Independent Auditor's Report

To the Members of Indiabulls Asset Reconstruction Company Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of **Indiabulls Asset Reconstruction Company Limited** ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. Those Charged with Governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

11. The comparative financial information for the transition date opening balance sheet as at 1 April 2017 prepared in accordance with Ind AS included in these financial statements, is based on the previously issued statutory financial statements for the year ended 31 March 2017 prepared in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) which were audited by the predecessor auditor whose report dated 27 April 2017 expressed an unmodified opinion on those financial statements, and have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us. Further, the Company had prepared a separate set of statutory financial statements for the year ended 31 March 2018 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's report to the shareholders of the Company dated 20 April 2018. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

12. The Company has not paid or provided for any managerial remuneration during the year. Accordingly, reporting under section 197(16) of the Act is not applicable.

13. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

14. Further to our comments in Annexure I, as required by section 143(3) of the Act, we report that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

    c) the financial statements dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of section 164(2) of the Act;

f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 25 April 2019 as per Annexure II expressed unmodified;

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

   i. the Company does not have any pending litigation which would impact its financial position as at 31 March 2019;

   ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2019;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019; and

   iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sudhir Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 25 April 2019

Annexure I to the Independent Auditor's Report of even date to the members of Indiabulls Asset Reconstruction Company Limited on the financial statements for the year ended 31 March 2019

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable.

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii)(a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has no loans or borrowings payable to a financial institution or a bank or government. The Company has not defaulted in repayment of any dues to debenture-holders during the year.

Annexure I to the Independent Auditor's Report of even date to the members of Indiabulls Asset Reconstruction Company Limited on the financial statements for the year ended 31 March 2019

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under Section 2(71) of the Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has made preferential allotment of shares and fully convertible debentures. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 25 April 2019

Annexure II

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Indiabulls Asset Reconstruction Company Limited ('the Company') as at and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors are responsible for establishing and maintaining internal financial controls based on IFCoFR criteria. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2019, based on IFCoFR criteria.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782

Place: Mumbai
Date: 25 April 2019

Indiabulls Asset Reconstruction Company Limited
Balance Sheet as at 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

	Notes	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
ASSETS				
Financial assets				
Cash and cash equivalents	3	3,699.81	6,295.70	74.21
Loans	4	34,110.17	-	-
Investments	5	17,358.07	4,259.52	5,000.00
Other financial assets	6	10.51	9.67	-
Total financial assets		**55,178.56**	**10,564.89**	**5,074.21**
Non-financial assets				
Deferred tax assets (net)	7	1,004.50	1.42	-
Property, plant and equipment	8	5.21	5.94	-
Other non-financial assets	9	65.70	14.79	2.34
Total non-financial assets		**1,075.41**	**22.15**	**2.34**
TOTAL ASSETS		**56,253.97**	**10,587.04**	**5,076.55**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Payables				
Trade payables	10			
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		10.63	5.59	-
Other payables	11			
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other then micro enterprises and small enterprises		105.29	40.00	-
Debt securities	12	3,428.50	-	-
Other financial liabilities	13	6.72	2.81	0.25
Total financial liabilities		**3,551.14**	**48.40**	**0.25**
Non-financial liabilities				
Current tax liabilities (net)	14	35.65	50.62	38.83
Provisions	15	21.75	5.83	-
Other non-financial liabilities	16	878.29	31.52	1.44
Total non-financial liabilities		**935.69**	**87.97**	**40.27**
EQUITY				
Equity share capital	17	5,750.00	5,500.00	5,000.00
Other equity	18	46,017.14	4,950.67	36.03
Total equity		**51,767.14**	**10,450.67**	**5,036.03**
TOTAL LIABILITIES AND EQUITY		**56,253.97**	**10,587.04**	**5,076.55**

The accompanying notes form an integral part of these financial statements
This is the balance sheet referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782

Place : Mumbai
Date : 25 April 2019

For and on behalf of the board of directors
Indiabulls Asset Reconstruction Company Limited

