. The SCSB shall block an amount in the ASBA Account equal to the Application Amount specified in the Application Form.

Our Company, our directors, affiliates, associates and their respective directors and officers, Lead Manager and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to ASBA Applications accepted by SCSBs and Trading Members, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Applications uploaded by SCSBs, the Application Amount has been blocked in the relevant ASBA Account. Further, all grievances against Trading Members in relation to the Issue should be made by Applicants directly to the Stock Exchanges.

Please note that, you cannot apply for the NCDs through the ASBA process if you wish to be allotted the NCDs in physical form.

ASBA Application in electronic mode will only be available with such SCSBs who provide such facility. In case of application in such electronic form, the ASBA Applicant shall submit the Application Form with instruction to block the Application amount either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for applying and blocking funds in the ASBA Account held with SCSB, as would be made available by the concerned SCSB.

Applications are liable to be rejected, wherein the SCSBs are not able to block the funds for Application Forms which have been uploaded by the Member of the Syndicate or Trading Members of the Stock Exchange due to any reason.

Mode of payment

The Applicant applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the Application Form, by authorising the SCSB to block an amount, equivalent to the amount payable on Application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account, details of which are provided in the Application Form or through which the Application is being made in case of electronic ASBA Application, the SCSB shall block an amount equivalent to the amount payable on Application mentioned in the Application Form until it receives instructions from the Registrar. After finalisation of Basis of Allotment and upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account. This amount will be transferred into the Public Issue Account maintained by us as per the provisions of Section 40(3) of the Companies Act, 2013. The balance amount remaining blocked in the ASBA Accounts, if any, after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account with the SCSB, details of which have been provided by the Applicant in the Application Form, does not have sufficient funds equivalent to the amount payable on application mentioned in the Application Form. Subsequent to the acceptance of the application by the SCSB, the Registrar would have a right to reject the application on any of the technical grounds.

In the event of withdrawal or rejection of Application Form or for unsuccessful Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant ASBA Account within twelve (12) Working Days of receipt of such instruction. There will be no interest paid on any such refunds.

Depository account and bank details for Applicants applying under the ASBA Process

IT IS MANDATORY FOR ALL THE APPLICANTS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR NCDs IN DEMATERIALIZED FORM. ALL APPLICANTS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, PAN DETAILS, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM.

Applicants applying under the ASBA Process should note that on the basis of name of these Applicants, Depository Participant's name and identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository demographic details of these Applicants such as PAN, address for printing on Allotment advice and occupation ("Demographic Details"). Hence, Applicants applying under the ASBA Process should carefully fill in their Depository Account details in the Application Form.

These Demographic Details would be used for all correspondence with such Applicants including mailing of the letters intimating unblocking of their respective ASBA Accounts. The Demographic Details given by the Applicants in the Application Form would not be used for any other purposes by the Registrar. Hence, Applicants are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Application Forms, the Applicants applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking the funds would be mailed at the address of the ASBA Applicant as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent NCDs are not allotted to such ASBA Applicants. ASBA Applicants may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered.

Note that any such delay shall be at the sole risk of the ASBA Applicants and none of our Company, the SCSBs, the Members of the Syndicate or Trading Member shall be liable to compensate the Applicant applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) Client ID, (b) the DP ID and (c) the PAN Number, then such applications are liable to be rejected.

APPLICATIONS BY VARIOUS APPLICANT CATEGORIES

Applications by Mutual Funds, registered with SEBI

No mutual fund scheme shall invest more than 15% of its NAV in debt instruments issued by a single Company which are rated not below investment grade by a credit rating agency authorised to carry out such activity. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of Asset Management Company.

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. Applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. In case of Applications made by Mutual Fund registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. The applications must be also accompanied by certified true copies of (i) SEBI Registration Certificate and trust deed (ii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorised signatories. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Application by Scheduled Banks, Co-operative Banks and Regional Rural Banks

Scheduled Banks, Co-operative Banks and Regional Rural Banks can apply in this public issue based upon their own investment limits and approvals. The application must be accompanied by certified true copies of (i) Board Resolution authorising investments; (ii) Letter of Authorisation; (ii) Charter Document and (iv) PAN Card. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Pursuant to SEBI Circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, SCSBs making applications on their own account using ASBA facility, should have a separate account in their own name with any other SEBI registered SCSB. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications.

Application by Insurance Companies

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with Application Form. The applications must be accompanied by certified copies of (i) Memorandum and Articles of Association; (ii) Power of Attorney; (iii) Resolution authorising investment and containing operating instructions; and (iv) Specimen signatures of authorised signatories. Failing this, our Company reserves the right to accept or reject any Application for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Applications by Alternative Investments Funds

Applications made by an Alternative Investments Fund eligible to invest in accordance with the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012, must be accompanied by certified true copies of: (i) the SEBI registration certificate of such Alternative Investment Fund; (ii) a resolution authorising the investment and containing operating instructions; and (iii) specimen signatures of authorised persons. Alternative Investment Funds applying for Allotment of the NCDs shall at all-time comply with the conditions for categories as per their SEBI registration certificate and the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012.

Applications by Trusts

In case of Applications made by trusts, settled under the Indian Trusts Act, 1882, as amended, or any other statutory and/or regulatory provision governing the settlement of trusts in India, must submit a (i) certified copy of the registered instrument for creation of such trust, (ii) Power of Attorney, if any, in favour of one or more trustees thereof, (iii) such other documents evidencing registration thereof under applicable statutory/regulatory requirements. Further, any trusts applying for NCDs pursuant to the Issue must ensure that (a) they are authorised under applicable statutory/regulatory requirements and their constitution instrument to hold and invest in debentures, (b) they have obtained all necessary approvals, consents or other authorisations, which may be required under applicable statutory and/or regulatory requirements to invest in debentures, and (c) applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Applications by Public Financial Institutions, Statutory Corporations, which are authorised to invest in the NCDs

The application must be accompanied by certified true copies of: (i) Any Act/Rules under which they are incorporated; (ii) Board Resolution authorising investments; and (iii) Specimen signature of authorised person. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Applications by companies, bodies corporate and societies registered under applicable laws in India

The application must be accompanied by certified true copies of: (i) Any Act/Rules under which they are incorporated; (ii) Board Resolution authorising investments; and (iii) Specimen signature of authorised person. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Indian Scientific and/or industrial research organisations, which are authorised to invest in NCDs

The application must be accompanied by certified true copies of: (i) Any Act/Rules under which they are incorporated; (ii) Board Resolution authorising investments; and (iii) Specimen signature of authorised person. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Partnership firms formed under applicable Indian laws in the name of the partners and Limited Liability Partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)

The application must be accompanied by certified true copies of: (i) Partnership Deed; (ii) Any documents

evidencing registration thereof under applicable statutory/regulatory requirements; (iii) Resolution authorising investment and containing operating instructions (Resolution); (iv) Specimen signature of authorised person. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Applications under Power of Attorney

In case of Applications made pursuant to a power of attorney by Category I Applicants, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Application Form, failing this, our Company reserves the right to accept or reject any Application for Allotment of NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

In case of Investments made pursuant to a power of attorney by Category II and Category III Applicants, a certified copy of the power of attorney must be lodged along with the Application Form. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of the NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

In case of an ASBA Application pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the Application Form. Failing this, our Company, in consultation with the Lead Manager, reserves the right to reject such Applications.

Applications by provident funds, pension funds, superannuation funds and gratuity funds which are authorised to invest in the NCDs

Applications by provident funds, pension funds, superannuation funds and gratuity funds which are authorised to invest in the NCDs, for Allotment of the NCDs in physical form must be accompanied by certified true copies of: (i) any Act/rules under which they are incorporated; (ii) a power of attorney, if any, in favour of one or more trustees thereof, (iii) a board resolution authorising investments; (iii) such other documents evidencing registration thereof under applicable statutory/regulatory requirements; (iv) specimen signature of authorised person; (v) a certified copy of the registered instrument for creation of such fund/trust; and (vi) any tax exemption certificate issued by Income Tax authorities. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of the NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Applications by National Investment Funds

Application made by a National Investment Funds for Allotment of the NCDs in physical form must be accompanied by certified true copies of: (i) a resolution authorising investment and containing operating instructions; and (ii) specimen signatures of authorised persons. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of the NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

Our Company, in its absolute discretion, reserves the right to relax the above condition of attaching the aforementioned documents along with the Application Form subject to such terms and conditions that our Company and the Lead Manager may deem fit.

6. Applicants' PAN, Depository Account and Bank Account Details

(i) Permanent Account Number

The applicant should mention his or her Permanent Account Number (PAN) allotted under the IT Act (Except for Applications on behalf of the Central or State Government officials and the officials appointed by the courts in terms of a SEBI circular dated June 30, 2008 and Applicants residing in the state of Sikkim who in terms of a SEBI circular dated July 20, 2006 may be exempt from specifying their PAN for transacting in the securities market). In accordance with Circular No. MRD/DOP/Cir-05/2007 dated April 27, 2007 issued by SEBI, the PAN would be the sole identification number for the participants transacting in the securities market, irrespective of the amount of transaction. Any Application Form, without the PAN will be rejected, irrespective of the amount of transaction. It is to be specifically noted that the applicants should not submit the GIR number instead of the PAN as the Application will be rejected on this ground.

(ii) Applicant's Depository Account Details

ALL APPLICANTS APPLYING FOR NCDs IN DEMATERIALIZED FORM SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, PAN DETAILS, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM.

Applicant should note that on the basis of name of the applicant, PAN details, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the investor such as address, PAN, bank account details for printing on refund orders or used for refunding through electronic mode, as applicable and occupation ("*Demographic Details*"). Hence, applicants should carefully fill in their Depository Account details in the Application Form. Applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

These Demographic Details would be used for all correspondence with the applicants including mailing of the refund orders/Allotment Advice and printing of bank particulars on the refund/interest order and the Demographic Details given by applicant in the Application Form would not be used for these purposes by the Registrar.

Refund Orders/Allotment Advice would be mailed at the address of the applicant as per the Demographic Details received from the Depositories. Applicant may note that delivery of Refund Orders/Allotment Advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the applicant's sole risk and neither our Company nor the Lead Manager or the Registrar, Syndicate Member, Trading Members or SCSBs shall be liable to compensate the applicant for any losses caused to the applicant due to any such delay or liable to pay any interest for such delay.

However, in case of applications made under power of attorney, our Company in its absolute discretion, reserves the right to permit the holder of Power of Attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of Refund Orders/Allotment Advice, the demographic details obtained from the Depository of the applicant shall be used.

In case no corresponding record is available with the Depositories that matches all three parameters, namely, the Depository Participant's identity (DP ID), Client ID and PAN, then such applications are liable to be rejected.

(iii) Applicant's Bank Account Details

For the Applicants applying for NCDs in dematerialised form, the Registrar to the Issue will obtain the Applicant's bank account details from the Depository. The Applicant should note that on the basis of the name of the applicant, PAN details, Depository Participant's (DP) name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Issue will obtain from the applicant's DP account, the applicant's bank account details. The investors are advised to ensure that bank account details are updated in their respective DP Accounts as these bank account details would be printed on the refund order(s) or used for refunding through electronic mode, as applicable. Please note that failure to do so could result in delays in credit of refunds to applicants at the applicant's sole risk and neither the Lead Manager, our Company, the Refund Banker nor the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

7. Instructions for completing the Application Form

A. Submission of Application Form (Non-ASBA)

General Instructions

- Applications to be made in prescribed form only;
- The forms to be completed in block letters in English;
- Applications are required to be for a minimum of 10 NCDs and in multiples of 1 NCDs
- Ensure that the details about Depository Participant and Beneficiary Account in the Applications for

seeking allotment of NCDs in dematerialised mode are correct, as allotment of NCDs to these Applicants will be in the dematerialised form only.

- Information provided by the Applicants in the Application Form will be uploaded on to the Stock Exchanges Platform system by the Members of the Syndicate, Trading Members of the Stock Exchanges as the case may be, and the electronic data will be used to make allocation/Allotment. The Applicants should ensure that the details are correct and legible;
- Applications should be made by Karta in case of HUF. Please ensure PAN details of the HUF is mentioned and not of Karta;
- Thumb impressions and signatures other than in English/Hindi/Gujarati/Marathi or any other languages specified in the 8th Schedule of the Constitution needs to be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his/her seal;
- Every applicant should hold valid Permanent Account Number (PAN) and mention the same in the Application Form. In case of Joint Applicants, PAN of all Joint Applicants is compulsory;
- Applicants should correctly mention their DP ID and Client ID in the Application Form. For the purpose of evaluating the validity of Applications, the Demographic Details of Applicants shall be derived from the DP ID and Client ID mentioned in the Application Form;
- Application should be in single or joint names and not exceeding three names, and in the same order as their Depository Participant details.
- All applicants are required to tick the relevant column of “Category of Investor” in the Application Form;
- All applicants are required to tick the relevant box of the “Mode of Application” in the Application Form choosing either ASBA or Non-ASBA mechanism;
- All Application Forms (except in case of Application Forms through ASBA mechanism) duly completed together with cheque/bank draft for the amount payable on application must be delivered before the closing of the Issue to any of the Members of the Syndicate and Trading Members of the Stock Exchanges, who shall upload the same on the Stock Exchange Platform before the closure of the Issue;
- All Applicants applying through Non-ASBA mechanism shall mention the Application Number, Sole/first Applicant’s name and the phone number on the reverse side of the cheque and demand draft;
- No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge the same;
- Where minor applicant is applying through guardian, it shall be mandatory to mention the PAN of the minor in the Application.

Further Instructions for ASBA Applicants

- ASBA Applicants should correctly mention the ASBA Account number and ensure that funds equal to the Application Amount are available in the ASBA Account before submitting the Application Form to the Designated Branch, otherwise the concerned SCSB shall reject the Application;
- If the ASBA Account holder is different from the ASBA Applicant, the Application Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the Application Form. Not more than five applications can be made from one single ASBA Account;
- For ASBA Applicants, the Applications in physical mode should be submitted to the SCSBs or a member of the Syndicate or to the Trading Members of the Stock Exchanges on the prescribed Application Form. SCSBs may provide the electronic mode for making application either through an internet enabled banking facility or such other secured, electronically enabled mechanism for application and blocking funds in the ASBA Account;
- Application Forms should bear the stamp of the Member of the Syndicate, Trading Member of the Stock Exchanges and/or SCSB. Application Forms which do not bear the stamp is liable to be rejected.

ALL APPLICATIONS BY CATEGORY I APPLICANTS SHALL BE RECEIVED ONLY BY THE LEAD MANAGER AND ITS RESPECTIVE AFFILIATES.

All Applicants should apply for one or more option of NCDs in a single Application Form only.

To supplement the foregoing, the mode and manner of Application and submission of physical Application Forms is illustrated in the following chart.

Mode of Application	To whom the Application Form has to be submitted
ASBA Applications	i. to the Members of the Syndicate only at the Syndicate ASBA Application Locations; or ii. to the Designated Branches of the SCSBs where the ASBA Account is maintained, in

Mode of Application	To whom the Application Form has to be submitted
	physical and electronic mode (if provided by the respective SCSBs); or iii. to Trading Members only at the Syndicate ASBA Application Locations.
Non- ASBA Applications	i. to the Members of the Syndicate; or ii. to Trading Members.

B. Terms of Payment

The face value for the NCDs is payable on application only. In case of allotment of lesser number of NCDs than the number applied, our Company shall refund/unblock the excess amount paid on application to the applicant.

8. Electronic registration of Applications

- (i) The Members of the Syndicate, SCSBs and Trading Members will register the Applications using the on-line facilities of Stock Exchanges. The Lead Manager, our Company, and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Applications accepted by the SCSBs and Trading Members, (ii) the Applications uploaded by the SCSBs and the Trading Members, (iii) the Applications accepted but not uploaded by the SCSBs or the Trading Members, (iv) with respect to ASBA Applications accepted and uploaded by the SCSBs without blocking funds in the ASBA Accounts or (iv) with respect to ASBA Applications accepted and uploaded by Members of the Syndicate for which the Application Amounts are not blocked by the SCSBs.
- (ii) The Stock Exchanges will offer an electronic facility for registering Applications for the Issue. This facility will be available on the terminals of Members of the Syndicate, Trading Members and the SCSBs during the Issue Period. On the Issue Closing Date, the Members of the Syndicate, Trading Members and the Designated Branches of the SCSBs shall upload the Applications till such time as may be permitted by the Stock Exchanges. This information will be available with the Members of the Syndicate, Trading Members and the Designated Branches of the SCSBs on a regular basis. Applicants are cautioned that a high inflow of high volumes on the last day of the Issue Period may lead to some Applications received on the last day not being uploaded and such Applications will not be considered for allocation.
- (iii) Based on the aggregate demand for Applications registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand for the NCDs, as available on the websites of the Stock Exchanges, would be made available at the Application centres as provided in the Application Form during the Issue Period.
- (iv) At the time of registering each Application, SCSBs, the Members of the Syndicate and Trading Members, as the case may be, shall enter the details of the Applicant, such as the Application Form number, PAN, Applicant category, DP ID, Client ID, number and Option(s) of NCDs applied, Application Amounts, details of payment instruments (for non – ASBA Applications) and any other details that may be prescribed by the online uploading platform of the Stock Exchanges.
- (v) On request, a system generated TRS will be given to the Applicant as a proof of the registration of his Application. It is the Applicant's responsibility to obtain the TRS from the SCSBs, Members of the Syndicate or the Trading Members, as the case may be. The registration of the Applications by the SCSBs, Members of the Syndicate or Trading Members does not guarantee that the NCDs shall be allocated/Allotted by our Company. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (vi) The permission given by the Stock Exchanges to use their network and software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Lead Manager are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the NCDs will be listed or will continue to be listed on the Stock Exchanges.

- (vii) In case of apparent data entry error by either the Members of the Syndicate or the Trading Members, in entering the Application Form number in their respective schedules, other things remaining unchanged, the Application Form may be considered as valid, or such exceptions may be recorded in minutes of the meeting submitted to the Designated Stock Exchange.
- (viii) Only Applications that are uploaded on the online system of the Stock Exchanges shall be considered for Allotment. The Members of the Syndicate, Trading Members and the Designated Branches of the SCSBs shall capture all data relevant for the purposes of finalising the Basis of Allotment while uploading Application data in the electronic systems of the Stock Exchange. In order to ensure that your application is properly loaded on the Stock Exchange, avoid making the application near the time of the closure.