Ajit Kumar Mittal
Director
DIN: 02698115

Amit Ajit Gandhi
Whole time Director
DIN: 07606699

Kiran Shingwekar
Chief Executive Officer

Keyur Morparia
Chief Financial Officer

Gaurav Khetrapal
Company Secretary
Membership No. : 52774

Indiabulls Asset Reconstruction Company Limited
Statement of Profit and Loss for the year ended 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations			
Interest income	19	418.98	489.96
Fees and commission income	20	1,747.76	401.74
Net gain on fair value changes	21	530.10	44.88
Total revenue from operations		**2,696.84**	**936.58**
Expenses			
Finance costs	22	206.20	5.21
Employee benefits expenses	23	528.90	199.69
Depreciation	8	1.72	0.33
Other expenses	24	129.81	144.10
Total expenses		**866.63**	**349.33**
Profit before tax		**1,830.21**	**587.25**
Tax expense	25		
Current tax (including earlier years)		548.47	174.03
Deferred tax charge/(credit)		6.90	(1.42)
Total tax expense		**555.37**	**172.61**
Profit for the year		**1,274.84**	**414.64**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement loss on defined benefit plans		(0.31)	-
Income tax relating to items that will not be reclassified to profit		0.09	-
Other comprehensive income		**(0.22)**	**-**
Total comprehensive income for the year		**1,274.62**	**414.64**
Earnings per equity share	26		
(1) Basic		2.22	0.76
(2) Diluted		2.22	0.76

The accompanying notes form an integral part of these financial statements
This is the statement of profit and loss referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

For and on behalf of the board of directors
Indiabulls Asset Reconstruction Company Limited

Sudhir N. Pillai
Partner
Membership No.: 105782

Ajit Kumar Mittal
Director
DIN: 02698115

Amit Ajit Gandhi
Whole time Director
DIN: 07606699

Kiran Shingwekar
Chief Executive Officer

Place : Mumbai
Date : 25 April 2019

Keyur Morparia
Chief Financial Officer

Gaurav Khetrapal
Company Secretary
Membership No. : 52774

Indiabulls Asset Reconstruction Company Limited
Cash flow statement for the year ended 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

	For the year ended 31 March 2019	For the year ended 31 March 2018
A Cash flow from operating activities		
Net profit before tax	1,830.21	587.25
Adjustment for		
Depreciation	1.72	0.33
Gain on redemption of mutual funds	-	(44.88)
Effective interest rate adjustment for debentures	(39.53)	-
Operating profit before working capital changes	**1,792.40**	**542.70**
Changes in working capital:		
Loans	(34,110.17)	-
Other financial assets	(0.84)	(9.67)
Other non-financial assets	(50.91)	(12.45)
Trade and other payables	70.34	45.59
Other financial liabilities	3.91	2.56
Other non-financial liabilities	846.77	30.08
Provisions	15.61	5.83
Cash (used in)/flow from operations	**(31,432.89)**	**604.64**
Income tax paid (including tax deducted at source)	(563.45)	(162.24)
Net cash (used in)/flow from operating activities	**(31,996.34)**	**442.40**
B Cash flows from investing activities		
Proceeds from sale of units of mutual funds (net)	-	5,044.89
Purchase of property, plant and equipment (net)	(0.99)	(6.28)
Investment in security receipts (net)	(13,098.55)	(4,259.52)
Net cash (used in)/flow from investing activities	**(13,099.54)**	**779.09**
C Cash flow from financing activities		
Proceeds from issue of equity share capital (including securities premium)	2,500.00	5,000.00
Proceeds from issue of convertible debentures (Note 2)	40,000.00	-
Net cash flow from financing activities	**42,500.00**	**5,000.00**
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(2,595.88)	6,221.49
Cash and cash equivalents at the beginning of the year	6,295.70	74.21
Cash and cash equivalents at the end of the year	**3,699.81**	**6,295.70**

Notes:

1 Cash and cash equivalents as at the close of the year include:

Cash on hand	-	-
Balances with scheduled banks		
In current accounts	66.99	66.49
In deposit accounts having original maturity less than three months	3,632.82	6,229.21
Cash and cash equivalents at the end of the year	**3,699.81**	**6,295.70**

2 For disclosure relating to convertible debentures arising from financing activities, refer note 12.

The accompanying notes form an integral part of these financial statements
This is the cash flow statement referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782

Place : Mumbai
Date : 25 April 2019

For and on behalf of the board of directors
Indiabulls Asset Reconstruction Company Limited

Ajit Kumar Mittal
Director
DIN: 02698115

Amit Ajit Gandhi
Whole time Director
DIN: 07606699

Kiran Shingwekar
Chief Executive Officer

Keyur Morparia
Chief Financial Officer

Gaurav Khetrapal
Company Secretary
Membership No. : 52774

Indiabulls Asset Reconstruction Company Limited
Statement of changes in equity for the year ended 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

A. Equity share capital

Particulars	As at 1 April 2017	Changes during the year	As at 31 March 2018	Changes during the year	As at 31 March 2019
Equity share capital	**5,000.00**	500.00	**5,500.00**	250.00	**5,750.00**

B. Other equity

Particulars	Equity component of compulsorily convertible debentures	Reserves and surplus		Total
		Securities premium	Retained earnings	
Balance as at 1 April 2017	-	-	**36.03**	**36.03**
Profit for the year	-	-	414.64	414.64
Issue of equity shares	-	4,500.00	-	4,500.00
Balance as at 31 March 2018	-	**4,500.00**	**450.67**	**4,950.67**
Profit for the year	-	-	1,274.84	1,274.84
Other comprehensive income (net of tax)	-	-	(0.22)	(0.22)
Issue of compulsorily convertible debentures	37,541.86	-	-	37,541.86
Issue of equity shares	-	2,250.00	-	2,250.00
Balance as at 31 March 2019	**37,541.86**	**6,750.00**	**1,725.28**	**46,017.14**

The accompanying notes form an integral part of these financial statements
This is the statement of changes in equity referred to in our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

Sudhir N. Pillai
Partner
Membership No.: 105782

Place : Mumbai
Date : 25 April 2019

For and on behalf of the board of directors
Indiabulls Asset Reconstruction Company Limited

Ajit Kumar Mittal
Director
DIN: 02698115

Amit Ajit Gandhi
Whole time Director
DIN: 07606699

Kiran Shingwekar
Chief Executive Officer

Keyur Morparia
Chief Financial Officer

Gaurav Khetrapal
Company Secretary
Membership No. : 52774

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 3			
Cash and cash equivalents			
Cash on hand	-	-	0.00
Balance with banks			
- in current accounts	66.99	66.49	74.21
- in deposit accounts with original maturity of less than three months	3,632.82	6,229.21	-
	3,699.81	**6,295.70**	**74.21**

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 4			
Loans			
(A)			
Term loans	34,110.17	-	-
Total - gross	**34,110.17**	**-**	**-**
Less: Impairment loss allowance	-	-	-
Total - net	**34,110.17**	**-**	**-**
(B)			
Secured by tangible assets	34,110.17	-	-
Secured by other assets	-	-	-
Total - gross	**34,110.17**	**-**	**-**
Less: Impairment loss allowance	-	-	-
Total - net	**34,110.17**	**-**	**-**
(C)			
Loans in India			
Public sector	-	-	-
Corporate borrowers	34,110.17	-	-
Total - gross	**34,110.17**	**-**	**-**
Less: Impairment loss allowance	-	-	-
Total - net	**34,110.17**	**-**	**-**

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 5			
Investments			
At fair value through profit or loss			
Investment in mutual funds			
Indiabulls liquid fund - Growth - (direct plan) No. of units: Nil (31 March 2018 : Nil and 1 April 2017: 314,762,592) NAV: Nil (31 March 2018: Nil and 1 April 2017: Rs 1.59 per unit)	-	-	5,000.00
Investment in security receipts			
Indiabulls ARC- I Trust No. of security receipts: Nil (31 March 2018: 229,500 and 1 April 2017: Nil) Face value: Nil (31 March 2018: Rs. 422.21 and 1 April 2017: Nil) per security receipts	-	968.97	-
Indiabulls ARC- II Trust No. of security receipts: 240,000 (31 March 2018: 240,000 and 1 April 2017: Nil) Face value: Rs. 805.81 (31 March 2018: Rs. 1,000 and 1 April 2017: Nil) per security receipts	1,933.94	2,400.00	-
Indiabulls ARC- III Trust No. of security receipts: Nil (31 March 2018: 89,055 and 1 April 2017: Nil) Face value: Nil (31 March 2018: Rs. 1,000 and 1 April 2017: Nil) per security receipts	-	890.55	-
At cost			
Investment in security receipts of subsidiaries*			
Indiabulls ARC- III Trust No. of security receipts: 302,786 (31 March 2018: Nil and 1 April 2017: Nil) Face value: Rs. 1,000 (31 March 2018: Rs. 1,000 and 1 April 2017: Nil) per security receipts	3,027.86	-	-
Indiabulls ARC- IV Trust No. of security receipts: 1,601,260 (31 March 2018: Nil and 1 April 2017: Nil) Face value: Rs. 422.98 (31 March 2018: Nil and 1 April 2017: Nil) per security receipts	6,773.01	-	-
Indiabulls ARC- V Trust No. of security receipts: 56,253 (31 March 2018: Nil and 1 April 2017: Nil) Face value: Rs. 930.19 (31 March 2018: Nil and 1 April 2017: Nil) per security receipts	523.26	-	-
Indiabulls ARC- VI Trust No. of security receipts: 214,200 (31 March 2018: Nil and 1 April 2017: Nil) Face value: Rs. 1,000 (31 March 2018: Nil and 1 April 2017: Nil) per security receipts	2,142.00	-	-
Indiabulls ARC- VII Trust No. of security receipts: 295,800 (31 March 2018: Nil and 1 April 2017: Nil) Face value: Rs. 1,000 (31 March 2018: Nil and 1 April 2017: Nil) per security receipts	2,958.00	-	-
	17,358.07	**4,259.52**	**5,000.00**
Investments outside India	-	-	-
Investments in India	17,358.07	4,259.52	5,000.00
Total	**17,358.07**	**4,259.52**	**5,000.00**