9. General Instructions

Do's

- Check if eligible to apply;
- Read all the instructions carefully and complete the Application Form;
- Ensure that the details about Depository Participant and Beneficiary Account in the allotment of NCDs in Dematerialised form through the Members of the Syndicate and Trading Members are correct, as allotment of NCDs to these applicants will be in the dematerialised form only;
- In case of an HUF applying through its Karta, the Applicant is required to specify the name of an Applicant in the Application Form as 'XYZ Hindu Undivided Family applying through PQR', where PQR is the name of the Karta. However, the PAN number of the HUF should be mentioned in the Application Form and not that of the Karta;
- Ensure that the Applications are submitted to the Members of the Syndicate and Trading Members on a timely manner on the Issue Closing Date so that the details can be uploaded before the closure of the Bidding Period;
- Ensure that the Applicant's name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form;
- Ensure that the first named applicant whose name appears in the Application Form has signed the Application form;
- Ensure that you mention your PAN allotted under the IT Act;
- Ensure that the Demographic Details are updated, true and correct in all respects;
- Ensure the use of an Application Form bearing the stamp of the relevant SCSB, Trading Members of the Stock Exchanges or the Members of the Syndicate (except in case of electronic ASBA Applications) to whom the application is submitted;
- Ensure that you have obtained all necessary approvals from the relevant statutory and/or regulatory authorities, as applicable to each category of investor, to apply for, subscribe to and/or seek allotment of NCDs pursuant to the Issue;
- In case you are submitting an Application Form to a trading member ensure that he is located in a town/city that has an escrow banking facility. (list of such locations is available on the websites of Stock Exchanges, a link for the same being available in the Application Form);
- Ensure that you receive an acknowledgement from the Designated Branch, the Trading Member of the Stock Exchanges or from the Members of the Syndicate, as the case may be, for the submission and upload of your Application Form;
- Applicants (other than the ASBA Applicants are requested to write sole/first Applicant's name, phone number and the Application number on the reverse of the Cheque/Demand Draft through which the payment is made.

Do's for ASBA Applicants in addition to the above mentioned general instructions

- Ensure that you specify ASBA as the 'Mode of Application' and use the Application Form bearing the stamp of the relevant SCSB, Trading Members of the Stock Exchanges or the Members of the Syndicate (except in case of electronic Application Forms) to whom the application is submitted;
- Ensure that your Application Form is submitted either at a Designated Branch of an SCSB where the ASBA Account is maintained, with a Trading Member of the Stock Exchanges at the Syndicate ASBA Application Locations or with the Members of the Syndicate and not to the Escrow Collection Banks (assuming that such bank is not a SCSB), to our Company or the Registrar to the Issue;
- ASBA Applicants applying through a Member of the Syndicate/Trading Member should ensure that the Application Form is submitted to such Member of the Syndicate/Trading Member. ASBA Applicants

should also ensure that Application Forms submitted to the Members of the Syndicate/Trading Member will not be accepted if the SCSB where the ASBA Account, as specified in the Application Form, is maintained has not named at least one branch at that location for the Members of the Syndicate/Trading Member to deposit the Application Form from ASBA Applicants (A list of such designated branches is available at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time). ASBA Applicants Applying directly through the SCSBs should ensure that the Application Form is submitted to a Designated Branch, of a SCSB where the ASBA Account is maintained (A list of such branches is available at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time).

- Ensure that the Application Form is signed by the ASBA Account holder in case the ASBA Applicant is not the account holder;
- Ensure that you have mentioned the correct ASBA Account number in the Application Form;
- Ensure that you have funds equal to or more than the Application Amount in the ASBA Account before submitting the Application Form to the respective Designated Branch, with a Trading Member of the Stock Exchanges or to the Members of the Syndicate;
- Ensure that the Applications are submitted to the SCSBs, Members of the Syndicate and Trading Members on a timely manner on the Issue Closing Date so that the details can be uploaded before the closure of the Bidding Period;
- Ensure that the first named applicant whose name appears in the Application Form has signed the Application form.
- In case you are submitting the Application Form to a Member of the Syndicate, please ensure that the SCSBs with whom the ASBA Account specified in the Application Form is maintained, has a branch specified for collecting such Application Forms in the location where the Application Form is being submitted.
- In terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, in case of an SCSB making an ASBA Application, such ASBA Application should be made through an ASBA Account utilised solely for the purpose of applying in public issues and maintained in the name of such SCSB Applicant with a different SCSB, wherein clear demarcated funds are available.
- Ensure that you have funds equal to the Application Amount in the ASBA Account before submitting the Application Form and that your signature in the Application Form matches with your available bank records;
- Ensure that you have correctly ticked, provided or checked the authorisation box in the Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Amount mentioned in the Application Form;
- Ensure that you receive an acknowledgement from the Designated Branch or the concerned Lead Manager or Trading Member of the Stock Exchange, as the case may be, for the submission of the Application Form.

Don'ts:

- Do not apply for lower than the minimum application size;
- Do not pay the Application Amount in cash or by money order or by postal order or by stockinvest;
- Do not fill up the Application Form such that the NCDs applied for exceeds the issue size and/or investment limit applicable to such investor under laws or regulations applicable to such investor or maximum number of NCDs that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit the GIR number instead of the PAN as the Application Form will be rejected on this ground;
- Do not submit the Application Forms without the full Application Amount;
- Do not send Application Forms by post;
- Do not submit Application Forms in non-ASBA mode to any of the Collection Centres of the Bankers to the Issue/Registrar/Company;

Don'ts for ASBA Applicants in addition to the above mentioned general instructions

- Payment of Application Amounts in any mode other than through blocking of the Application Amounts in the ASBA Accounts shall not be accepted under the ASBA;
- Do not send your physical Application Form by post. Instead submit the same to a Trading Member of the Stock Exchanges or to a Member of the Syndicate, as the case may be;
- Do not submit more than five Application Forms per ASBA Account;
- Do not submit the Application Form with a Member of the Syndicate or Trading Member of the Stock Exchanges, at a location other than where the Syndicate ASBA Application Locations; and
- Do not submit ASBA Applications to a Member of the Syndicate or the Trading Members of the Stock

Exchanges unless the SCSB where the ASBA Account is maintained as specified in the Application Form, has named at-least one Designated Branch, as displayed on the SEBI website (<http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time) in the relevant area for the Members of the Syndicate or the Trading Members of the Stock Exchanges to deposit the Application Forms.

10. Other Instructions

A. Joint Applications

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form and at the address mentioned therein. PAN for all Joint applicants is compulsory.

B. Additional/Multiple Applications

An applicant is allowed to make one or more applications for the NCDs for the same or other Options of NCDs, subject to a minimum application size of ₹ 10,000 and in multiples of ₹1,000 thereafter, for each application. Any application for an amount below the aforesaid minimum application size will be deemed as an invalid application and shall be rejected.

Any application made by any person in his individual capacity and an application made by such person in his capacity as a Karta of a Hindu Undivided family and/or as joint applicant, shall not be deemed to be a multiple application but for the purpose of deciding whether the applicant will be considered under the Individual Portion, two or more applications, as above, will be clubbed together.

For the purposes of allotment of NCDs under the Issue, applications shall be grouped based on the PAN, i.e. applications under the same PAN shall be grouped together and treated as one application. Two or more applications will be deemed to be multiple applications if the sole or first applicant is one and the same. For sake of clarity, two or more applications shall be deemed to be a multiple application for the aforesaid purpose if the PAN number of the sole or the first applicant is one and the same.

C. Depository Arrangements

The allotment of NCDs of our Company can be made in both dematerialised form (i.e. not in the form of physical certificates but be fungible and be represented by the Statement issued through electronic mode).

We have made depository arrangements with NSDL and CDSL for issue and holding of the NCDs in dematerialised form. Please note that Tripartite Agreements shall be executed between our Company, the Registrar and both the depositories under the terms of which the Depositories shall act as depositories for the securities issued by our Company.

As per the provisions of the Depositories Act, 1996, the NCDs issued by us can be held in a dematerialised form. In this context:

- (i) Tripartite Agreements shall be entered into between us, the Registrar to the Issue and CDSL and NSDL, respectively for offering depository option to the investors,
- (ii) An applicant who wishes to apply for NCDs in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the application,
- (iii) The applicant seeking allotment of NCDs in the Electronic Form must necessarily fill in the Demographic Details in the Application Form,
- (iv) NCDs allotted to an applicant in the Electronic Account Form will be credited directly to the applicant's respective beneficiary account(s),
- (v) For subscription in electronic form, names in the Application Form should be identical to those appearing in the account details in the depository.
- (vi) Non-transferable Allotment Advice/refund orders will be directly sent to the applicant by the Registrars to this Issue,
- (vii) If incomplete/incorrect details are given in the Application Form, it will be rejected.
- (viii) For allotment of NCDs in electronic form, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the

- applicant. The applicant is therefore responsible for the correctness of his/her demographic details given in the Application Form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, our Company would not be liable for losses, if any,
- (ix) It may be noted that NCDs in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
 - (x) Interest/redemption amount or other benefits with respect to the NCDs held in dematerialised form would be paid to those NCD holders whose names appear on the list of beneficial owners given by the Depositories to us as on record date. In case of those NCDs for which the beneficial owner is not identified by the Depository as on the record date/book closure date, we would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to us, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of ten (10) Working Days.
 - (xi) The trading of the NCDs shall be in dematerialised form only.

D. Communications

- All future Communications in connection with Applications made in the Issue should be addressed to the Registrar to the Issue quoting all relevant details as regards the applicant and its application.
- Applicants can contact the Compliance Officer of our Company/Lead Manager or the Registrar to the Issue in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non- receipt of Allotment Advice/credit of NCDs in depository's beneficiary account/refund orders, etc., applicants may contact the Compliance Officer of our Company/Lead Manager or Registrar to the Issue.
- Applicants who have submitted Application Forms with the Trading Members may contact the Trading Member for Issue related problems.

11. Rejection of Application

The Board of Directors and/or any committee of our Company reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereof.

Application may be rejected on one or more technical grounds, including but not restricted to:

- Applications not duly signed by the sole/joint applicants (in the same sequence as they appear in the records of the depository), signature of sole and/or joint applicant(s) missing;
- Applications submitted without payment of the entire Application Amount. However, our Company may allot NCDs up to the value of application monies paid, if such application monies exceed the minimum application size as prescribed hereunder;
- In case of partnership firms (except limited liability partnership firms), NCDs may be registered in the names of the individual partners and any application in the name of the partnership firm shall be rejected;
- Date of Birth for First/Sole Applicant for persons applying for allotment of NCDs in physical form not mentioned in the Application Form;
- Application by persons not competent to contract under the Indian Contract Act, 1872 including minors (without the name of guardian) and insane persons;
- PAN of the Applicant not mentioned in the Application Form except for Applications by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim, provided such claims have been verified by the Depository Participants;
- GIR number furnished instead of PAN;
- Minor applicant (applying through guardian) without mentioning the PAN of the minor applicant
- Applications for amounts greater than the maximum permissible amounts prescribed by applicable regulations;
- Applications by persons/entities who have been debarred from accessing the capital markets by SEBI;
- Applications by any persons outside India including Applications by OCBs;
- Non-resident investors including NRIs, FPIs and QFIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
- Any application for an amount below the minimum application size;
- Application for number of NCDs, which are not in multiples of one;
- Application under power of attorney or by limited companies, corporate, trust etc., where relevant documents are not submitted;
- Application Form does not have applicant's depository account details (i.e. DP ID & Client ID);

- Applications accompanied by Stockinvest/money order/postal order;
- Application Forms not delivered by the applicant within the time prescribed as per the Application Form and this Prospectus and as per the instructions in this Prospectus and the Application Form;
- In case the subscription amount is paid in cash;
- In case no corresponding record is available with the Depositories that matches three parameters namely, client ID, PAN and the DP ID in case of Application for Allotment in dematerialised form;
- Applications submitted directly to the Escrow Collection Banks, if such bank is not the SCSB;
- Application Form accompanied with more than one payment instrument;
- For applications in demat mode, DP ID/Client ID/PAN as per Electronic file does not match with depository records
- Application not uploaded into the Electronic files of Stock Exchanges
- Applications directly uploaded to the Electronic files of Stock Exchanges and not through the Members of the Syndicate or Trading Members of the Exchanges.
- Applications by persons who are not eligible to acquire NCDs of our Company in terms of applicable laws, rules, regulations, guidelines and approvals;
- ASBA Application Forms not being signed by the ASBA Account holder;
- ASBA Applications not having details of the ASBA Account to be blocked;
- With respect to ASBA Applications, inadequate funds in the ASBA Account to enable the SCSB to block the Application Amount specified in the ASBA Application Form at the time of blocking such Application Amount in the ASBA Account or no confirmation is received from the SCSB for blocking of funds;
- Applications where clear funds are not available in the Applicant's bank account as per final certificates from Escrow Collection Banks;
- Authorisation to the SCSB for blocking funds in the ASBA Account not provided;
- Applications uploaded after the expiry of the allocated time on the Issue Closing Date, unless extended by the Stock Exchanges, as applicable;
- Applications by Applicants whose demat accounts are inoperative or have been 'suspended for credit' pursuant to the circular issued by SEBI on July 29, 2010 bearing number CIR/MRD/DP/22/2010;
- In case of SCSBs applying for Allotment of NCDs, if the ASBA Account is not maintained in the name of such SCSB with a different SEBI registered SCSB;
- ASBA Applications submitted to the Members of Syndicate or Trading Members of the Stock Exchange or at a Designated Branch of a SCSB where the ASBA Account is not maintained, and ASBA Applications submitted directly to an Escrow Collecting Bank (assuming that such bank is not a SCSB), or those submitted to our Company or the Registrar to the Issue;

Kindly note that The ASBA Applications being submitted with the Member of the Syndicate or with the Trading Members of the Stock Exchanges should be submitted at the Syndicate ASBA Application Locations. Further, ASBA Applications submitted to the Members of the Syndicate or Trading Members of the Stock Exchange will not be accepted if the SCSB where the ASBA Account, as specified in the Application Form, is maintained has not named at least one Designated Branch for the Members of the Syndicate or Trading Members of the Stock Exchange, as the case may be, to deposit ASBA Applications (A list of such branches is available at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or any other link as prescribed by SEBI from time to time).

For further instructions regarding application for the NCDs, investors are requested to read the Application Form.

12. Allotment Advice/Refund Orders

The unutilised portion of the application money will be refunded to the Applicant on the Designated Date and no later than twelve (12) working days from the Issue Closing Date in the manner as provided below:

- (a) In case of Applications made by Non-ASBA applicants on the Stock Exchange through the Members of the Syndicate/Trading Members of the Stock Exchanges by making payment through cheques, the unutilised portion of the application money (includes refund amounts payable to unsuccessful Applicants and also the excess amount paid on Application) will be credited to the Bank Account of the Applicant as per the banking account details (i) available with the depositories for Applicants having Demat accounts and (ii) as provided in the Application Form for others by way of any of the following modes:
 - (i) Direct Credit – Investors having bank accounts with the Refund Bankers shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same

would be borne by us.

- (ii) NACH – Payment of refund would be done through NACH for Applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories.
 - (iii) NEFT – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. In case of online payment or wherever the Investors have registered their nine digit MICR number and their bank account number with the depository participant while opening and operating the demat account, the MICR number and their bank account number will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
 - (iv) RTGS – If the refund amount exceeds ₹200,000, the Investors have the option to receive refund through RTGS. Charges, if any, levied by the refund bank(s) for the same would be borne by us. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
 - (v) For all other Investors (non-ASBA) the refund orders will be despatched through Speed Post/Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
 - (vi) Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force and are permitted by the SEBI from time to time.
- (b) In case of ASBA Applications, the unutilised portion of the application money shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSBs.

Further,

- Allotment of NCDs shall be made within a time period of twelve (12) Working Days from the date of closure of the Issue;
- Credit to demat account will be given no later than twelve (12) Working Days from the date of the closure of the Issue;
- Our Company shall pay interest at 15% (fifteen) per annum if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within twelve (12) Working Days of the Issue Closing Date or date of refusal of the Stock Exchange(s), whichever is earlier. If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every officer in default shall, on and from expiry of eight days, be liable to repay the money with interest at the such rate of interest as prescribed, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the demat credit.

Our Company will provide adequate funds to the Registrars to the Issue, for this purpose.

13. Retention of oversubscription

Our Company is making a public Issue of NCDs aggregating up to ₹ 10,000 Lakhs without an option to retain oversubscription of NCDs.

14. Basis of Allotment

The registrar will aggregate the applications based on the applications received through an electronic book from the stock exchanges and determine the valid applications for the purpose of drawing the basis of allocation. Grouping of the application received will be then done in the following manner:

Grouping of Applications and Allocation Ratio: Applications received from various applicants shall be grouped together on the following basis:

- (a) Applications received from Category I applicants: Applications received from Category I, shall be grouped together, ("**Institutional Portion**");
- (b) Applications received from Category II applicants: Applications received from Category II, shall be grouped together, ("**Non-Institutional Portion**");

- (c) Applications received from Category III applicants: Applications received from Category III, shall be grouped together, (“Retail Individual Portion”)

For removal of doubt, “*Institutional Portion*”, “*Non-Institutional Portion*” and “*Retail Individual Portion*” are individually referred to as “*Portion*” and collectively referred to as “*Portions*”

Basis of Allotment for NCDs

Allotments in the first instance:

- (i) Applicants belonging to the Category I, in the first instance, will be allocated NCDs up to 10% of Issue Size on first come first serve basis (determined on the basis of date of receipt of each application duly acknowledged by the Lead Manager and their respective Affiliates/SCSB (Designated Branch or online acknowledgement));
- (ii) Applicants belonging to the Category II, in the first instance, will be allocated NCDs up to 40% of Issue Size on first come first serve basis (determined on the basis of date of receipt of each application duly acknowledged by the Members of the Syndicate/Trading Members/SCSB (Designated Branch or online acknowledgement));
- (iii) Applicants belonging to the Category III, in the first instance, will be allocated NCDs up to 50% of Issue Size on first come first serve basis (determined on the basis of date of receipt of each application duly acknowledged by the Members of the Syndicate/Trading Members/SCSB (Designated Branch or online acknowledgement));

Allotments, in consultation with the Designated Stock Exchange, shall be made on a first-come first-serve basis, based on the date of upload of each application into the Electronic Book with Stock Exchanges, in each Portion subject to the Allocation Ratio.