Name of entity	**Principle place of business**	**Ownership interest** As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Indiabulls ARC- III Trust	India	51.00%	15.00%	-
Indiabulls ARC- IV Trust	India	51.00%	-	-
Indiabulls ARC- V Trust	India	51.00%	-	-
Indiabulls ARC- VI Trust	India	51.00%	-	-
Indiabulls ARC- VII Trust	India	51.00%	-	-

*Investment in subsidiaries are measured at cost as per Ind AS 27 'Separate Financial Statements'.

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 6			
Other financial assets			
Security deposit	10.51	9.67	-
	10.51	**9.67**	**-**

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 7			
Deferred tax assets (net)			
Deferred tax assets			
Employee benefits	6.26	1.61	-
Financial instruments measured at amortised cost	998.44	0.03	-
Deferred tax liabilities			
Timing difference between book depreciation and depreciation as per Income Tax Act, 1961	0.20	0.22	-
Deferred tax assets (net)	**1,004.50**	**1.42**	**-**

Movement in deferred tax assets (net)

Particulars	As at 31 March 2018	Charged/ (credited) to statement of profit and loss	Charged/ (credited) to other comprehensive income	As at 31 March 2019
Deferred tax assets				
Employee benefits	1.61	4.56	0.09	6.26
Financial instruments measured at amortised cost	0.03	(11.48)	-	(11.45)
Compulsorily convertible debentures	-	-	-	1,009.89
Deferred tax liabilities				
Timing difference between book depreciation and depreciation as per Income Tax Act, 1961	0.22	(0.02)	-	0.20
Deferred tax assets (net)	**1.42**	**(6.90)**	**0.09**	**1,004.50**

Particulars	As at 1 April 2017	Charged/ (credited) to statement of profit and loss	Charged/ (credited) to other comprehensive income	As at 31 March 2018
Deferred tax assets				
Employee benefits	-	1.61	-	1.61
Financial instruments measured at amortised cost	-	0.03	-	0.03
Deferred tax liabilities				
Timing difference between book depreciation and depreciation as per Income Tax Act, 1961	-	0.22	-	0.22
Deferred tax assets (net)	**-**	**1.42**	**-**	**1.42**

(All amounts in Rs. Lakhs unless stated otherwise)

Note - 8
Property, plant and equipment

Particulars	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2018	Additions	Disposals/ adjustment	As at 31 March 2019	As at 01 April 2018	Charge for the year	Disposals/ adjustment	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Office equipment	1.59	-	-	1.59	0.08	0.32	-	0.40	1.19	1.51
Furniture and fixtures	1.64	0.31	-	1.95	0.03	0.18	-	0.21	1.74	1.61
Computers	3.05	0.68	-	3.73	0.23	1.22	-	1.45	2.28	2.82
Total	**6.28**	**0.98**	**-**	**7.27**	**0.34**	**1.72**	**-**	**2.06**	**5.21**	**5.94**

Particulars	Gross block				Accumulated depreciation				Net block	
	Deemed cost as at 1 April 2017	Additions	Disposals/ adjustment	As at 31 March 2018	As at 1 April 2017	Charge for the year	Disposals/ adjustment	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017
Office equipment	-	1.59	-	1.59	-	0.08	-	0.08	1.51	-
Furniture and fixtures	-	1.64	-	1.64	-	0.03	-	0.03	1.61	-
Computers	-	3.05	-	3.05	-	0.23	-	0.23	2.82	-
Total	**-**	**6.28**	**-**	**6.28**	**-**	**0.34**	**-**	**0.34**	**5.94**	**-**

Note:
There are no capital commitments for the acquisition of property, plant and equipment.