(a) Under Subscription:

Under subscription, if any, in any Portion, priority in allotments will be given in the following order:

- (i) Individual Portion
- (ii) Non-Institutional Portion and Resident Indian individuals and Hindu undivided families through the Karta applying who apply for NCDs aggregating to a value exceeding ₹ 5 lakhs;
- (iii) Institutional Portion
- (iv) on a first come first serve basis.

For each Portion, all applications uploaded into the Electronic Book with Stock Exchanges would be treated at par with each other. Allotment within a day would be on proportionate basis, where NCDs applied for exceeds NCDs to be allotted for each Portion respectively.

Minimum allotments of one (1) NCDs and in multiples of one (1) NCD thereafter would be made in case of each valid application.

(b) Allotments in case of oversubscription:

In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of NCDs to the valid applicants on a first come first serve basis for forms uploaded up to 5 pm of the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of NCDs to the valid applicants on the date of oversubscription (based on the date of upload of the Application on the Stock Exchange Platform, in each Portion). In case of over subscription on date of opening of the Issue, the Allotment shall be made on a proportionate basis. Applications received for the NCDs after the date of oversubscription will not be considered for allotment and would be refunded along with applicable interest on application.

In view of the same, the Investors are advised to refer to the Stock Exchange website at www.bseindia.com for details in respect of subscription. For further details see “Interest on application monies received which are liable to be refunded” on page 161 of this Prospectus.

(c) Proportionate Allotments: For each Portion, on the date of oversubscription:

- (i) Allotments to the applicants shall be made in proportion to their respective application size, rounded off to the nearest integer;
- (ii) If the process of rounding off to the nearest integer results in the actual allocation of NCDs being higher than the Issue size, not all applicants will be allotted the number of NCDs arrived at after such rounding off. Rather, each applicant whose allotment size, prior to rounding off, had the highest decimal point would be given preference;
- (iii) In the event, there are more than one applicant whose entitlement remain equal after the manner of distribution referred to above, our Company will ensure that the basis of allotment is finalised by draw of lots in a fair and equitable manner;

(d) Applicant applying for more than one Options of NCDs:

If an applicant has applied for more than one Options of NCDs, and in case such applicant is entitled to allocation of only a part of the aggregate number of NCDs applied for due to such applications received on the date of oversubscription, the option-wise allocation of NCDs to such applicants shall be in proportion to the number of NCDs with respect to each option, applied for by such applicant, subject to rounding off to the nearest integer, as appropriate in consultation with Lead Manager and Designated Stock Exchange.

In cases of odd proportion for allotment made, our Company in consultation with the Lead Manager will allot the residual NCD (s) in the following order:

- (i) first with monthly interest payment in decreasing order of tenor i.e. Options IV, III, II and I;
- (ii) followed by annual interest payment in decreasing order of tenor i.e. Options VIII, VII, VI and V; and
- (iii) followed by payment on maturity options i.e. Options IX;

Hence using the above procedure, the order of allotment for the residual NCD (s) will be: Options IV, III, II, I, VIII, VII, VI, V and IX.

All decisions pertaining to the basis of allotment of NCDs pursuant to the Issue shall be taken by our Company in consultation with the Lead Manager, and the Designated Stock Exchange and in compliance with the aforementioned provisions of this Prospectus.

Our Company would allot Option I NCDs to all valid applications, wherein the applicants have not indicated their choice of the relevant options of the NCDs.

Valid applications where the Application Amount received does not tally with or is less than the amount equivalent to value of number of NCDs applied for, may be considered for Allotment, to the extent of the Application Amount paid rounded down to the nearest ₹1,000 in accordance with the pecking order mentioned above.

All decisions pertaining to the basis of allotment of NCDs pursuant to the Issue shall be taken by our Company in consultation with the Lead Manager and the Designated Stock Exchange and in compliance with the aforementioned provisions of this Prospectus.

15. Investor Withdrawals and Pre-closure

Investor Withdrawal: Applicants are allowed to withdraw their applications at any time prior to the closure of the Issue. In case an Applicant wishes to withdraw an Application after the Issue Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Issue prior to the finalisation of the Basis of Allotment.

Pre-closure: Our Company, in consultation with the Lead Manager reserves the right to close the Issue at any time prior to the Issue Closing Date. Our Company shall allot NCDs with respect to the applications received at the time of such pre-closure in accordance with the Basis of Allotment as described hereinabove and subject to applicable statutory and/or regulatory requirements. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure is given on or before such early date of closure through advertisement/s in leading national daily newspapers in which the statutory advertisement has been published.

16. Utilisation of Application Money

The sum received in respect of the Issue will be kept in separate bank accounts and we will have access to such funds as per applicable provisions of law(s), regulations and approvals.

17. Utilisation of Issue Proceeds

- (i) All monies received pursuant to the Issue of NCDs to public shall be transferred to a separate bank account other than the bank account referred to in Section 40 (3) of the Companies Act, 2013.
- (ii) Details of all monies utilised out of Issue shall be disclosed under an appropriate separate head in our Balance Sheet indicating the purpose for which such monies had been utilised along with details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue;
- (iii) Details of all unutilised monies out of issue of NCDs, if any, shall be disclosed under an appropriate separate head in our Balance Sheet indicating the form in which such unutilised monies have been invested.
- (iv) We shall utilise the Issue proceeds only upon execution of the documents for creation of security as stated in this Prospectus and receipt of listing and trading approval from the Stock Exchange; and
- (v) The Issue proceeds shall not be utilised towards full or part consideration for the purchase or any other acquisition, inter alia by way of a lease, of any property; however, the Issue Proceeds may be used for issuing Loans against securities.

Impersonation

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who—

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name.*

shall be liable for action under Section 447 of the Companies Act, 2013.”

Listing

The NCDs offered through this Prospectus are proposed to be listed on the BSE. Our Company has obtained an ‘in-principle’ approval for the Issue from the BSE *vide* letter dated September 5, 2018. For the purposes of the Issue, BSE shall be the Designated Stock Exchange.

If permissions to deal in and for an official quotation of our NCDs are not granted by BSE, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE are taken within twelve (12) working days from the date of closure of the Issue.

Undertaking by the Issuer

We undertake that:

- (a) the complaints received in respect of the Issue (except for complaints in relation to Applications submitted to Trading Members) shall be attended to by us expeditiously and satisfactorily;
- (b) we shall take necessary steps for the purpose of getting the NCDs listed within the specified time;
- (c) the funds required for dispatch of refund orders/allotment advice/certificates by registered post shall be made available to the Registrar by our Company;

- (d) necessary cooperation to the credit rating agencies shall be extended in providing true and adequate information until the debt obligations in respect of the NCDs are outstanding;
- (e) we shall forward the details of utilisation of the funds raised through the NCDs duly certified by our statutory auditors, to the Debenture Trustee at the end of each half year;
- (f) we shall disclose the complete name and address of the Debenture Trustee in our annual report;
- (g) we shall provide a compliance certificate to the Trustee (on an annual basis) in respect of compliance with the terms and conditions of issue of NCDs as contained in this Prospectus; and
- (h) we shall make necessary disclosures/reporting under any other legal or regulatory requirement as may be required by our Company from time to time.

SECTION VII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION

Our Company is subjected to various legal proceedings from time to time, mostly arising in the ordinary course of its business. The legal proceedings are initiated by us and also by customers and other parties. These legal proceedings are primarily in the nature of (a) consumer complaints, (b) petitions pending before appellate authorities, (c) criminal complaints, and (d) civil suits.

As on the date of this Prospectus, there are no failures or defaults to meet statutory dues, institutional dues and dues towards instrument holders including holders of debentures, by our Company.

*The Debenture Committee of our Company in their meeting held on September 18, 2018, adopted a threshold for determination of materiality for disclosure of litigations under the Prospectus (“**Materiality Policy**”). With respect to litigations / disputes/ regulatory actions with impact, the Materiality Policy sets thresholds which are determined on the basis of financial statements of last audited Fiscal. None of the pending civil proceedings by or against our Company involve an amount more than 5% of the profit after tax for the twelve month period ended March 31, 2018.*

Save as disclosed below, there are no

- 1. litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any Promoter of our Company during the last five years immediately preceding the year of the issue of this Prospectus and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action;*
- 2. inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous companies law in the last five years immediately preceding the year of issue of this Prospectus against our Company and our Subsidiaries (including where there were any prosecutions filed); fines imposed on or compounding of offences done by our Company and our Subsidiaries in the last five years immediately preceding the year of this Prospectus;*
- 3. litigation involving our Company, Promoters, Directors, Subsidiaries, group companies or any other person, whose outcome could have material adverse effect on the position of our Company; and*
- 4. pending proceedings initiated against our Company for economic offences.*

Litigations involving our Company

Litigations against our Company

Tax proceedings

Settlement applications filed by Our Company, KMLM Chits India Limited and KLM Fincorp Limited (“**Applicants**”) before the additional bench of the Income Tax Settlement Commission, Chennai (“**Settlement Commission**”) for the following Assessment Years:

1. For our Company – Assessment Years 2013 – 2014 to 2016 – 2017;
2. For KMLM Chits India Limited – Assessment Years 2010 – 2011 to 2016 – 2017; and
3. For KLM Fincorp Limited – Assessment Years 2010 – 2011 to 2016 – 2017.

A search was conducted under section 132 of the I.T. Act on October 5, 2015 in the business premises of the Applicants at Kothamangalam, Thirupunithura, Piravom and Kaloor. Simultaneously, search was also conducted in the residential premises of Mr. Shibu Varghese and Mr. Josekutty Xavier. Further, a survey under section 133A of the I.T. Act was conducted in the business premises of the concerns of the Applicants at Kolenchery, Aluva, Thodupuzha, Pala, Athani, Thirussur, Muvattupuzha, Perumbavoor and Pallithazham. During the search, certain documents and items were seized by the department and sworn statements were recorded from Mr. Shibu Thekkumpurathu Varghese, Mr. Josekutty Xavier, and other employees of the Applicants. It was alleged that the Applicants have generated the undisclosed income and utilized the same over the period and therefore the Applicants have filed the settlement application before the Settlement Commission.

Further, the Applicants have declared additional income of (i) ₹ 1,241.45 Lacs in the case of KMLM Chits India Limited, (ii) ₹ 401.64 Lacs in the case of KLM Axiva Finvest Limited, and (iii) ₹ 1385.62 Lacs in the case of KLM Fincorp Limited before the Settlement Commission and the additional tax thereon arrived at by the Applicants exceeds the prescribed threshold limit of tax payable by the Applicants. The Settlement Commission through its order dated December 28, 2017 allowed the settlement applications of Applicants to be proceeded with further. Presently the matter is pending before the Commissioner of Income Tax, Ernakulam.

Criminal Cases

NIL

Civil Cases

NIL

Litigations by our Company

Criminal cases

Cases filed by the Company under Section 138 of the Negotiable Instruments Act, 1881

Our Company has filed various complaints and notices under section 138 of the Negotiable Instruments Act, 1881 for recovering amounts due from various entities on account of dishonouring of cheques issued by such entities due to insufficiency of the funds. As of the date of this Prospectus, there are 28 such complaints pending before various courts. The total amount involved in such cases is approximately ₹ 39.76 lacs.

Civil cases

Cases filed by the Company under Section 9 of the Arbitration and Conciliation Act, 1996

Our Company has filed various applications under section 9 of the Arbitration and Conciliation Act, 1996 before the judicial forum for recovering the loan amount along with interest from the defaulters. As of the date of this Prospectus, there are 148 such arbitration application pending before various courts. The total amount involved in such cases is approximately ₹ 1532.55 lacs. Our Company in its prayer has prayed for attachment of the mortgage property provided by the defaulters.

Inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous companies law in the last five years immediately preceding the year of issue of this Prospectus against our Company

There have been no inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous companies law in the last five years immediately preceding the year of this Prospectus against our Company.

Litigations involving our Group Companies

Litigations against our Group Companies

Payyoli Granites Private Limited

A writ petition bearing number 8317 of 2018 was filed by Dinesan N.V and others ('**Petitioners**') under Article 226 of the Constitution of India against the State of Kerala, Payyoli Granites Private Limited ('**PGPL**') and others before the High Court of Kerala at Ernakulam. The petitioners being residents of Keezhariyur Grama Panchayath claimed that they were deprived of the comfortable use and enjoyment of their home, property, air, water and livelihood due to the ongoing alleged unauthorised and illegal mining and quarrying operations of granite building stone undertaken by PGPL amounting to an alleged violation of Rule 29(1) of Kerala Minor Mineral Concession Rules, 1967. The petitioners prayed for directions, *inter alia*, for non-renewal of the quarrying license and cancellation of the permit and environmental clearance issued to PGPL. Presently the writ petition is pending before the High Court of Kerala at Ernakulam.

Litigations by our Group Companies

NIL

Reservations or qualifications or adverse remarks of the auditors of our Company in the last five financial years:

Nil

Details of acts of material frauds committed against our Company in the last five years, if any, and if so, the action taken by our Company

There is no material fraud committed against our Company in the last five Fiscals.

Litigations involving our Promoters

Litigations against our Promoters

Tax proceedings

Ms. Biji Shibu

Settlement applications filed by Ms. Biji Shibu, Mr. Josekutty Xavier and Homeshine Financial Services (“**Applicants**”) before the additional bench of the Income Tax Settlement Commission, Chennai (“**Settlement Commission**”) for the following Assessment Years:

1. For Ms. Biji Shibu – Assessment Years 2011 – 2012 to 2016 – 2017;
2. For Mr. Josekutty Xavier – Assessment Years 2011 – 2012 to 2016 – 2017; and
3. For Homeshine Financial Services – Assessment Years 2014 – 2015 to 2016 – 2017.

A search was conducted under section 132 of the I.T. Act on October 5, 2015 in the business premises of the Applicants at Kothamangalam, Thirupunithura, Piravom and Kaloor. Simultaneously, search was also conducted in the residential premises of Mr. Shibu Thekkumpurathu Varghese and Mr. Josekutty Xavier. Further, a survey under section 133A of the I.T. Act was conducted in the business premises of the concerns of the Applicants at Kolenchery, Aluva, Thodupuzha, Pala, Athani, Thirussur, Muvattupuzha, Perumbavoor and Pallithazham. During the search, certain documents and items were seized by the department and sworn statements were recorded from Mr. Shibu Thekkumpurathu Varghese, Mr. Josekutty Xavier, and other employees of the Applicants. It was alleged that the Applicants have generated the undisclosed income and utilized the same over the period and therefore the Applicants have filed the settlement application before the Settlement Commission.

Further, the Applicants have declared additional income of (i) ₹ 35.56 lacs for Homeshine Financial Services (ii) ₹ 89.55 lacs for Mr. Josekutty Xavier and (iii) ₹ 321.96 lacs for Ms. Biji Shibu before the Settlement Commission and the additional tax thereon arrived at by the Applicants exceeds the prescribed threshold limit of tax payable. The Settlement Commission through its order dated February 2, 2018 allowed the settlement applications of Applicants to be proceeded with further. Presently the matter is pending before the Commissioner of Income Tax, Ernakulam.

Criminal Cases

NIL

Civil Cases

NIL

Litigations by our Promoters

NIL

Litigations involving our Directors

Litigation against our Director

Tax Proceedings

Mr. Josekutty Xavier

Except as disclosed in the *Tax Proceeding - Litigations against our Promoter* under the Chapter “Outstanding Litigation” on page 190 of this Prospectus, there are no Tax Proceedings pending involving Mr. Josekutty Xavier.

Mr. Shibu Thekkumpurathu Varghese

Settlement applications filed by Mr. Shibu Thekkumpurathu Varghese, Aliyamma Varghese and Homeshine Chits (“**Applicants**”) before the additional bench of the Income Tax Settlement Commission, Chennai (“**Settlement Commission**”) for the following Assessment Years:

1. For Mr. Shibu Thekkumpurathu Varghese – Assessment Years 2010 – 2011 to 2016 – 2017;
2. For Aliyamma Varghese – Assessment Years 2011 – 2012 to 2016 – 2017; and
3. For Homeshine Chits – Assessment Years 2010 – 2011 to 2016 – 2017.

A search was conducted under section 132 of the I.T. Act on October 5, 2015 in the business premises of the Applicants at Kothamangalam, Thirupunithura, Piravom and Kaloor. Simultaneously, search was also conducted in the residential premises of Mr. Shibu Thekkumpurathu Varghese and Mr. Josekutty Xavier. Further, a survey under section 133A of the I.T. Act was conducted in the business premises of the concerns of the Applicants at Kolenchery, Aluva, Thodupuzha, Pala, Athani, Thirussur, Muvattupuzha, Perumbavoor and Pallithazham. During the search, certain documents and items were seized by the department and sworn statements were recorded from Mr. Shibu Thekkumpurathu Varghese, Mr. Josekutty Xavier, and other employees of the Applicants. It was alleged that the Applicants have generated the undisclosed income and utilized the same over the period and therefore the Applicants have filed the settlement application before the Settlement Commission.

Further, the Applicants have declared additional income of (i) ₹ 35.77 lacs for Homeshine Chits (ii) ₹ 140.63 lacs for Aliyamma Varghese and (iii) ₹ 462.36 lacs for Mr. Shibu Thekkumpurathu Varghese before the Settlement Commission and the additional tax thereon arrived at by the Applicants exceeds the prescribed threshold limit of tax payable. The Settlement Commission through its order dated January 4, 2018 allowed the settlement applications of Applicants to be proceeded with further. Presently the matter is pending before the Commissioner of Income Tax, Ernakulam.

Criminal Cases

NIL

Civil Cases

NIL

Litigations by our Directors

Criminal Cases

- A. A Criminal Complaint was filed by Mr. Shibu Thekkumpurathu Varghese, Whole Time Director (“**Complainant**”) against Nawshad, owner of Grande Film Corporation (“**Accused No 1**”) and Simon, owner of Empire Video (“**Accused No 2**”) (together with Accused No. 1 “**Defendant**”) before the Judicial Magistrate Court, Ernakulam. The complaint was filed due to non-compliance of the order dated October 06, 2016 in the OS 21/2016, restraining the Defendants from selling video rights to any other person than Complainant. The cause of action arose when the Complainant had seen the CD of the movie in a shop which was sold by the Accused No 2, thus violating the order. Therefore, the Complainant has filed a complaint under section 120B, 418 and 34 of the Indian Penal Code, 1860. The complaint is still pending before the Judicial Magistrate Court, Ernakulam.
- B. A Criminal Complaint was filed by Mr. Josekutty Xavier, Whole Time Director (“**Complainant**”) against Devakiamma (“**Accused**”) under section 138 and 142 of the Negotiable Instruments Act, 1881 before the Judicial Magistrate Court, Kothamangalam. The complaint was filed as the cheque presented to the Complainant was dishonoured due to insufficient funds. The matter is pending before the Judicial Magistrate Court, Kothamangalam.

Civil Cases

NIL

Notices received by the Company:

Our Company has received a consumer complaint on July 16, 2018 from Kumbakonam Paraspara Sahaya Nidhi Limited (“**Complainant**”) through their advocate Mr. S. Sheik Ismail in relation to alleged pre – closure of gold loan availed by the Complainant. Our Company vide letter dated July 25, 2018 denied all the allegation made by the Complainant and stated that the Company had given sufficient time before auction of gold ornaments pledged for loan. The matter of auction was also published in a Tamil newspaper namely “Dinathanthi” on April 8, 2018 and therefore the Company completed the auction procedure.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

At the meeting of the Board of Directors of our Company, held on April 3, 2018, the Board approved the Issue of NCDs to the public up to an amount not exceeding ₹ 10,000 lakhs.

Prohibition by SEBI

Our Company, persons in control of our Company, our Directors and/or our Promoters have not been restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities and no such order or direction is in force. Further, no member of our promoter group has been prohibited or debarred by SEBI from accessing the securities market or dealing in securities due to fraud.

Categorisation as a Wilful Defaulter

Our Company, our Directors and/or our Promoters have not been categorised as a Wilful Defaulter nor are they in default of payment of interest or repayment of principal amount in respect of debt securities issued to the public, for a period of more than six-months.

Other confirmations

None of our Company or our Directors or our Promoters, or person(s) in control of our Company was a promoter, director or person in control of any company which was delisted within a period of ten years preceding the date of this Prospectus, in accordance with Chapter V of the SEBI Delisting Regulations.

Disclaimer

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MERCHANT BANKER, VIVRO FINANCIAL SERVICES PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER VIVRO FINANCIAL SERVICES PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 18, 2018, WHICH READS AS FOLLOWS:

- 1. WE CONFIRM THAT NEITHER THE ISSUER NOR ITS PROMOTERS OR DIRECTORS HAVE BEEN PROHIBITED FROM ACCESSING THE CAPITAL MARKET UNDER ANY ORDER OR DIRECTION PASSED BY THE BOARD. WE ALSO CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.**
- 2. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN THE OFFER DOCUMENT AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUE OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE NCDs OFFERED THROUGH**

THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.

- 3. WE CONFIRM THAT THE OFFER DOCUMENT CONTAINS ALL DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008.**
- 4. WE ALSO CONFIRM THAT ALL RELEVANT PROVISIONS OF THE COMPANIES ACT, 1956, COMPANIES ACT, 2013, SECURITIES CONTRACTS, (REGULATION) ACT, 1956, SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND THE RULES, REGULATIONS, GUIDELINES, CIRCULARS ISSUED THEREUNDER ARE COMPLIED WITH.**

WE CONFIRM THAT ALL COMMENTS/COMPLAINTS RECEIVED ON THE DRAFT OFFER DOCUMENT FILED ON THE WEBSITE OF STOCK EXCHANGE WILL BE SUITABLY ADDRESSED.

Disclaimer Clause of BSE

BSE LIMITED ("THE EXCHANGE") HAS GIVEN, VIDE ITS LETTER DATED SEPTEMBER 5, 2018, PERMISSION TO THIS COMPANY TO USE THE EXCHANGE'S NAME IN THIS OFFER DOCUMENT AS ONE OF THE STOCK EXCHANGES ON WHICH THIS COMPANY'S SECURITIES ARE PROPOSED TO BE LISTED. THE EXCHANGE HAS SCRUTINIZED THIS OFFER DOCUMENT FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO THIS COMPANY. THE EXCHANGE DOES NOT IN ANY MANNER:

- (a) WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THIS OFFER DOCUMENT; OR**
- (b) WARRANT THAT THIS COMPANY'S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE EXCHANGE; OR**
- (c) TAKE ANY RESPONSIBILITY FOR THE FINANCIAL OR OTHER SOUNDNESS OF THIS COMPANY, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THIS COMPANY;**

AND IT SHOULD NOT FOR ANY REASON BE DEEMED OR CONSTRUED THAT THIS OFFER DOCUMENT HAS BEEN CLEARED OR APPROVED BY THE EXCHANGE. EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRES ANY SECURITIES OF THIS COMPANY MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST THE EXCHANGE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION/ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR FOR ANY OTHER REASON WHATSOEVER.

Disclaimer Clause of RBI

THE COMPANY IS HAVING A VALID CERTIFICATE OF REGISTRATION DATED March 15, 2016 BEARING REGISTRATION NO. 09.00006 ISSUED BY THE RESERVE BANK OF INDIA UNDER SECTION 45 IA OF THE RESERVE BANK OF INDIA ACT, 1934. HOWEVER, RBI DOES NOT ACCEPT ANY RESPONSIBILITY OR GUARANTEE ABOUT THE PRESENT POSITION AS TO THE FINANCIAL SOUNDNESS OF THE COMPANY OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS OR REPRESENTATIONS MADE OR OPINIONS EXPRESSED BY THE COMPANY AND FOR REPAYMENT OF DEPOSITS/DISCHARGE OF LIABILITY BY THE COMPANY.

Disclaimer Clause of CRISIL

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should

be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. KLM Axiva Finvest Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division/CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval.

Listing

An application will be made to BSE for permission to deal in and for an official quotation of our NCDs. BSE has been appointed as the Designated Stock Exchange.

If permissions to deal in and for an official quotation of our NCDs are not granted by BSE, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within 12 working days from the date of closure of the issue.

Consents

The written consents of (a) Directors of our Company; (b) Company Secretary and Compliance Officer; (c) Chief Financial Officer; (d) Statutory Auditors; (e) Legal Advisor to the Issue; (f) Lead Manager; (g) the Registrar to the Issue; (h) Escrow Collection Banks; (i) Refund Banks; (j) Credit Rating Agencies; (k) the Bankers to our Company; (l) the Debenture Trustee; and (m) the Syndicate Member to act in their respective capacities, have been obtained and will be filed along with a copy of this Prospectus with the RoC as required under Section 26 of the Companies Act, 2013 and such consents have not been withdrawn up to the time of delivery of this Prospectus with the Stock Exchange.

The consents of the Statutory Auditors of our Company, namely M/s. Balan & Co., Chartered Accountants for (a) inclusion of their name as the Statutory Auditor; (b) examination reports on Reformatted Financial Statements in the form and context in which they appear in this Prospectus, have been obtained and the same will be filed along with a copy of this Prospectus with the RoC.

Expert Opinion

Except the (i) Report on our audited financials for the Financial Year ending March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 issued by M/s. Balan & Co., Chartered Accountants; (ii) Statutory Auditors report on our reformatted audited financials for the Financial Year ending March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 issued by M/s. Balan & Co., Chartered Accountants dated August 31, 2018; (iii) Statement of Tax Benefits issued by M/s. Balan & Co., Chartered Accountants dated May 31, 2018; and (iv) Credit Rating letter issued by CARE dated March 10, 2018 and reaffirmed vide letter dated September 4, 2018, in respect of the credit rating issued thereby for this Issue which furnishes the rationale for its rating, our Company has not obtained any expert opinions.

Common form of Transfer

We undertake that there shall be a common form of transfer for the NCDs held in physical form and relevant provisions of the Companies Act, 1956, applicable provisions of the Companies Act 2013 and all other applicable laws shall be duly complied with in respect of all transfer of the NCDs and registration thereof.

NCDs held in dematerialised form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant Depository Participants of the transferor or transferee and any other applicable laws and rules notified in respect thereof.

Filing of the Draft Prospectus and Prospectus

The Draft Prospectus and this Prospectus will be filed with the designated Stock Exchange in terms of

Regulation 6 and Regulation 7 of the SEBI Debt Regulations for dissemination on its website(s) prior to the opening of the Issue.

Debenture Redemption Reserve (“DRR”)

Regulation 16 of the SEBI Debt Regulations and Section 71 of the Companies Act 2013, read with Rule 18(7) under Chapter IV of the Companies (Share Capital and Debentures) Rules, 2014, mandates that any company that intends to issue debentures must create a Debenture Redemption Reserve out of the profits of the company available for payment of dividend until the redemption of the debentures.

The Companies (Share Capital and Debentures) Rules, 2014 inter alia provides as follows:

“**Rule 18 (7)** The company shall create a Debenture Redemption Reserve for the purpose of redemption of debentures, in accordance with the conditions given below:

(a) the Debenture Redemption Reserve shall be created out of the profits of the company available for payment of dividend;

(b) the company shall create Debenture Redemption Reserve (DRR) in accordance with following conditions:

(i) No DRR is required for debentures issued by All India Financial Institutions (AIFIs) regulated by RBI and Banking Companies for both public as well as privately placed debentures. For other Financial Institutions (FIs) within the meaning of clause (72) of Section 2 of the Companies Act, 2013, DRR will be as applicable to NBFCs registered with RBI.

(ii) For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997 and for Housing Finance Companies registered with the National Housing Bank, 'the adequacy' of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures.

(iii) For other companies including manufacturing and infrastructure companies, the adequacy of DRR will be 25% of the value of outstanding debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and also 25% DRR is required in the case of privately placed debentures by listed companies. For unlisted companies issuing debentures on private placement basis, the DRR will be 25% of the value of outstanding debentures.

Provided that where a company intends to redeem its debentures prematurely, it may provide for transfer of such amount in Debenture Redemption Reserve as is necessary for redemption of such debentures even if it exceeds the limits specified in this sub-rule.

(c) every company required to create Debenture Redemption Reserve shall on or before the 30th day of April in each year, invest or deposit, as the case may be, a sum which shall not be less than fifteen per cent, of the amount of its debentures maturing during the year ending on the 31st day of March of the next year, in any one or more of the following methods, namely:

(i) in deposits with any scheduled bank, free from any charge or lien;

(ii) in unencumbered securities of the Central Government or of any State Government;

(iii) in unencumbered securities mentioned in sub-clauses (a) to (d) and (ee) of Section 20 of the Indian Trusts Act, 1882;

(iv) in unencumbered bonds issued by any other company which is notified under sub-clause (f) of Section 20 of the Indian Trusts Act, 1882;

(v) the amount invested or deposited as above shall not be used for any purpose other than for redemption of debentures maturing during the year referred above.

Provided that the amount remaining invested or deposited, as the case may be, shall not at any time fall below fifteen per cent of the amount of the debentures maturing during the year ending on the 31st day of March of that year;”

The said Companies (Share Capital and Debentures) Rules, 2014 further provides that the amount credited to the Debenture Redemption Reserve shall not be utilised by the company except for the purpose of redemption of debentures.

Issue Related Expenses

The expenses of this Issue include, among others, fees for the Lead Managers, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses to be incurred for the Issue size of up to ₹ 10,000 lakhs without an option to retain over-subscription are as follows:

(in ₹ lakhs)

Activity	Amount	Percentage of Base Issue Size
Fees to intermediaries (Lead Management Fees, brokerage, rating agency, Registrar, legal advisors, Debenture Trustee etc.)	58.75	0.59%
Advertising and Marketing Expenses	10.00	0.10%
Printing, Stationery and Distribution	2.46	0.02%
Other Miscellaneous Expenses	9.95	0.10%
Total	81.16	0.81%

The above expenses are indicative and are subject to change depending on the actual level of subscription to the Issue and the number of Allottees, market conditions and other relevant factors.

Underwriting

The Issue has not been underwritten.

Reservation

No portion of this Issue has been reserved.

Public Issue of Equity Shares

Our Company has not made any public issue of Equity Shares in the last five years.

Previous Issue

Our Company has not made any public issue of Equity Shares or debentures in the past.

Other than as specifically disclosed in this Prospectus, our Company has not issued any securities for consideration other than cash.

Dividend

Our Company has no stated dividend policy. The declaration and payment of dividends on our shares will be recommended by the Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with the competent courts of jurisdiction in Kochi, India.

Details regarding lending out of issue proceeds of Previous Issues

Our Company has not made any public issue of debentures in the past.

Details regarding the Company and other listed companies under the same management / associate companies as described under the Companies Act, 2013, which made any capital issue during the last three years

There are no other listed companies under the same manager / associate companies as described under the Companies Act, 2013, which have made any public capital issuances during the previous three years from the date of this Prospectus.

Description of our loan portfolio

Type of loans:

The detailed break-up of the type of loans given by the Company as on March 31, 2018 is as follows:

		(₹ in lakhs)
Sl. No.	Type of Loans	Amount
1.	Secured	17,821.66
2.	Unsecured	1,601.63
	Total Loans	19,423.29

A. Sectoral Exposure as on March 31, 2018:

Sl. No.	Segment wise break up of loans	% of AUM
1.	Retail	
a.	Mortgages (home loans and loans against property)	-
b.	Gold Loans	28.71%
c.	Vehicle Finance	0.68%
d.	MFI	8.25%
e.	M & SME	39.10%
f.	Capital market funding (loans against shares, margin funding)	-
g.	Others	23.27%
2.	Wholesale	
a.	Infrastructure	-
b.	Real Estate (including builder loans)	-
c.	Promoter funding	-
d.	Any other sector (as applicable)	-
e.	Others	-
	Total	100.00%

B. Geographical classification of our borrowers as on March 31, 2018:

Sl. No.	Top five States	Percentage of AUM
1.	Kerala	81.00%
2.	Karnataka	13.77%
3.	Tamil Nadu	5.23%
	Total	100.00%

C. Denomination of loans outstanding by ticket size*:

Sl. No.	Ticket size**	Percentage
1	Up to ₹2lakhs	29.44%
2	₹ 2-5lakhs	16.30%
3	₹ 5-10lakhs	11.89%
4	₹ 10-25lakhs	13.27%
5	₹ 25-50lakhs	8.61%
6	₹ 50lakhs-1crore	9.14%
7	₹ 1-5crore	11.35%
8	₹ 5-25crore	-
9	₹ 25-100crore	-
10	>₹ 100crore	-

Sl. No.	Ticket size**	Percentage
	Total	100.00%

* Loan to value, at the time of origination

** The details provided are as per borrower and not as per loan account.

D. Denomination of loans outstanding by LTV*:

Sl. No.	LTV	Percentage
1	Up to 40%	0.40%
2	40-50%	1.47%
3	50-60%	2.38%
4	60-70%	6.79%
5	70-80%	88.77%
6	80-90%	0.19%
7	>90%	0.00%
	Total	100.00%

*LTV at the time of origination in respect of Gold loans

E. (a) Details of top 20 borrowers with respect to concentration of advances as on March 31, 2018:

(₹ in lakhs)

Particulars	Amount
Total advances to twenty largest borrowers	3,163.72
Percentage of advances to twenty largest borrowers to total advances to our Company	16.29%

(b) Details of top 20 borrowers with respect to concentration of exposure as on March 31, 2018:

(₹ in lakhs)

Particulars	Amount	
	Secured	Unsecured
Total exposure to twenty largest borrowers	3,163.72	-
Percentage of exposure to twenty largest borrowers to total exposure to our Company	16.29%	-

F. Details of loans overdue and classified as non-performing in accordance with RBI's guidelines as on March 31, 2018:

Movement of gross NPA	Amount (₹ in lakhs)
Opening gross NPA	386.58
- Additions during the year	468.32
- Reductions during the year	0.00
Closing balance of gross NPA	854.90

Movement of provisions for NPA	Amount (₹ in lakhs)
Opening balance	41.45
- Provisions made during the year	48.97
- Write-off/ write-back of excess provisions	0.00
Closing balance	90.42

G. Segment-wise gross NPA as on March 31, 2018:

(₹ in lakhs)

Sl. No.	Segment-wise gross NPA	Gross NPA (%)*
1.	Retail	
a.	Mortgages (home loans and loans against property)	-
b.	Gold Loans	1.03%
c.	Vehicle Finance	26.91%

d.	MFI	-
e.	M & SME	6.47%
f.	Capital market funding (loans against shares, margin funding)	-
g.	Others	5.98%
2.	Wholesale	
a.	Infrastructure	-
b.	Real Estate (including builder loans)	-
c.	Promoter funding	-
d.	Any other sector (as applicable)	-
e.	Others	-
	Total	4.40%

*Gross NPA means percentage of NPAs to total advances in that sector.

2. Residual maturity profile of assets and liabilities (in line with the RBI format): (₹ In lakhs)

Residual maturity profile of assets and liabilities – ALM return is applicable only for systemically important NBFCs.

H. Classification of loans/advances given to associates, entities/persons relating to the Board, senior management, Promoters, others, etc.

Particulars	Amount (₹ in lakhs)*
Loans to Promoters	0.00
Other loans	19,423.29
Total	19,423.29

*Please note that the figures disclosed in this table are as on March 31, 2018

Disclosure of Track Record of Lead Managers to Issue

The details of the track record of the respective Lead Managers to the Issue, as required by SEBI circular number CIR/MIRSD/1/2012 dated January 10, 2012, has been disclosed on the website of the Lead Manager to the Issue.