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 9			
Other non-financial assets			
Prepaid expenses	3.18	4.46	-
Balance with government authorities	8.49	8.09	2.34
Other recoverables	54.03	2.24	-
	65.70	**14.79**	**2.34**

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 10			
Trade payables			
Total outstanding due to micro enterprises and small enterprises	-	-	-
Total outstanding due to creditors other than micro enterprises and small enterprises	10.63	5.59	-
	10.63	**5.59**	**-**

Details of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	Nil	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil	Nil
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	Nil	Nil	Nil

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 11			
Other payables			
Total outstanding due to micro enterprises and small enterprises	-	-	-
Total outstanding due to creditors other than micro enterprises and small enterprises	105.29	40.00	-
	105.29	**40.00**	**-**

Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	Nil	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil	Nil
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	Nil	Nil	Nil

(All amounts in Rs. Lakhs unless stated otherwise)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 12			
Debt securities			
At amortised cost			
Liability component of compulsorily convertible debentures	3,428.50	-	-
	3,428.50	**-**	**-**
Debt securities in India	3,428.50	-	-
Debt securities outside India	-	-	-
	3,428.50	**-**	**-**

Terms of conversion:

Non-marketable, compulsorily convertible debentures (CCDs) issued to Indiabulls Ventures Limited with a coupon rate of 8% p.a. payable quarterly. These CCDs were issued on 27 March 2019 with a tenure of conversion on or before 14 months from the date of allotment. The CCDs shall be converted into fully paid-up equity shares of the Company of face value of Rs. 10 each at a conversion price of Rs. 100 per equity share (including a premium of Rs. 90 per equity share). Such option for conversion of the CCDs may be exercised by the Debenture holder any time, at their sole option, by giving 5 working days written notice to the Company, during the tenure of the debentures.

Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

Particulars	**Debt securities**	**Total**
1 April 2017		
Cash flows:	-	-
31 March 2018	**-**	**-**
Cash flows:		
Proceeds*	40,000.00	**40,000.00**
Repayment	-	-
31 March 2019	**40,000.00**	**40,000.00**

* This represents gross amount received on issue of CCD's

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 13			
Other financial liabilities			
Expenses payable	6.72	2.81	0.25
	6.72	**2.81**	**0.25**

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 14			
Current tax liabilities (net)			
Provision for tax (net of advance tax)	35.65	50.62	38.83
	35.65	**50.62**	**38.83**

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 15			
Provisions			
Provision for employee benefits			
Provision for gratuity	13.09	3.84	-
Provision for compensated absences	8.66	1.99	-
	21.75	**5.83**	**-**

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 16			
Other non-financial liabilities			
Income received in advance*	612.16	-	-
Statutory dues payables	266.13	31.52	1.44
	878.29	**31.52**	**1.44**

*** Reconciliation of income received in advance:**	**Amount**
Balance at the beginning of the year as at 1 April 2018	-
Add: Advances received during the year	814.73
Less: Revenue recognised during the year	(202.57)
Balance at the end of the year as at 31 March 2019	**612.16**

	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	No. of shares (In Lakhs)	Amount	No. of shares (In Lakhs)	Amount	No. of shares (In Lakhs)	Amount
Note - 17						
Equity share capital						
i. Authorised						
Equity shares of face value of Rs. 10 each	950	9,500.00	750	7,500.00	750	7,500.00
	950	**9,500.00**	**750**	**7,500.00**	**750**	**7,500.00**
ii. Issued, subscribed and paid up:						
Equity shares of face value of Rs. 10 each	575	5,750.00	550	5,500.00	500	5,000.00
	575	**5,750.00**	**550**	**5,500.00**	**500**	**5,000.00**

iii. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:

	As at 31 March 2019		As at 31 March 2018	
	No. of shares (In Lakhs)	Amount	No. of shares (In Lakhs)	Amount
Balance at the beginning of the year	550	5,500.00	500	5,000.00
Add: Issued during the year	25	250.00	50	500.00
Balance at the end of the year	**575**	**5,750.00**	**550**	**5,500.00**

iv. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

v. Detail of shareholders holding 5% or more shares:

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	No. of shares (In Lakhs)	% of holding	No. of shares (In Lakhs)	% of holding	No. of shares (In Lakhs)	% of holding
Equity shares of face value of Rs. 10 each fully paid up						
Indiabulls Ventures Limited (Holding Company)	575	100%	550	100%	500	100%
Total	**575**	**100%**	**550**	**100%**	**500**	**100%**

As per records of the Company, including its register of members/shareholders, and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

vi. The Company has not issued any bonus shares during the current year and five years immediately preceding current year.

vii. There are no shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issue and bought back, during the five years immediately preceding current year.

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Note - 18			
Other equity			
Securities premium	6,750.00	4,500.00	-
Retained earnings	1,725.28	450.67	36.03
Equity component of compulsorily convertible debentures	37,541.86	-	-
	46,017.14	**4,950.67**	**36.03**

Nature and purpose of other reserve

Securities premium

Securities premium represents premium received on issue of shares. The account can be utilised in accordance with the provisions of the Companies Act 2013.

Retained earnings

Retained earnings represents the surplus in the statement of profit and loss.

Equity component of compulsorily convertible debentures

The Company has issued compulsorily convertible debentures (CCDs) having coupon rate of 8% per annum. This balance represents equity component of the CCDs.

(All amounts in Rs. Lakhs unless stated otherwise)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 19		
Interest income		
On financial assets measured at amortised cost:		
Interest from loans	36.97	-
Interest on deposits with banks	381.17	465.49
Interest income from inter-corporate deposits	-	23.89
Other interest income	0.84	0.58
	418.98	**489.96**

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 20		
Fees and commission income		
Management fee	1,042.15	167.08
Incentive fee	705.61	234.66
	1,747.76	**401.74**

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 21		
Net gain on fair value changes		
On financial instruments at fair value through profit or loss		
- Gain on redemption of mutual funds	-	44.88
- Gain on redemption of security receipts	530.10	-
	530.10	**44.88**
Fair value changes		
- Realised	530.10	44.88
Total	**530.10**	**44.88**

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 22		
Finance costs		
On financial liabilities measured at amortised cost:		
Interest on inter corporate deposits	195.07	-
Interest on debt securities	4.31	-
Others		
Other interest expense	6.82	5.21
	206.20	**5.21**

Indiabulls Asset Reconstruction Company Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 23		
Employee benefits expenses		
Salaries, wages and bonus	509.47	193.62
Contribution to provident fund and other funds	3.36	0.00
Provision for employee benefits	15.61	5.83
Staff welfare expenses	0.46	0.24
	528.90	**199.69**

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 24		
Other expenses		
Rent	59.71	39.80
Office maintenance	6.95	4.62
Repairs and maintenance	2.40	5.83
Printing and stationery	1.56	0.11
Director's sitting fee	7.50	6.00
Auditor's remuneration*	5.00	5.00
Legal and professional charges	10.18	7.99
Stamp duty charges	20.52	22.53
Rates and taxes	0.38	0.60
Electricity charges	2.77	1.43
Recruitment charges	5.76	49.39
Corporate social responsibility expenditure#	4.99	-
Miscellaneous expenses	2.09	0.80
	129.81	**144.10**
*Charge for auditors remuneration comprises of:		
Statutory audit fees (excluding taxes)	5.00	5.00
	5.00	**5.00**

#Corporate social responsibility(CSR) committee and expenditure:

In pursuant to the provisions of section 135 of the Companies Act, 2013, the Company has constituted Corporate Social Responsibility (CSR) committee. The Company is required to spend Rs. 4.99 Lakhs for the current year (31 March 2018: Nil) towards CSR activities and accordingly the Company has spend the entire amount as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
(a) Amount spent on		
Construction/acquisition of any asset	-	-
On purpose other than above*	4.99	-
(b) Amount unpaid	-	-
Total	**4.99**	**-**

*Contribution towards donation/corpus fund paid to Indiabulls Foundation

	For the year ended 31 March 2019	For the year ended 31 March 2018
Note - 25		
Tax expense		
Current tax (including earlier years)	548.47	174.03
Deferred tax charge/(credit)	6.90	(1.42)
Income tax expense reported in the statement of profit and loss	**555.37**	**172.61**