Vivro Financial Services Private Limited – <http://www.vivro.net/offerdocument.aspx>

Revaluation of assets

Our Company has not revalued its assets in last five financial years.

Mechanism for redressal of investor grievances

Agreement dated May 16, 2018, between the Registrar to the Issue and our Company provides for settling of investor grievances in a timely manner and for retention of records with the Registrar to the Issue for a period of seven years.

All grievances relating to the Issue may be addressed to the Registrar to the Issue and Compliance Officer giving full details such as name, address of the applicant, number of NCDs applied for, amount paid on application and the details of Member of Syndicate or Trading Member of the Stock Exchange where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to either (a) the relevant Designated Branch of the SCSB where the Application Form was submitted by the ASBA Applicant, or (b) the concerned Member of the Syndicate and the relevant Designated Branch of the SCSB in the event of an Application submitted by an ASBA Applicant at any of the Syndicate ASBA Application Locations, giving full details such as name, address of Applicant, Application Form number, option applied for, number of Bonds applied for, amount blocked on Application.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be three (3) business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The contact details of Registrar to the Issue are as follows:

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot 31-32,
Gachibowli Financial District,
Nanakramguda, Hyderabad – 500 032

Tel: +91 40 6716 2222

Fax: +91 40 2343 1551

Email: eniward.irs@karvy.com

Investor Grievance Email: klmaxiva.ncdipo@karvy.com

Website: www.karvy.com

Contact Person: Mr. M. Murali Krishna

SEBI Registration Number: INR000000221

CIN: U72400TG2003PTC041636

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be 3 (three) business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Bibin M Cherian has been appointed as the Compliance Officer of our Company for this issue.

The contact details of Compliance officer of our Company are as follows:

Bibin M. Cherian

KLM Axiva Finvest Limited
4th Floor, VM Plaza Building,
Civil Line Road, Palarivattom
Kochi – 682 025,

Tel.: +91 484 4281 118

E-mail: co_secy@klmgroupp.in

Change in Auditors of our Company during the last three years

We do not have any change in Auditors of our Company in last three years.

KEY REGULATIONS AND POLICIES

The regulations summarised below are not exhaustive and are only intended to provide general information to Investors and are neither designed nor intended to be a substitute for any professional legal advice. Taxation statutes such as the IT Act, GST laws (including CGST, SGST and IGST) and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Provisions Act, 1952, and other miscellaneous regulations such as the Trade Marks Act, 1999 and applicable Shops and Establishments statutes apply to us as they do to any other Indian company and therefore have not been detailed below.

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of the Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

The major regulations governing our Company are detailed below:

We are a non-deposit taking (which does not accept public deposits), non-systemically important, NBFC. As such, our business activities are regulated by RBI Regulations applicable to non-public deposit accepting NBFCs (“**NBFC-ND**”).

As of September 18, 2018, the RBI has issued an updated *Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 as amended*, (“**Master Directions**”) applicable to all NBFC-ND-NSI’s.

Regulations governing NBFCs

Reserve Bank of India Act, 1934

As per the RBI Act, a financial institution has been defined as a company which includes a non-banking institution carrying on as its business or part of its business the financing activities, whether by way of making loans or advances or otherwise, of any activity, other than its own and it is engaged in the activities of loans and advances, acquisition of shares/ stock/ bonds/ debentures/ securities issued by the Government of India or other local authorities or other marketable securities of like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of carrying out any agricultural or industrial activities or the sale/ purchase/ construction of immovable property.

As per prescribed law any company that carries on the business of a non-banking financial institution as its ‘principal business’ is to be treated as an NBFC. The term ‘principal businesses has not been defined in any statute, however, RBI has clarified through a press release (Ref. No. 1998-99/1269) issued in 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide a company’s principal business. The company will be treated as an NBFC if its financial assets are more than 50 percent of its total assets (netted off by intangible assets) and income from financial assets should be more than 50 percent of the gross income. Both these tests are required to be satisfied in order to determine the principal business of a company.

Every NBFC is required to submit to the RBI a certificate, from its statutory auditor within one month from the date of finalisation of the balance sheet and in any case, not later than December 30 of that year, stating that it is engaged in the business of non-banking financial institution requiring it to hold a certificate of registration.

NBFCs are primarily governed by the RBI Act and the Master Directions. In addition to these regulations, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time.

Although by definition, NBFCs are permitted to operate in similar sphere of activities as banks, there are a few important and key differences. The most important distinctions are:

- An NBFC cannot accept deposits repayable on demand – in other words, NBFCs can only accept fixed term deposits. Thus, NBFCs are not permitted to issue negotiable instruments, such as cheques which are

payable on demand; and

- NBFCs are not allowed to deal in foreign exchange, even if they specifically apply to the RBI for approval in this regard.

Types of NBFCs

Section 45-IA of the RBI Act makes it mandatory for every NBFC to get itself registered with the Reserve Bank in order to be able to commence any of the aforementioned activities.

Further, an NBFC may be registered as a deposit accepting NBFC (“**NBFC-D**”) or as a non-deposit accepting NBFC (“**NBFC-ND**”).

NBFCs registered with RBI are further classified as:

- (i) Asset financing companies;
- (ii) Investment companies;
- (iii) Loan companies;
- (iv) Infrastructure finance companies;
- (v) Systemically important core investment companies;
- (vi) Infrastructure debt fund – NBFCs;
- (vii) NBFC- Factors;
- (viii) Mortgage guarantee company;
- (ix) NBFC- Non operative financial holding company; and/or
- (x) NBFC – micro finance institutions.

Regulatory Requirements of an NBFC under the RBI Act

Net Owned Fund

Section 45-IA of the RBI Act provides that to carry on the business of a NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a minimum net owned fund of ₹20 million (Rupees Twenty million only). For this purpose, the RBI Act has defined “net owned funds” to mean:

- (i) the aggregate of the paid-up equity capital, preference shares which are compulsorily convertible into equity and free reserves as disclosed in the latest balance sheet of the company, after deducting (i) accumulated balance of loss, (ii) deferred revenue expenditure, (iii) deferred tax assets (net); and (iv) other intangible assets; and
- (ii) Further reduced by amounts representing,
 - (1) investment by such companies in shares of (i) its subsidiaries, (ii) companies in the same group, (iii) other NBFCs; and
 - (2) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group, to the extent such amount exceeds 10% of (a) above.

Reserve Fund

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be specified by the RBI within 21 days from the date of such withdrawal.

Maintenance of liquid assets

The RBI has prescribed that every NBFC shall invest, and continue to invest, in unencumbered approved securities valued at a price not exceeding the current market price of such securities an amount which shall, at the close of business on any day, be not less than 10% in approved securities and the remaining in

unencumbered term deposits in any scheduled commercial bank; the aggregate of which shall not be less than 15% of the public deposit outstanding at the close of business on the last working day of the second preceding quarter.

Our Company has been classified as an NBFC-ND-NSI.

Non-systemically important NBFC-NDs

The RBI in its Master Directions revised the threshold for defining systemic significance for NBFCs-ND in the light of the overall increase in the growth of the NBFC sector. NBFCs-ND-NSI will henceforth be those NBFCs-ND which have asset size of below ₹500 as per the last audited balance sheet.

All non-systemically important NBFCs are required to maintain a minimum Capital to Risk-Weighted Assets Ratio (“**CRAR**”) of 15%.

Loan-to-value guidelines

The RBI vide the Master Directions, directed all NBFCs to: (i) maintain a loan-to-value ratio not exceeding 75% for loans granted against the collateral of gold jewellery and; (ii) disclose in their balance sheet the percentage of such loans to their total assets.

Further, NBFC’s are also required to not grant any advance against bullion / primary gold, gold bullion, gold jewellery, gold coins, units of Exchange Traded Funds (ETF) and units of gold mutual fund. NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50% or more of their financial assets) are required to maintain a minimum Tier I capital of 12.00%.

Rating of NBFCs

Pursuant to the RBI Master Directions, all NBFCs with an asset size of below ₹500 crore are required to, as per RBI instructions to, furnish information about downgrading or upgrading of the assigned rating of any financial product issued by them within 15 days of a change in rating.

Norms for excessive interest rates

All NBFCs are required to put in place appropriate internal principles and procedures in determining interest rates and charges for loans and advances. The Master Directions stipulate that the Board of each NBFC shall adopt an interest rate model after taking into account the various relevant factors, such as, among others, cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers shall be required to be disclosed in the application form and communicated explicitly in the sanction letter. Furthermore, the same is also required to be made available on the company’s website or be published in the relevant newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

Prudential Norms

The Master Directions amongst other requirements prescribe guidelines on NBFC-ND regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, concentration of credit/ investment and norms relating to infrastructure loans. Further the concentration of credit/ investment norms shall not apply to a non-systemically important non-banking financial company not accessing public funds in India, either directly or indirectly, and not issuing guarantees.

Provisioning Requirements

An NBFC-ND, after taking into account the time lag between an account becoming non-performing, its recognition, the realisation of the security and erosion overtime in the value of the security charged, shall make provisions against sub-Standard Assets, Doubtful Assets and Loss Assets in the manner provided for in the Master Directions.

In the interests of counter cyclicity and so as to ensure that NBFCs create a financial buffer to protect them from the effect of economic downturns, RBI *vide* their circular no. DNBS.PD.CC. No.207/ 03.02.002 /2010-11 dated January 17, 2011, introduced provisioning for Standard Assets by all NBFCs. NBFCs are required to make a general provision at 0.25% of the outstanding standard assets. RBI *vide* their circular no. DNBR (PD)

CC No. 037/03.01.001/2014-15 dated June 11, 2015 and the Master Directions has sought to raise the provision for standard assets to 0.40% by March 2018. The provisions on standard assets are not reckoned for arriving at net NPAs. The provisions towards Standard Assets are not needed to be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet. NBFCs are allowed to include the 'General Provisions on Standard Assets' in Tier II capital which together with other 'general provisions/ loss reserves' will be admitted as Tier II capital only up to a maximum of 1.25% of the total risk-weighted assets.

Capital Adequacy Norms

Every non-systemically important NBFC-ND is required to maintain, with effect from April 1, 2007, a minimum capital ratio consisting of Tier I and Tier II capital of not less than 15% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items is required to be maintained. Also, the total of the Tier II capital of a NBFC-MFI shall not exceed 100% of the Tier I capital.

"Tier I Capital" means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund. Further the RBI vide circular dated March 27, 2015 require the NBFCs primarily engaged in the business of lending against gold jewellery (such loans comprising 50% or more of their financial assets) to maintain a minimum Tier I capital of 12%.

Owned Funds, are defined as paid-up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account; capital reserve representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of assets; less accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.

Tier - II Capital is defined to include the following (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of 55%; (c) general provisions (including that for standard assets) and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one-and-one-fourth percent of risk weighted assets; (d) hybrid debt capital instruments; and (e) subordinated debt to the extent the aggregate does not exceed Tier - I capital; and (f) perpetual debt instrument issued by a non-systemically important NBFC-ND, which is in excess of what qualifies for Tier I Capital to the extent that the aggregate Tier-II capital does not exceed 15% of the Tier -I capital.

Hybrid debt means, capital instrument, which possess certain characteristics of equity as well as debt.

Subordinated debt means a fully paid up capital instrument, which is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of the NBFC. The book value of such instrument is subjected to discounting as prescribed.

Exposure Norms

In order to ensure better risk management and avoidance of concentration of credit risks, the RBI has, in terms of the Master Directions, prescribed credit exposure limits for financial institutions in respect of their lending to single/ group borrowers. Credit exposure to a single borrower shall not exceed 15% of the owned funds of the non-systemically important NBFC-ND, while the credit exposure to a single group of borrowers shall not exceed 25% of the owned funds of the non-systemically important NBFC-ND. Further, the non-systemically important NBFC-ND may not invest in the shares of another company exceeding 15% of its owned funds, and in the shares of a single group of companies exceeding 25% of its owned funds. However, this prescribed ceiling shall not be applicable on a NBFC-ND-NSI for investments in the equity capital of an insurance company to the extent specifically permitted by the RBI. Any NBFC-ND-NSI not accessing public funds, either directly or indirectly may make an application to the RBI for modifications in the prescribed ceilings Any non-systemically important NBFC-ND classified as asset finance company by RBI, may in exceptional circumstances, exceed the above ceilings by 5% of its owned fund, with the approval of its Board of Directors. The loans and investments of the non-systemically important NBFC-ND taken together may not exceed 25% of its owned funds to or in single party and 40% of its owned funds to or in single group of parties. A non-systemically important ND-NBFC may, make an application to the RBI for modification in the prescribed ceilings.

Asset Classification

The Master Directions require that every NBFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

- Standard assets;
- Sub-standard Assets;
- Doubtful Assets; and
- Loss assets.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such upgradation. At present, every NBFC is required to make a provision for standard assets at 0.25% of the outstanding. RBI, vide its notification dated November 10, 2014 has increased the requirement for standard assets for NBFCs-ND-NSI and for all NBFCs-D to 0.40%, which is to be complied with in a phased manner as follows: (i) 0.30% by March 31, 2016 (ii) 0.35% by March 31, 2017 (iii) 0.40% by March 31, 2018.

Net Owned Fund

Section 45-I A of the RBI Act provides that to carry on the business of a NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a minimum net owned fund of ₹2,00,00,000 (Rupees two crores only). For this purpose, the RBI Act has defined “net owned fund” to mean:

Net Owned Fund - The aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting (i) accumulated balance of losses, (ii) deferred revenue expenditure, (iii) deferred tax asset (net); and (iv) other intangible assets; and further reduced by the amounts representing,

- (i) investment by such companies in shares of (i) its subsidiaries, (ii) companies in the same group, (iii) other NBFCs; and
- (ii) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group, to the extent such amount exceeds 10% of (a) above.

Further in accordance with the RBI Master Directions, which provides that a non-banking financial company holding a certificate of registration issued by the RBI and having net owned fund of less than two hundred lakhs of rupees, may continue to carry on the business of non-banking financial institution, if such company achieves net owned fund of two hundred lakhs of rupees before April 1, 2017.

Reserve Fund

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less than 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such withdrawal.

Maintenance of liquid assets

The RBI through notification dated January 31, 1998, as amended has prescribed that every NBFC shall invest and continue to invest in unencumbered approved securities valued at a price not exceeding the current market price of such securities an amount which shall, at the close of business on any day be not less than 10% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank; the aggregate of which shall not be less than 15% of the public deposit outstanding at the last working day of the second preceding quarter.

NBFCs such as our Company, which do not accept public deposits, are subject to lesser degree of regulation as compared to a NBFC-D and are governed by the RBI’s Master Directions.

An NBFC-ND is required to inform the RBI of any change in the address, telephone no’s, etc. of its Registered

Office, names and addresses of its directors/auditors, names and designations of its principal officers, the specimen signatures of its authorised signatories, within one month from the occurrence of such an event. Further, an NBFC-ND would need to ensure that its registration with the RBI remains current.

All NBFCs (whether accepting public deposits or not) having an asset base of ₹10,000 lakhs or more or holding public deposits of ₹2,000 lakhs or more (irrespective of asset size) as per their last audited balance sheet are required to comply with the RBI Guidelines for an Asset-Liability Management System.

Similarly, all NBFCs are required to comply with “Know Your Customer Guidelines - Anti Money Laundering Standards” issued by the RBI, with suitable modifications depending upon the activity undertaken by the NBFC concerned.

NBFCs shall constitute grievance redressal machinery as contained in RBI’s circular on Grievance Redressal Mechanism, vide DNBS. CC. PD. No. 320/03.10. 01/2012-13 dated February 18, 2013 which states that at the operational level, all NBFCs shall display the name and contact details of the grievance redressal officer prominently at their branches/ places where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving any delay. It shall be clearly indicated that NBFCs' grievance redressal machinery shall also deal with the issue relating to services provided by the outsourced agency. Generally, a time limit of 30 (thirty) days may be given to the customers for preferring their complaints/ grievances. The grievance redressal procedure of the NBFC and the time frame fixed for responding to the complaints shall be placed on the NBFC's website.

Implementation of Green Initiative of the Government

All NBFCs are required take proactive steps for increasing the use of electronic payment systems, elimination of post-dated cheques and gradual phase-out of cheques in their day to day business transactions which would result in more cost-effective transactions and faster and accurate settlements.

Master Circular - Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 - Corporate Governance Directions 2015

All NBFC-ND-NSI are required to adhere to certain corporate governance norms, including constitution of an audit committee, a nomination committee, an asset liability management committee and risk management committee. RBI vide its recent Master Circular dated July 1, 2015, introduced the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 which requires all systemically important ND NBFCs having an asset size above ₹50,000 lakhs are required to consider adopting best practices and transparency in their systems as specified below. RBI pursuant to its Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 1, 2015 mandated that all NBFC having assets of ₹50,000 lakhs and above as per its last audited balance sheet are required to constitute an audit committee, consisting of not less than three members of its Board of Directors. NBFCs are required to furnish to the RBI a quarterly statement on change of directors, and a certificate from the managing director of the NBFC that fit and proper criteria in selection of the directors has been followed. Further, all applicable NBFCs shall have to frame their internal guidelines on corporate governance with the approval of its board of directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the above guidelines and it shall be published on the company's web-site, if any, for the information of various stakeholders constitution of a nomination committee, a risk management committee and certain other norms in connection with disclosure, transparency and connected lending has also been prescribed in the RBI Master Circular. Further, the Audit Committee are required to ensure that an Information Systems Audit of the internal systems and processes is conducted at least once in two years to assess operational risks.

Know Your Customers Guidelines

The RBI has extended the KYC Guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by such NBFCs and ensure that a proper policy framework of anti-money laundering measures is put in place. The know your customer policies are required to have certain key elements, including a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC Guidelines and the exercise of due diligence by persons authorised by the NBFC, including its brokers and agents.

Accounting Standards & Accounting policies

Subject to the changes in Indian Accounting Standards and regulatory environment applicable to a NBFC we

may change our accounting policies in the future and it might not always be possible to determine the effect on the Statement of profit and loss of these changes in each of the accounting years preceding the change. In such cases our profit/loss for the preceding years might not be strictly comparable with the profit/loss for the period for which such accounting policy changes are being made.