The major components of income tax expense and the reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 29.12% (31 March 2018: 27.55%)

The reported tax expense in statement of profit and loss are as follows:

	For the year ended 31 March 2019	For the year ended 31 March 2018
Accounting profit before income tax	**1,830.21**	**587.25**
At India's statutory income tax rate of 29.12% (31 March 2018: 27.55%)	532.96	161.80
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax impact of expenses which will never be allowed	20.43	7.60
Income tax for earlier years	1.98	3.22
Income tax expense for the year	**555.37**	**172.62**

Note - 26

Earnings per equity share	For the year ended 31 March 2019	For the year ended 31 March 2018
Net profit for the year	1,274.84	414.64
Nominal value of equity shares (Rs. per share)	10.00	10.00
Weighted average number of equity shares used for computing basic earnings per share (In Lakhs)	574	546
Basic earnings per share* (Rs.)	**2.22**	**0.76**
Net profit for the year (for diluted earnings per share)	1,274.84	414.64
Weighted average number of equity shares used for computing diluted earnings per share (In Lakhs)	574	546
Diluted earnings per share (Rs.)	**2.22**	**0.76**

* The Company had issued compulsorily convertible debentures which are expected to be converted into equity shares in the ratio of 1:1 and accordingly considered in calculation of basic earnings per share

(All amounts in Rs. Lakhs unless stated otherwise)

27 Financial instruments

A Financial assets and liabilities

The carrying amounts of financial instruments by category are as follows:

Particulars	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Financial assets measured at fair value				
Investments*				
- measured at fair value through profit and loss	Note 5	1,933.94	4,259.52	5,000.00
Financial assets measured at amortised cost				
Cash and cash equivalents	Note 3	3,699.81	6,295.70	74.21
Loans	Note 4	34,110.17	-	-
Security deposits	Note 6	10.51	9.67	-
Total		**39,754.43**	**10,564.89**	**5,074.21**
Financial liabilities measured at amortised cost				
Trade payables	Note 10	10.63	5.59	-
Other payables	Note 11	105.29	40.00	-
Debt securities	Note 12	3,428.50	-	-
Other financial liabilities	Note 13	6.72	2.81	0.25
Total		**3,551.14**	**48.40**	**0.25**

* Investment in subsidiaries are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.

B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2019	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit and loss				
Unquoted security receipts	-	-	1,933.94	**1,933.94**

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit and loss				
Unquoted security receipts	-	-	4,259.52	**4,259.52**

As at 1 April 2017	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit and loss				
Mutual funds	5,000.00	-	-	**5,000.00**

Valuation process and technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- for unquoted security receipts, the Company has used adjusted discounted cash flow method (income approach).
- for mutual funds, on the basis of statement received from investee party.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

Particulars	Fair value			Significant unobservable inputs
	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017	
Unquoted security receipts	1,933.94	4,259.52	-	Estimated cash flows and discount rate

(All amounts in Rs. Lakhs unless stated otherwise)

Sensitivity analysis

Description	For the year ended 31 March 2019	For the year ended 31 March 2018
Impact on fair value if change in unobservable inputs		
- Impact due to increase of 0.5%	(6.95)	(53.76)
- Impact due to decrease of 0.5%	7.03	56.35

The following table presents the changes in Level 3 items for the year ended 31 March 2019 and 31 March 2018:

Particulars	Unquoted Security receipts
As at 1 April 2017	-
Add: Addition during the year	5,585.55
Less: Redeemed during the year	(1,326.03)
As at 31 March 2018	**4,259.52**
Add: Addition during the year	-
Less: Redeemed during the year	(2,325.58)
As at 31 March 2019	**1,933.94**

B.2 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and cash equivalents	3,699.81	3,699.81	6,295.70	6,295.70	74.21	74.21
Loans	34,110.17	34,110.17	-	-	-	-
Security deposits	10.51	9.93	9.67	9.26	-	-
Total	**37,820.49**	**37,819.91**	**6,305.37**	**6,304.96**	**74.21**	**74.21**
Financial liabilities						
Trade payables	10.63	10.63	5.59	5.59	-	-
Other payables	105.29	105.29	40.00	40.00	-	-
Debt securities	3,428.50	3,460.44	-	-	-	-
Other financial liabilities	6.72	6.72	2.81	2.81	0.25	0.25
Total	**3,551.14**	**3,583.08**	**48.40**	**48.40**	**0.25**	**0.25**