Master Direction dated September 29, 2016 on Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016

All NBFC-ND-NSIs shall put in place a reporting system for frauds and fix staff accountability in respect of delays in reporting of fraud cases to the RBI. An NBFC-ND-NSI is required to report all cases of fraud of ₹1 lakh and above, and if the fraud is of ₹100 lakhs or above, the report should be sent in the prescribed format within three weeks from the date of detection thereof. The NBFC-ND-NSI shall also report cases of fraud by unscrupulous borrowers and cases of attempted fraud.

Master Circular dated July 1, 2015 – Frauds – Future approach towards monitoring of frauds in NBFCs

In order to prevent the incidence of frauds in NBFCs, the RBI established a reporting requirement to be followed by NBFCs, both NBFCs-Deposit taking and NBFCs-ND-NSI. In terms of the circular, all NBFCs-ND-NSI shall disclose the amount related to fraud, reported in the company for the year in their balance sheets. NBFCs failing to report fraud cases to the RBI would be liable for penal action prescribed under the provisions of Chapter V of the RBI Act. Additionally, the circular provides for categorisation of frauds and the reporting formats in order to ensure uniformity in reporting.

Master Circular dated July 1, 2015 on returns to be submitted by NBFCs

The circular lists down detailed instructions in relation to submission of returns, including their periodicity, reporting time, due date, purpose and the requirement of filing such returns by various categories of NBFCs, including an NBFC-ND-NSI. RBI, vide notification dated November 26, 2015 titled “Online Returns to be submitted by NBFCs-Revised” changed the periodicity of NDSI returns from monthly to quarterly.

Reporting by Statutory Auditor

The statutory auditor of the NBFC-ND is required to submit to the Board of Directors of the company along with the statutory audit report, a special report certifying that the Directors have passed the requisite resolution mentioned above, not accepted any public deposits during the year and has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it. In the event of non-compliance, the statutory auditors are required to directly report the same to the RBI.

Master Direction – Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016

In addition to the report made by the auditor under Section 143 of the Companies Act, 2013 on the accounts of an NBFC-ND-NSI, the auditor shall make a separate report to the Board of Directors of the company on inter alia examination of validity of certificate of registration obtained from the RBI, whether the NBFC is entitled to continue to hold such certificate of registration in terms of its Principal Business Criteria (financial asset / income pattern) as on March 31 of the applicable year, whether the NBFC is meeting the required net owned fund requirement, whether the board of directors has passed a resolution for non-acceptance of public deposits, whether the company has accepted any public deposits during the applicable year, whether the company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it, whether the capital adequacy ratio as disclosed in the return submitted to the Bank in form NBS- 7, has been correctly arrived at and whether such ratio is in compliance with the minimum CRAR prescribed by the Bank, whether the company has furnished to the Bank the annual statement of capital funds, risk assets/exposures and risk asset ratio (NBS-7) within the stipulated period, and whether the non-banking financial company has been correctly classified as NBFC Micro Finance Institutions (MFI).

Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016

All NBFCs are required to put in place a reporting system for filing various returns with the RBI. An NBFC-ND-NSI is required to file on a quarterly basis a return on important financial parameters, including components of assets and liabilities, profit and loss account, exposure to sensitive sectors etc., NBS-7 on prudential norms on a quarterly basis, multiple returns on asset-liability management to address concerns regarding inter alia asset liability mismatches and interest rate risk, quarterly report on branch information, and CRILC on a quarterly

basis as well as all SMA-2 accounts to facilitate early recognition of financial distress, prompt steps for resolution and fair recovery for lenders.

Financing of NBFCs by bank

The RBI has issued guidelines *vide* a circular dated bearing number DBOD No. FSD. BC.46/24.01.028/2006-07 dated December 12, 2006 relating to the financial regulation of non-systemically important NBFC-NDs and the relationship of banks with such institutions. In particular, these guidelines prohibit banks from lending to NBFCs for the financing of certain activities, such as (i) bill discounting or rediscounting, except where such discounting arises from the sale of commercial vehicles and two wheelers or three wheelers, subject to certain conditions; (ii) unsecured loans or corporate deposits by NBFCs to any company; (iii) investments by NBFCs both of current and long term nature, in any company; (iv) further lending to individuals for the purpose of subscribing to an initial public offer.

In addition to the above the RBI has issued guidelines *vide* a circular dated bearing number DBR.BP.BC.No.5/21.04.172/2015-16 dated July 1, 2015 relating to bank financing of NBFCs predominantly engaged in lending against Gold has directed banks to (i) reduce their regulatory exposure ceiling on a single NBFC, having gold loans to the extent of 50% or more of its total financial assets 10% of banks' capital funds. However, the exposure ceiling may go up by 5%, i.e., up to 15% of banks' capital funds if the additional exposure is on account of funds on-lent by NBFCs to the infrastructure sector and (ii) to have an internal sub-limit on their aggregate exposures to all such NBFCs, having gold loans to the extent of 50% or more of their total financial assets, taken together. The sub-limits should be within the internal limit fixed by the banks for their aggregate exposure to all NBFCs put together.

Norms for excessive interest rates

In addition, the RBI has introduced *vide* a circular bearing reference number RBI/ 2006-07/ 414 dated May 24, 2007 whereby RBI has requested all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction, the RBI has issued a Master Circular on Fair Practices Code dated July 1, 2015 read with the Master Directions for regulating the rates of interest charged by the NBFCs. These circulars stipulate that the board of each NBFC is required to adopt an interest rate model taking into account the various relevant factors including cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and expressly communicated in the sanction letter. Further, this is also required to be made available on the NBFCs website or published in newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be an annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

Supervisory Framework

In order to ensure adherence to the regulatory framework by non-systemically important ND-NBFCs, the RBI has directed such NBFCs to put in place a system for submission of an annual statement of capital funds, and risk asset ratio etc. as at the end of March every year, in a prescribed format. This return is to be submitted electronically within a period of three months from the close of every financial year. Further, a NBFC is required to submit a certificate from its statutory auditor that it is engaged in the business of non-banking financial institution with requirement to hold a certificate of registration under the RBI Act. This certificate is required to be submitted within one month of the date of finalisation of the balance sheet and in any other case not later than December 30 of that particular year. Further, in addition to the auditor's report under Section 143 of the Companies Act, 2013 the auditors are also required to make a separate report to the Board of Directors on certain matters, including correctness of the capital adequacy ratio as disclosed in the return NBS-7 to be filed with the RBI and its compliance with the minimum CRAR, as may be prescribed by the RBI.

Asset Liability Management

The RBI has prescribed the Guidelines for Asset Liability Management ("ALM") System in relation to NBFCs ("ALM Guidelines") that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to All Non-Banking Financial Companies dated July 1, 2015. As per this Master Circular, the NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of ₹10,000 lakhs, irrespective of whether they are accepting / holding public deposits or not, or holding public deposits of ₹2,000 lakhs or more (irrespective of the asset size) as per their audited balance sheet as of March 31, 2001, are required to put in place an ALM system. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative

gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days' time-bucket should not exceed the prudential limit of 15% of cash outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

The Recovery of Debts due to Banks and Financial Institutions Act, 1993

The Recovery of Debts due to Banks and Financial Institutions Act, 1993 (the “**DRT Act**”) provides for establishment of the Debts Recovery Tribunals (the “**DRTs**”) for expeditious adjudication and recovery of debts due to banks and public financial institutions or to a consortium of banks and public financial institutions. Under the DRT Act, the procedures for recovery of debt have been simplified and time frames have been fixed for speedy disposal of cases. The DRT Act lays down the rules for establishment of DRTs, procedure for making application to the DRTs, powers of the DRTs and modes of recovery of debts determined by DRTs. These include attachment and sale of movable and immovable property of the defendant, arrest of the defendant and his detention in prison and appointment of receiver for management of the movable or immovable properties of the defendant.

The DRT Act also provides that a bank or public financial institution having a claim to recover its debt, may join an ongoing proceeding filed by some other bank or public financial institution, against its debtor, at any stage of the proceedings before the final order is passed, by making an application to the DRT.

Anti-Money Laundering

The RBI has issued a Master Circular dated July 1, 2015 to ensure that a proper policy frame work for the Prevention of Money Laundering Act, 2002 (“**PMLA**”) is put into place. The PMLA seeks to prevent money laundering and provides for confiscation of property derived from, or involved in money laundering and for other matters connected therewith or incidental thereto. It extends to all banking companies, financial institutions, including NBFCs and intermediaries. Pursuant to the provisions of PMLA and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions and cash transactions and to maintain a system of proper record (i) for all cash transactions of value of more than ₹10 lakhs; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹10 lakhs where such series of transactions have taken place within one month and the aggregate value of such transaction exceeds ₹10 lakhs. Further, all NBFCs are required to take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, NBFCs are also required to maintain for at least ten years from the date of transaction between the NBFCs and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

RBI Notification dated December 3, 2015 titled “Anti-Money Laundering (AML)/ Combating of Financing of Terrorism (CFT) – Standards” states that all regulated entities (including NBFCs) are to comply with the updated FATF Public Statement and document ‘Improving Global AML/CFT Compliance: on-going process’ as on October 23, 2015.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“SARFAESI”)

The SARFAESI Act regulates the securitization and reconstruction of financial assets of banks and financial institutions. The SARFAESI Act provides for measures in relation to enforcement of security interests and rights of the secured creditor in case of default.

The RBI has issued guidelines to banks and financial institutions on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank or a financial institution or an NBFC may sell financial assets to an asset reconstruction company provided the asset is an NPA. A bank or financial institution or NBFC may sell a financial asset only if the borrower has a consortium or multiple banking arrangements and at least 75% by value of the total loans to the borrower are classified as an NPA and at least 75% by the value of the banks and financial institutions in the consortium or multiple banking

arrangement agree to the sale. In addition to the above, a financial asset may be sold by any bank or financial institution where the asset is reported, by the bank financial institution to Central Repository for Information on Large Credit, as an NPA wherein the principal or interest payment is overdue between 61-90 days.

As per the SARFAESI Amendment Act of 2004, the constitutional validity of which was upheld in a recent Supreme Court ruling, non-performing assets have been defined as an asset or account of a borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset in accordance with directions or guidelines issued by the RBI. In case the bank or financial institution is regulated by a statutory body/authority, NPAs must be classified by such bank in accordance with guidelines issues by such regulatory authority. The RBI has issued guidelines on classification of assets as NPAs. Further, these assets are to be sold on a “without recourse” basis only.

The SARFAESI Act provides for the acquisition of financial assets by Securitization Company or Reconstruction Company from any bank or financial institution on such terms and conditions as may be agreed upon between them. A securitization company or reconstruction company having regard to the guidelines framed by the RBI may, for the purposes of asset reconstruction, provide for measures such as the proper management of the business of the borrower by change in or takeover of the management of the business of the borrower, the sale or lease of a part or whole of the business of the borrower and certain other measures such as rescheduling of payment of debts payable by the borrower; enforcement of security.

Additionally, under the provisions of the SARFAESI Act, any securitisation company or reconstruction company may act as an agent for any bank or financial institution for the purpose of recovering its dues from the borrower on payment of such fee or charges as may be mutually agreed between the parties.

Various provisions of the SARFAESI Act have been amended by the Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016 as also the Insolvency and Bankruptcy Code, 2016 (which amended S.13 of SARFAESI). As per this amendment, the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016 shall by order declare moratorium for prohibiting *inter alia* any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the SARFAESI Act

Foreign Investment Regulations

Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (“FEMA 20”)

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion (“DIPP”), GoI which is regulated by the relevant ministries of the GoI. The RBI, in exercise of its power under the FEMA, has notified FEMA 20 to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. FEMA 20 lays down that no prior consent and approval is required from the RBI for FDI under the “automatic route” within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the relevant ministry/ministries of the Government and/or the RBI.

Foreign Direct Investment (“FDI”)

FDI in an Indian company is governed by the provisions of the FEMA read with FEMA 20 and the FDI Policy. FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. Under the approval route, prior approval from the relevant ministry/ministries of the Government or RBI is required. FDI for the items/activities that cannot be brought in under the automatic route (other than in prohibited sectors) may be brought in through the approval route. Further, as per the sector specific guidelines of the Government, 100% FDI/NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

Foreign investment in Indian securities is regulated through the Consolidated FDI Policy and FEMA. The government bodies responsible for granting foreign investment approvals are the concerned ministries/departments of the Government of India and the RBI. The Union Cabinet has recently approved phasing out the

FIPB, as provided in the press release dated May 24, 2017. Accordingly, pursuant to the office memorandum dated June 5, 2017, issued by the Department of Economic Affairs, Ministry of Finance, approval of foreign investment under the FDI policy has been entrusted to concerned ministries/departments. Subsequently, the DIPP issued the Standard Operating Procedure (SOP) for Processing FDI Proposals on June 29, 2017 (the “SOP”). The SOP provides a list of the competent authorities for granting approval for foreign investment for sectors/activities requiring Government approval. For sectors or activities that are currently under automatic route but which required Government approval earlier as per the extant policy during the relevant period, the concerned administrative ministry/department shall act as the competent authority (the “**Competent Authority**”) for the grant of *post facto* approval of foreign investment. In circumstances where there is a doubt as to which department shall act as the Competent Authority, the DIPP shall identify the Competent Authority. The DIPP has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendment to FEMA. In case of any conflict FEMA prevails. The Consolidated FDI Policy consolidates the policy framework in place as on August 27, 2017. Further, on January 4, 2018 the RBI released the Master Directions on Foreign Investment in India.

Under the approval route, prior approval from RBI is required. FDI for the items/activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the relevant ministry of GoI.

As per the sector specific guidelines of the Government of India, the following are the relevant norms applicable for FDI in NBFCs:

- (a) FDI investments up to 100% of the paid-up share capital of the NBFC is allowed under the automatic route in the following NBFC activities:
- (i) Merchant banking;
 - (ii) Underwriting;
 - (iii) Portfolio Management Services;
 - (iv) Investment Advisory Services;
 - (v) Financial Consultancy;
 - (vi) Stock Broking;
 - (vii) Asset Management;
 - (viii) Venture Capital;
 - (ix) Custodial Services;
 - (x) Factoring;
 - (xi) Credit rating Agencies;
 - (xii) Leasing and Finance;
 - (xiii) Housing Finance;
 - (xiv) Forex Broking;
 - (xv) Credit card business;
 - (xvi) Money changing Business;
 - (xvii) Micro Credit; and
 - (xviii) Rural Credit.
- (b) Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issue price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI Regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

Master Circular No.10/2015-16 on Memorandum of Instructions governing money changing activities, issued by RBI dated July 1, 2015 and updated on September 10, 2015.

Guidelines for Licencing and other Approvals for Authorised Money Changers (AMCs)

Full Fledged Money Changers (FFMCs) are authorised by the Reserve Bank to deal in foreign exchange for specified purposes, to widen the access of foreign exchange facilities to residents and tourists while ensuring efficient customer service through competition. FFMCs are authorised to purchase foreign exchange from residents and non-residents visiting India and to sell foreign exchange for certain approved purposes. AD

Category –I Banks/ADs Category – II/FFMCs may appoint franchisees to undertake purchase of foreign currency*. No person shall carry on or advertise that he carries on money changing business unless he is in possession of a valid money changer's licence issued by the Reserve Bank.

*** Note: -Franchisees of AD Category –I Banks/ADs Category – II/FFMCs functioning within 10 kilometres from the borders of Pakistan and Bangladesh may also sell the currency of the bordering country, with the prior approval of the Regional offices concerned of the Reserve Bank. Other franchises of AD Category –I Banks/ADs Category – II/FFMCs cannot sell foreign currency.**

Guidelines for appointment of Agents/ Franchisees by Authorised Dealer Category – FFMCs.

Under the Scheme, the Reserve Bank permits FFMCs to enter into franchisee/agency agreements at their option for the purpose of carrying on Restricted Money Changing business i.e. conversion of foreign currency notes, coins or travellers' cheques into Indian Rupees.

A franchisee can be any entity which has a place of business and a minimum Net Owned Funds of ₹10 lakhs. Franchisees can undertake only restricted money changing business.

FFMCs as the franchisers are free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the franchisee. The Agency/Franchisee agreement to be entered into should include the salient features as mentioned under the master circular. The master circular also prescribes the procedure for application, due diligence of franchisees, selection of centres, training, reporting, audit and inspection of franchisees and Anti Money Laundering (AML)/Know Your Customer (KYC)/Combating the Financing of Terrorism (CFT) Guidelines.

Note: No licence for appointment of franchisees will be issued to any FFMC, against whom any major DoE/DRI/CBI/Police case is pending. In case where any FFMC has received one-time approval for appointing franchisees and subsequent to the date of approval, any DoE/DRI/CBI/Police case is filed, the FFMC should not appoint any further franchisees and bring the matter to the notice of the Reserve Bank immediately. A decision will be taken by the Reserve Bank regarding allowing the FFMC to appoint franchisees.

Operational Instructions

Foreign exchange in any form can be brought into India freely without limit provided it is declared on the Currency Declaration Form (CDF) on arrival to the Custom Authorities. When foreign exchange brought in the form of currency notes or travellers' cheques does not exceed US \$10,000 or its equivalent and/or the value of foreign currency notes does not exceed US \$5,000 or its equivalent, declaration thereof on CDF is not insisted upon.

Taking out foreign exchange in any form, other than foreign exchange obtained from an authorised dealer or a money changer is prohibited unless it is covered by a general or special permission of the Reserve Bank. Non-residents, however, have general permission to take out an amount not exceeding the amount originally brought in by them, subject to compliance with the provisions of sub-para above.

Authorised Money Changers (AMCs)/franchisees may freely purchase foreign currency notes, coins and traveller's cheques from residents as well as non-residents. Where the foreign currency was brought in by declaring on form CDF, the tenderer should be asked to produce the same. The AMC should invariably insist on production of declaration in CDF.

AMCs may sell Indian Rupees to foreign tourists/visitors against International Credit Cards/International Debit Cards and take prompt steps to obtain reimbursement through normal banking channels.

AMCs may issue certificate of encashment when asked for in cases of purchases of foreign currency notes, coins and travellers cheques from residents as well as non-residents. These certificates bearing authorised signatures should be issued on the letter head of the money changer and proper record should be maintained.

In cases where encashment certificate is not issued, attention of the customers should be drawn to the fact that unspent local currency held by non-residents will be allowed to be converted into foreign currency only against production of a valid encashment certificate.

AMCs may purchase from other AMCs and ADs any foreign currency notes, coins and encashed travellers' cheques tendered in the normal course of business. Rupee equivalent of the amount of foreign exchange

purchased should be paid only by way of crossed account payee cheque/demand draft/bankers' cheque/Pay order.

AMCs may sell foreign exchange up to the prescribed ceiling (currently US \$ 10,000) specified in Schedule III to the Foreign Exchange Management (Current Account Transaction) Rules, 2000 during a financial year to persons resident in India for undertaking one or more private visits to any country abroad (except Nepal and Bhutan). Exchange for such private visits will be available on a self-declaration basis to the traveller regarding the amount of foreign exchange availed during a financial year. Foreign nationals permanently resident in India are also eligible to avail of this quota for private visits provided the applicant is not availing of facilities for remittance of his salary, savings, etc., abroad in terms of extant regulations.

AMCs may sell foreign exchange to persons' resident in India for undertaking business travel or for attending a conference or specialised training or for maintenance expenses of a patient going abroad for medical treatment or check-up abroad or for accompanying as attendant to a patient going abroad for medical treatment/check-up up to the limits as specified in Schedule III to FEMA (Current Account Transactions) Rules, 2000.

AMCs may convert into foreign currency, unspent Indian currency held by non-residents at the time of their departure from India, provided a valid Encashment Certificate is produced.

AMCs may convert at their discretion, unspent Indian currency up to ₹10,000 in the possession of non-residents if, for *bona fide* reasons, the person is unable to produce an Encashment Certificate after ensuring that the departure is scheduled to take place within the following seven days. FFMCs may provide facility for reconversion of Indian Rupees to the extent of ₹50,000/- to foreign tourists (not NRIs) against ATM Receipts based on the following documents- Valid passport and visa, ticket confirmed for departure within 7 days, Original ATM slip.

AMCs may issue a cash memo, if asked for, on official letterhead to travellers to whom foreign currency is sold by them. The cash memo may be required for production to emigration authorities while leaving the country.

AMCs may put through transactions relating to foreign currency notes and travellers' cheques at rates of exchange determined by market conditions and in alignment with the ongoing market rates.

AMCs should display at a prominent place in or near the public counter, a chart indicating the rates for purchase/sale of foreign currency notes and travellers' cheques for all the major currencies and the card rates for any day, should be updated, latest by 10:30 a.m.

AMCs should keep balances in foreign currencies at reasonable levels and avoid build-up of idle balances with a view to speculating on currency movements.

Franchisees should surrender foreign currency notes, coins and travellers' cheques purchased only to their franchisers within seven working days.

The transactions between authorised dealers and FFMCs should be settled by way of account payee crossed cheques/demand drafts. Under no circumstances should settlement be made in cash.

AMCs may obtain their normal business requirements of foreign currency notes from other AMCs/authorised dealers in foreign exchange in India, against payment in rupees made by way of account payee crossed cheque/demand draft.

Where AMCs are unable to replenish their stock in this manner, they may make an application to the Forex Markets Division, Foreign Exchange Department, Central Office, RBI, Mumbai through an AD Category-I for permission to import foreign currency into India. The import should take place through the designated AD Category-I through whom the application is made.

AMCs may export surplus foreign currency notes/encashed travellers' cheques to an overseas bank through designated Authorised Dealer Category - I in foreign exchange for realisation of their value through the latter. FFMCs may also export surplus foreign currency to private money changers abroad subject to the condition that either the realisable value is credited in advance to the AD Category – I bank's nostro account or a guarantee is issued by an international bank of repute covering the full value of the foreign currency notes/coins to be exported.

In the event of foreign currency notes purchased being found fake/forged subsequently, AMCs may write-off up to US \$ 2000 per financial year after approval of their Top Management after exhausting all available options

for recovery of the amount. Any write-off in excess of the above amount, would require the approval of the Regional Office concerned of the Foreign Exchange Department of the Reserve Bank.

Further, provisions regarding the following are also mentioned-

- **Registers and Books of Accounts of Money-changing Business**
- **Submission of Statements to the Reserve Bank**
- **Inspection of Transactions of AMCs**
- **Concurrent Audit**
- **Temporary Money Changing Facilities**

Opening of Foreign Currency Accounts by AMCs

AMCs, with the approval of the respective Regional Offices of the Foreign Exchange Department, may be allowed to open Foreign Currency Accounts in India, subject to the following conditions: -

- (i) Only one account may be permitted at a particular centre.
- (ii) Only the value of foreign currency notes/encashed TCs exported through the specific bank and realised can be credited to the account.
- (iii) Balances in the accounts shall be utilised only for settlement of liabilities on account of:
 - (a) TCs sold by the AMCs and
 - (b) Foreign currency notes acquired by the AMCs from AD Category-I banks.
- (iv) No idle balance shall be maintained in the said account

All AMCs are required to submit their annual audited balance sheet to the respective Regional office of the Reserve Bank for the purpose of verification of their Net Owned Funds along-with a certificate from the statutory auditors regarding the NOF as on the date of the balance sheet. As AMCs are expected to maintain the minimum NOF on an ongoing basis, if there is any erosion in their NOF below the minimum level, they are required to bring it to the notice of the Reserve Bank immediately along with a detailed time bound plan for restoring the Net Owned Funds to the minimum required level.

FFMCs, which are not Regional Rural Banks (RRBs), Local Area Banks (LABs), Urban Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs) having a minimum net worth of ₹500 lakhs, may participate in the designated currency futures and currency options on exchanges recognised by the Securities and Exchange Board of India (SEBI) as clients only for the purpose of hedging their underlying foreign exchange exposures. FFMCs and ADs Category-II which are RRBs, LABs, UCBs and NBFCs, may be guided by the instructions issued by the respective regulatory Departments of the Reserve Bank in this regard.

Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code, 2016 (“**Code**”) was passed by the Upper House of the Parliament on May 11, 2016 (shortly after being passed by the Lower House on May 5, 2016). The Code has received the assent of the President of India on May 28, 2016. The Country now has a new legal regime that primarily enables timebound restructuring and bankruptcy of debtors. Some of the primary objectives with which the Code has been conceptualised are:

- a. to consolidate the laws relating to insolvency, reorganisation and liquidation/ bankruptcy of all persons, including companies, individuals, partnership firms and Limited Liability Partnerships (“**LLPs**”) under one statutory umbrella and amending relevant laws;
- b. time bound resolution of defaults and seamless implementation of liquidation/ bankruptcy and maximising asset value;
- c. to encourage resolution as means of first resort for recovery;
- d. creating infrastructure which can eradicate inefficiencies involved in bankruptcy process by introducing National Company Law Tribunal (“**NCLT**”), Insolvency Resolution Professional Agencies (“**IPAs**”), Insolvency Professionals (“**IPs**”) and Information Utilities (“**IUs**”).

In order to cover bankruptcy of individuals, the Code will repeal the Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920. Additionally, the Code will amend 11 statutes including, inter alia, the Companies Act, 2013 (Companies Act) Sick Industrial Companies (Special Provisions) Repeal Act, 2003 (“**SICA**”), Limited Liability Partnership Act, 2008 (“**LLP Act**”), Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“**SARFAESI**”) and Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (“**RDDBI**”). The Code seeks to establish an Insolvency and Bankruptcy

Board of India (Board) which will function as the regulator for all matters pertaining to insolvency and bankruptcy. The Board will exercise a range of legislative, administrative and quasi-judicial functions.

The Code specifies 2 different adjudicating authorities (the Adjudicating Authority) which will exercise judicial control over the insolvency process as well as the liquidation process. In case of companies, LLPs and other limited liability entities (which may be specified by the Central Government from time to time), the NCLT shall be acting as the Adjudicating Authority. All appeals from NCLT shall lie with the appellate authority, i.e. the National Company Law Appellate Tribunal (“**NCLAT**”). In case of individuals and partnerships, the Adjudicating Authority would be the Debt Recovery Tribunal (“**DRT**”) with the Debt Recovery Appellate Tribunal (“**DRAT**”) continuing to be the appellate tribunal even for insolvency/ bankruptcy matters. The Supreme Court of India shall have appellate jurisdiction over NCLAT and DRAT.

Corporate Insolvency includes two processes within its ambit, (i) Insolvency Resolution and (ii) Liquidation. The Code prescribes a timeline of 180 days for the insolvency resolution process, which begins from the date the application is admitted by the NCLT. The period is subject to a single extension of 90 days in the event the Adjudicating Authority (being petitioned by a resolution passed by a vote of 75% of the COC) is satisfied that the corporate insolvency resolution process cannot be completed within the period of 180 days. This time period is also applicable to individual insolvency resolution process. During this period, the creditors and the debtor will be expected to negotiate and finalise a resolution plan (accepted by 75% of the financial creditors) and in the event, they fail, the debtor is placed in liquidation and the moratorium lifted. The Code stipulates an interim-moratorium period which would commence after filing of the application for a fresh start process and shall cease to exist after elapse of a period of 180 days from the date of application. During such period, all legal proceedings against such debtor should be stayed and no fresh suits, proceedings, recovery or enforcement action may be initiated against such debtor. However, the Code has also imposed certain restrictions on the debtor during the moratorium period such as the debtor shall not be permitted to act as a director of any company (directly/indirectly) or be involved in the promotion or management of a company during the moratorium period. Further, he shall not dispose of his assets or travel abroad during this period, except with the permission of the Adjudicating Authority.

The bankruptcy of an individual can be initiated by the debtor, the creditors (either jointly or individually) or by any partner of a partnership firm (where the debtor is a firm), only after the failure of the Insolvency Resolution Process (“**IRP**”) or non-implementation of repayment plan. The bankruptcy trustee is responsible for administration of the estate of the bankrupt and for distribution of the proceeds on the basis of the priority set out in the Code.

Shops and Establishments legislations in various states

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter-alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health, termination of services and safety measures and wages for overtime work.

Labour Laws

India has stringent labour related legislations. We are required to comply with certain labour laws, which include the Employees’ Provident Funds and Miscellaneous Provisions Act 1952, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, Workmen Compensation Act, 1923, the Payment of Gratuity Act, 1972 and the Payment of Wages Act, 1936, amongst others.

Intellectual Property

Intellectual Property in India enjoys protection under both common law and statute. Under statute, India provides for patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 and trademark protection under the Trade Marks Act, 1999. The above enactments provide for protection of intellectual property by imposing civil and criminal liability for infringement.

SECTION VIII – SUMMARY OF MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company. In case of any inconsistency between the Articles of Association of our Company and the Companies Act, 1956 and Companies Act, 2013, the provisions of the Companies Act, 1956 and the Companies Act 2013 shall prevail over the Articles of Association of our Company. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI Regulations, the main provisions of the Articles of Association of our Company are detailed below:

SHARE CAPITAL AND VARIATION OF RIGHTS

1. The Authorised Share Capital of the Company shall be such sum as may be prescribed under Clause V of Memorandum of Association divided into such number of shares of prescribed face value as amended from time to time, which may be increased or reduced in accordance with the provisions of the Companies Act, 2013.

Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.

2. (i) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided -

(a) one certificate for all his shares without payment of any charges; or

(b) several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

(ii) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.

(iii) In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

3. (i) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.

(ii) The provisions of Articles (2) and (3) shall mutatis mutandis apply to debentures of the company

4. Except as required by law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

5. (i) The company may exercise the powers of paying commissions conferred by sub-section (6) of section 40, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made there under.

(ii) The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of section 40.

(iii) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

6. (i) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of section 48, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

(ii) To every such separate meeting, the provisions of these regulations relating general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.

7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further share ranking pari passu therewith.
8. Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

LIEN

9. (i) The company shall have a first and paramount lien-
- (a) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and
 - (b) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company:

Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

- (ii) The company's lien, if any, on a share shall extend to all dividend bonuses declared from time to time in respect of such shares
10. The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

Provided that no sale shall be made—

- (a) unless a sum in respect of which the lien exists is presently payable; or
 - (b) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
11. (i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.
- (ii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
- (iii) The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
12. (i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- (ii) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

13. i) The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:

Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call

(ii) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares.

(iii) A call may be revoked or postponed at the discretion of the Board

14. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.

15. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

16. (i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent per annum or at such lower rate, if any, as the Board may determine.

(ii) The Board shall be at liberty to waive payment of any such interest wholly or in part

17. (i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

(ii) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

18. The Board—

(a) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and

(b) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve per cent. per annum, as may be agreed upon between the Board and the member paying the sum in advance.

TRANSFER OF SHARES

19. (i) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.

(ii) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

20. The Board may, subject to the right of appeal conferred by section 58 decline to register—

(a) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or
(b) any transfer of shares on which the company has a lien.

21. The Board may decline to recognise any instrument of transfer unless—

- (a) the instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56;
- (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (c) the instrument of transfer is in respect of only one class of shares.

22. On giving not less than seven days' previous notice in accordance with section 91 and rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.

TRANSMISSION OF SHARES

23. (i) On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a shareholder, shall be the only persons recognized by the company as having any title to his interest in the shares.

(ii) Nothing in clause (i) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

24. (i) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either—

- (a) to be registered himself as holder of the share; or
- (b) to make such transfer of the share as the deceased or insolvent member could have made.

(ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

25. (i) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

(ii) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

(iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.

26. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have complied with.

FORFEITURE OF SHARES

27. If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

28. The notice aforesaid shall—

- (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
 - (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.
29. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect
30. (i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
- (ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
31. (i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.
- (ii) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.
32. (i) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share;
- (ii) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of;
- (iii) The transferee shall thereupon be registered as the holder of the share; and
- (iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
33. The provisions of these regulations as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

ALTERATION OF CAPITAL

34. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
35. Subject to the provisions of section 61, the company may, by ordinary resolution,—
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (b) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
 - (c) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;
 - (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
36. Where shares are converted into stock,—

- (a) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:
 - (b) Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
 - (c) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
 - (d) such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words “share” and “shareholder” in those regulations shall include “stock” and “stockholder” respectively.
37. The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law,—
- (a) its share capital;
 - (b) any capital redemption reserve account; or
 - (c) any share premium account.

CAPITALISATION OF PROFITS

38. (i) The company in general meeting may, upon the recommendation of the Board, resolve—
- (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company’s reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
 - (b) that such sum be accordingly set free for distribution in the manner specified in clause (ii) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- (ii) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (iii), either in or towards—
- (A) paying up any amounts for the time being unpaid on any shares held by such members respectively;
 - (B) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;
 - (C) partly in the way specified in sub-clause (A) and partly in that specified in sub-clause (B);
 - (D) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares;
 - (E) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.
39. (i) Whenever such a resolution as aforesaid shall have been passed, the Board shall—
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and

- (b) generally do all acts and things required to give effect thereto.
- (ii) The Board shall have power—
- (d) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and
- (e) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;
- (iii) Any agreement made under such authority shall be effective and binding on such members.

BUY-BACK OF SHARES

- 40. Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

GENERAL MEETINGS

- 41. All general meetings other than annual general meeting shall be called extraordinary general meeting.
- 42. (i) The Board may, whenever it thinks fit, call an extraordinary general meeting.
 - (ii) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

PROCEEDINGS AT GENERAL MEETINGS

- 43. (i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
 - (ii) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in section 103.
- 44. The chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.
- 45. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.
- 46. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

ADJOURNMENT OF MEETING

- 47. (i) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.
 - (ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
 - (iii) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(iv) Save as aforesaid, and as provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

VOTING RIGHTS

48. Subject to any rights or restrictions for the time being attached to any class or classes of shares,—
- (a) on a show of hands, every member present in person shall have one vote; and
 - (b) on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.
49. A member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.
50. (i) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
- (ii) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
51. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
52. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
53. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.
54. (i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
- (ii) Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

PROXY

55. The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.
56. An instrument appointing a proxy shall be in the form as prescribed in the rules made under section 105.
57. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

BOARD OF DIRECTORS

58. The first directors of the company as on the date of the Incorporation were:
- 1. K. Varalakshmi
 - 2. G. Ramamurthy

- 3. B. Ashwini Kumar
- 4. K.V. Reddy Panthulu

- 59. The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them.
- 60. (i) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.

(ii) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—
 - (a) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or
 - (b) in connection with the business of the company.
- 61. The Board may pay all expenses incurred in getting up and registering the company.
- 62. The company may exercise the powers conferred on it by section 88 with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that section) make and vary such regulations as it may think fit respecting the keeping of any such register.
- 63. All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.
- 64. Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.
- 65. (i) Subject to the provisions of section 149, the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.

(ii) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

PROCEEDINGS OF THE BOARD

- 66. (i) The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.

(ii) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.
- 67. (i) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

(ii) In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.
- 68. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.
- 69. (i) The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office.

- (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be Chairperson of the meeting.
70. (i) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.
- (ii) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
71. (i) A committee may elect a Chairperson of its meetings.
- (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.
72. (i) A committee may meet and adjourn as it thinks fit.
- (ii) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.
73. All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.
74. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

CHIEF EXECUTIVE OFFICER, MANAGER, COMPANY SECRETARY OR CHIEF FINANCIAL OFFICER

75. Subject to the provisions of the Act,—
- (i) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;
- (ii) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.
76. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

THE SEAL

77. (i) The Board shall provide for the safe custody of the seal.
- (ii) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

DIVIDENDS AND RESERVE

78. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

79. Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.
80. (i) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, think fit.
- (ii) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.
81. (i) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.
- (ii) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.
- (iii) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
82. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.
83. (i) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- (ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
84. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.
85. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
86. No dividend shall bear interest against the company.

ACCOUNTS

87. (i) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.
- (ii) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.

WINDING UP

88. Subject to the provisions of Chapter XX of the Act and rules made thereunder—
- (i) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

(ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(iii) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.

SECTION IX -OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and documents (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or/are to be entered into by our Company. These contracts which are or may be deemed material shall be attached to the copy of the Prospectus to be delivered to the Registrar of Companies, Andhra Pradesh & Telangana for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10:00 am to 5:00 pm on Working Days from the date of the filing of this Prospectus with the Stock Exchange until the Issue Closing Date.

Material Contracts

1. Agreement dated June 20, 2018, between the Company and the Lead Manager;
2. Agreement dated May 16, 2018, between the Company and the Registrar to the Issue;
3. Debenture Trusteeship Agreement dated May 5, 2018, between the Company and Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited), the Debenture Trustee;
4. Escrow Agreement dated September 17, 2018 executed by our Company, the Registrar, the Escrow Collection Bank(s) and Lead Manager;
5. Syndicate Agreement September 17, 2018, between the Company and the Syndicate Member for marketing of the Issue;
6. Tripartite Agreement dated April 25, 2018 between CDSL, the Company and the Registrar to the Issue; and
7. Tripartite Agreement dated August 24, 2018 between NSDL, the Company and the Registrar to the Issue.

Material Documents

1. Original certificate of incorporation of Company dated December 13, 1997, issued by Registrar of Companies, Andhra Pradesh & Telangana;
2. Revised certificate of incorporation of the Company dated March 15, 2016, issued by Registrar of Companies, Andhra Pradesh & Telangana pursuant to change of name;
3. Memorandum and Articles of Association of the Company, as amended to date;
4. The certificate of registration No. B-09.00006 dated March 15, 2016 issued by RBI under Section 45IA of the RBI Act;
5. Credit rating letter dated March 10, 2018, from Credit Analysis and Research Limited, granting credit ratings to the NCDs, for the long term non-convertible debenture issue;
6. Copy of the Board Resolution dated April 03, 2018, approving the Issue;
7. Resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on October 3, 2017 approving the overall borrowing limit of Company;
8. Copy of the Debenture Committee resolution dated August 28, 2018, approving the Draft Prospectus;
9. Copy of the Debenture Committee resolution dated September 18, 2018 approving this Prospectus;
10. Share Purchase Agreement dated March 9, 2013;
11. Consents of the Directors, Chief Financial Officer, Lead Manager, Debenture Trustee, Syndicate Member, Credit Rating Agency for the Issue, Company Secretary and Compliance Officer, Legal Advisor to the Issue, Bankers to the Issue, Refund bank, Bankers to the Company and the Registrar to the Issue, to include their names in this Prospectus;

12. The consent of our Statutory Auditors, namely M/s. Balan & Co, Chartered Accountants dated August 31, 2018, for inclusion of their names as the Statutory Auditors and experts;
13. Annual Reports of the Company for last five Financial Years ending March 31, 2014 to March 31, 2018;
14. The examination report of the Statutory Auditors M/s. Balan & Co, Chartered Accountants dated August 31, 2018, in relation to the Reformatted Financial Statements included herein;
15. A statement of tax benefits dated May 31, 2018, received from M/s. Balan & Co, Chartered Accountants regarding tax benefits available to us and our debenture holders;
16. Due Diligence certificate dated September 18, 2018 filed with SEBI by the Lead Manager; and
17. In-principle listing approval letter dated September 4, 2018 issued by BSE, for the Issue.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the applicants, subject to compliance of the provisions contained in the applicable provisions of Companies Act, 1956, provisions of the Companies Act, 2013 and other relevant statutes.

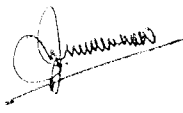
DECLARATION

We, the Directors of the Company, hereby certify and declare that all relevant provisions of the Companies Act, 2013, the Companies Act, 1956, and the guidelines issued by the Government of India and/or the regulations/guidelines/circulars issued by the Reserve Bank of India and the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as applicable, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, have been complied with and no statement made in this Prospectus is contrary to the applicable provisions of the Companies Act, 1956, relevant provisions of the Companies Act, 2013, the Securities Contracts (Regulations) Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under, regulations or guidelines or circulars issued, as the case may be. We further certify that all the disclosures and statements made in this Prospectus are true and correct and do not omit disclosure of any material fact which may make the statements made therein, in light of circumstances under which they were made, misleading and that this Prospectus does not contain any misstatements.

Signed by the Directors of our Company



Biji Shibu


Shibu Thekkumpurathu Varghese


Josekutty Xavier


Alexander John Joseph


James Joseph Arambankudyil


Issac Jacob

Date: 18.09.2018
Place: Kochi

ANNEXURE I - DAY COUNT CONVENTION

Day count convention

Interest on the NCDs shall be computed on an actual/actual basis for the broken period, if any. Consequently, interest shall be computed on a 365 day a year basis on the principal outstanding on the NCDs for Option IX which has tenor on cumulative basis.

For Options I, II, III and IV the interest shall be calculated from the first day till the last date of every month on an actual/actual basis during the tenor of such NCDs. Consequently, interest shall be computed on a 365 day a year basis on the principal outstanding on the NCDs. However, if period from the Deemed Date of Allotment/anniversary date of Allotment till one day prior to the next anniversary/redemption date includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs.

For Options V, VI, VII and VIII interest shall be paid on an annual basis and the relevant interest will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under Options V, VI, VII and VIII shall be made at the time of redemption of the NCDs.

Illustration of cash-flows: To demonstrate the day count convention, please see the following table below, which describes the cash-flow in terms of interest payment and payment of Redemption Amount per NCD for all Categories of NCD Holders.

INVESTORS SHOULD NOTE THAT THIS EXAMPLE IS SOLELY FOR ILLUSTRATIVE PURPOSES AND IS NOT SPECIFIC TO THE ISSUE.

Company	KLM Axiva Finvest Limited		
Face Value	₹1,000		
Day and Date of Allotment (tentative)	Tuesday, November 6, 2018		
Options	I	IX	VII
Tenure	1 Year	6 Years	3 Years
Coupon (%) for NCD Holders in Category I, II and III	11.25	NA	12.00
Frequency of the Interest Payment with specified dates starting from date of allotment	Monthly	Cumulative	Annually
Day Count Convention	Actual/Actual		

Option I

Company	KLM Axiva Finvest Limited
Face Value	₹1,000
Day and date of Allotment (tentative)	Tuesday, November 6, 2018
Tenure	1 Year
Coupon (%) for NCD Holders in Category I, II and III	11.25
Frequency of the Interest Payment with specified dates starting from date of allotment	Monthly
Day Count Convention	Actual/Actual

Cash flow	Date of interest/redemption payment ⁽²⁾	No. of days in Coupon/maturity period	Amount
			(in ₹)
1 st coupon	Saturday, December 1, 2018	24	7.40
2 nd coupon	Tuesday, January 1, 2019	31	9.55
3 rd coupon	Friday, February 1, 2019	31	9.55
4 th coupon	Friday, March 1, 2019	28	8.63
5 th coupon	Monday, April 1, 2019	31	9.55
6 th coupon	Wednesday, May 1, 2019	30	9.25
7 th coupon	Saturday, June 1, 2019	31	9.55
8 th coupon	Monday, July 1, 2019	30	9.25
9 th coupon	Thursday, August 1, 2019	31	9.55
10 th coupon	Monday, September 2, 2019	31	9.55
11 th coupon	Tuesday, October 1, 2019	30	9.25

Cash flow	Date of interest/redemption payment ⁽²⁾	No. of days in Coupon/maturity period	Amount (in ₹)
12 th coupon	Thursday, October 31, 2019	31	9.55
13 th coupon	Tuesday, November 5, 2019	5	1.54
Principal/	Tuesday, November 5, 2019	-	1000.00
Maturity value			

Option IX

Company	KLM Axiva Finvest Limited
Face Value	₹1,000
Day and Date of Allotment (tentative)	Tuesday, November 6, 2018
Tenure	6 years
Redemption Amount (₹/NCD) for NCD Holders in Category I, II and III	₹2,000
Frequency of the Interest Payment with specified dates starting from date of allotment	Cumulative
Day Count Convention	Actual/Actual

Cash flow	Date of interest/redemption payment ⁽²⁾	No. of days in Coupon/maturity period	Amount (in ₹)
Principal/Maturity value	Tuesday, November 5, 2024	2,190.00	2,000

Option VII

Company	KLM Axiva Finvest Limited
Face Value	₹1,000
Day and Date of Allotment (tentative)	Tuesday, November 6, 2018
Tenure	3 years
Coupon (%) for NCD Holders in Category I, II and III	12.00
Frequency of the Interest Payment with specified dates starting from date of allotment	Annually
Day Count Convention	Actual/Actual

Cash flow	Date of interest/redemption payment ⁽²⁾	No. of days in Coupon/maturity period	Amount (in ₹)
1 st coupon	Wednesday, November 6, 2019	365	120.00
2 nd coupon	Friday, November 6, 2020	366	120.00
3 rd coupon	Friday, November 5, 2021	365	120.00
Principal/	Friday, November 5, 2021	-	1000.00
Maturity value			

NOTES:

- Effect of public holidays has been ignored as these are difficult to ascertain for future period.
- As per SEBI circular no. CIR/IMD/DF-1/122/2016, dated November 11, 2016, in order to ensure uniformity for payment of interest/redemption on debt securities, the interest/redemption payment shall be made only on the days when the money market is functioning in Mumbai. Therefore, if the interest payment date falls on a non-Working Day, the coupon payment shall be on the next day, which will be the day on which money market in Mumbai is functioning has been considered as the effective interest payment date. However, the future coupon payment dates would be as per the schedule originally stipulated. In other words, the subsequent coupon schedule would not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a holiday. However, if the redemption date of the debt securities, falls on non- Working Day, the redemption proceeds shall be paid on the previous Working Day.
- Deemed date of allotment has been assumed to be Tuesday, November 6, 2018.
- The last coupon payment will be paid along with maturity amount at the redemption date.
- The number of days in a leap year has taken as 366 and all other case it has been taken as 365.

ANNEXURE II - RATING RATIONALE

Please refer next page.

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CARE/CRO/RL/2018-19/1278

Mr. C A Thanish Dalee
Chief Financial Officer
KLM Axiva Finvest Limited
4th Floor ,VM Plaza,
Civil Line Road,
Palarivattom
Kochi - 682205

September 4, 2018

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to our letter no. CARE/CRO/RL/2017-18/1714 dated March 10, 2018 and your request for revalidation of the rating assigned to the Non-Convertible Debenture issue of your company, for a limit of Rs. 100 crore.

2. Our Rating Committee has reviewed the following rating:

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed Non-Convertible Debenture issue	100 (Rs. One hundred crore only)	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed

3. Please arrange to get the rating revalidated, in case the proposed issue is not made within six months from the date of this letter.

4. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument ,type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CARE/CRO/RR/2017-18/1368

Mr. C A Thanish Dalee
Chief Financial Officer
KLM Axiva Finvest Limited
4th Floor ,VM Plaza,
Civil Line Road,
Palarivattom
Kochi - 682205

March 10, 2018

Dear Sir,

Credit rating of proposed Non-Convertible Debenture issue

Please refer to our letters dated March 10, 2018 on the above subject

2. The rationale for the ratings is attached as an **Annexure-I**.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by March 12, 2018 we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

R. Ravi Shankar

Ravi Shankar R
Deputy Manager

Encl.: As above

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Annexure- I
KLM Axiva Finvest Limited
Rating Rationale

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Non-Convertible Debenture issue	100 (Rs. One hundred crore only)	CARE BB; Stable (Double B; Outlook: Stable)	Assigned

Rating Rationale

The rating assigned to the proposed Non-Convertible Debenture issue of KLM Axiva Finvest Limited (KLM) is constrained by growing scale of operations, evolving MIS systems and processes, regional concentration of the loan portfolio, concentrated funding profile, moderate asset quality, relatively higher exposure to riskier borrower segments and exposure to market risk of the gold jewellery kept as security.

The rating however favorably factors in the experience of the promoter and management team, good profitability despite high operational costs and good capitalisation levels.

Going forward, the ability of the company to grow its portfolio while improving asset quality, improve profitability by the way of reducing its operating expenses while expanding geographically and improve MIS systems will be the key rating sensitivities. Any change in the regulatory environment is also a key rating sensitivity.

Background

KLM Axiva Invest Limited (KLM) was incorporated in 1997 and became a NBFC in the same year by registering with the Reserve Bank of India. KLM Axiva Finvest is promoted and led by Mr. Shibu Theckumpuram and Mr. Jose Kutty Xavier who have 30 years of experience in lending business. As on September 30, 2017, promoters & family held 20.20% of the stake. The company offers products such as gold loans, business loans, personal loans, vehicle loans and micro finance loans. Apart from lending, the company also offers foreign exchange services and insurance brokerage services.

The company has 55 branches across various districts in Kerala, Tamil Nadu and Karnataka. As on December 31, 2017, the total outstanding portfolio stood at Rs.147 crore of which business loans accounted for 45% of loan portfolio outstanding followed by gold loans (36%), personal loans (12%), micro finance loans (6%) and vehicle loans (1%).

KLM group is based out of Kothamangalam, Kerala and group started its journey from Chit Fund business. Some of the group companies include KLM Chits India Limited, KLM Fincorp Limited and KLM Nidhi Limited.

Credit Risk Assessment

Experienced Management team

KLM is led by professionals having significant experience in finance industry. Josekutty Xavier, who is the whole time director, has 35 years of experience in chit fund business and hire purchase loans. Shibu Theckumpuram who is the Executive director of KLM has 30 years of experience in financial services.

KLMs board consists of people with vast expertise in various fields and is led by Chairman Mr.Alexander John Joseph, IAS.

Good Capitalisation Levels

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

KLM had raised equity of Rs.17.3 crore during FY17 and equity of Rs.3.5 crore during H1FY18 from the promoters and their associates. KLM had raised capital to a tune of around Rs.40 crore over the past four years ended March 31, 2017. With periodic infusion of capital, total CAR remained comfortable at 44.79% as on March 31, 2017 (PY: 63.60%) comprising of only Tier 1 Capital.

Good profitability despite high operational costs

During FY17, the company reported a PAT of Rs.2.1 crore on total income of Rs.23.9 crore as against a PAT of Rs.1.7 crore on a total income of Rs.10.8 crore in FY16. Though NII grew by 88% from Rs.10.6 crore in FY16 to Rs.20.0 crore in FY17, the net profit remained lower on account of increase in the operating expenses. The operating costs are higher as more than 50% of the loan portfolio has daily collection mechanism and the collection is made at the customer premises. The high operating costs is also due to expansion of branches and advertising costs. ROTA stood at 2.84% in FY17 as against 5.34% in FY16.

Evolving MIS systems and processes

KLM offers gold loans across all the branches whereas business loans and personal loans are offered only in Kerala. With respect to gold loans, the branch employees have been trained to appraise quality of the gold jewelry provided as security against loan. The branches are provided with secured vaults with dual control keys, CCTV cameras and insurance. The company has an internal audit team consisting of 25 members and the team is head by an experienced personnel. The internal audit is a concurrent activity and ensured that every branch is audited once in a month.

KLM is migrating to a new MIS system which is used by many NBFCs and the integration of the same is in process. The new MIS system will enable the company to track the portfolio on a real time basis

Relatively higher exposure to riskier borrower segments and inherent risk associated with gold loans

KLM is primarily lending towards the business and personal finance needs of the relatively riskier asset class comprising of low income borrowers in the informal sector. Since this segment is highly susceptible to the impact of economic downturn, asset quality is a key monitorable. The management team's good knowledge on this target customer segment provides comfort.

Concentrated Funding Profile

The resource profile is concentrated towards NCDs and Sub-debt which constitutes around 95% of the total outstanding borrowing as on March 31, 2017 and rest is towards the loans from the directors of the company. During FY17, the company raised NCDs through private placement aggregating Rs.32 crore (including sub-ordinate debt of Rs.11 crore). Further during 9MFY18, the company has raised NCDs to the tune of Rs. 20 crore and sub-debt of Rs.54 crore. The company is in the process of raising funds through public issue of debentures.

Growing scale of operations with regional concentration of loan portfolio

The company has its presence only in three southern states with 52 branches of which 37 branches are in Kerala, 9 branches in Tamil Nadu and 6 branches in Karnataka. During H1FY18, KLM has opened an office in Andhra Pradesh where it is yet to start its operations.

The outstanding loan portfolio stood at Rs.91 crore as on March 31, 2017 and Rs.147 crore as on December 31, 2017.

The company plans to increase the number of branches to 70 by the end of FY18.

Moderate asset quality

Gross and net NPA ratio remains moderate at 4.23% (180+ DPD) and 3.78% (180+ DPD) as on March 31 2017. However, there has been improvement in asset quality from March 2015 levels. With the company planning to expand its loan portfolio with new branches & new regions, the ability to manage its asset quality remains critical.

Financial Performance

(Rs.Cr)

As on / Year ended March 31	2015	2016	2017
	(12m, A)	(12m, A)	(12m, A)
Working Results			
Interest income	3.14	10.78	23.91
Other income	-	0.04	0.03
Total Income	3.14	10.82	23.94
Operating Expenses	2.00	7.87	16.43
Total Provision / Write offs	0.17	0.18	0.38
Depreciation	0.18	0.49	1.07
Interest	0.13	0.14	3.88
PBT	0.84	2.64	3.25
PAT	0.52	1.66	2.14
Financial Position			
Tangible Net worth	15.67	26.36	45.53
Total Borrowings	3.06	14.67	57.51
Total Loan Portfolio	11.36	37.01	91.36
Total Assets	19.16	42.32	108.47
Key Ratios (%)			
Solvency			
Overall Gearing (times)	0.20	0.56	1.26
Capital Adequacy Ratio (CAR) (%)	110.69	63.60	44.79
Tier I CAR (%)	110.69	63.60	44.79
Interest Coverage (times)	7.50	19.83	1.84
Profitability			
Net Interest Margin	24.47	34.63	26.57
Return on Total Assets (ROTA)	4.26	5.39	2.84
Operating expenses to Total Assets	16.23	25.60	21.80
Asset Quality			
Gross NPA Ratio	11.74	6.56	4.23
Net NPA Ratio	10.44	5.90	3.78
Net NPA to Networth	7.57	8.27	7.58

Note: A – Audited;

(a) NIM has been calculated as net interest income/average annual total assets;

(b) Ratios have been computed based on average of annual opening and closing balances

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.