The management assessed that fair values of cash and cash equivalents, trade payables, other payables and other financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The fair values of the Company's fixed interest bearing loans and security deposits are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

(ii) The fair values of the Company fixed interest-bearing debt securities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

(All amounts in Rs. Lakhs unless stated otherwise)

28 Financial risk management

i) Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's board of directors have overall responsibility for the establishment and oversight of the Company risk management framework. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Risk management
Credit risk	Cash and cash equivalents, loans and security deposits	Ageing analysis	Bank deposits, diversification of asset base, credit limits and collateral
Liquidity risk	Debt securities and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk	Investments in security receipts	Sensitivity analysis	Diversification of portfolio, with focus on strategic

The Company's risk management is carried out by treasury department (of the Company) under policies approved by the board of directors. The Company has overall risk management framework for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

A) Credit risk

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

a) Credit risk management

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

(i) Low credit risk on financial reporting date
(ii) Moderate credit risk
(iii) High credit risk

The Company provides for expected credit loss based on the following:

Asset group	Basis of categorisation	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, loans and security deposits	12 month expected credit loss
Moderate credit risk	Loans	Life time expected credit loss or 12 month expected credit loss

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Assets are written off when there is no reasonable expectation of recovery, such as a borrower declaring bankruptcy or a litigation decided against the Company. The Company continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

Financial assets that expose the entity to credit risk*

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(i) **Low credit risk on financial reporting date**			
Cash and cash equivalents	3,699.81	6,295.70	74.21
Loans	34,110.17	-	-
Security deposits	10.51	9.67	-
(ii) **Moderate credit risk**			
Loans	-	-	-

* These represent gross carrying values of financial assets, without deduction for impairment loss allowance.

Cash and cash equivalents

Credit risk related to cash and cash equivalents is managed by only accepting highly rated banks.

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost includes security deposits. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

Loans

The Company closely monitors the credit-worthiness of the borrower's through internal systems and project appraisal process (wherever applicable) to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk to pre-calculated amounts. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. The Company assesses increase in credit risk on an ongoing basis for amounts loan assets that become past due and default is considered to have occurred when amounts receivable become one year past due.

(All amounts in Rs. Lakhs unless stated otherwise)

b) Credit risk exposure

i) Expected credit losses for financial assets other than loans

As at 31 March 2019	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment
Cash and cash equivalents	3,699.81	-	3,699.81
Security deposits	10.51	-	10.51

As at 31 March 2018	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment
Cash and cash equivalents	6,295.70	-	6,295.70
Security deposits	9.67	-	9.67

As at 1 April 2017	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment
Cash and cash equivalents	74.21	-	74.21

(ii) Expected credit loss for loans

Definition of default:

The Company considers default in all cases when the borrower becomes 90 days past due on its contractual payments. "The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the probability of default, exposure at default and loss given default.

Changes in the gross carrying amount in relation to loans from beginning to end of reporting period:

Particulars	Stage 1	Stage 2	Stage 3
Gross carrying amount as at 1 April 2017	-	-	-
Assets originated	-	-	-
Assets derecognised (excluding write offs)	-	-	-
Gross carrying amount as at 31 March 2018	**-**	**-**	**-**
Assets originated and acquired	34,110.17	-	-
Assets derecognised (excluding write offs)	-	-	-
Gross carrying amount as at 31 March 2019	**34,110.17**	**-**	**-**

The Company has extended loans for the first time during the current year and does not have history of extending loans. The loan is 100% secured by the collateral and the management believes the underlying loan is in stage 1 and there is no significant increase in the credit risk as at the reporting date. Accordingly, no allowance for impairment has been recorded.

c) Loans secured against collateral

Company's secured portfolio has security base as follows::

Particulars	Value of loans		
	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Secured by tangible assets	34,110.17	-	-
Secured by other assets	-	-	-

The Company does not physically possesses properties or other assets in its normal course of business but makes efforts toward recovery of outstanding amounts on delinquent loans. Once contractual loan repayments are more than 90 days past due, possession of property may be initiated. Possessed property is disposed off in the manner prescribed under the regulatory guidance to recover outstanding debt.

(All amounts in Rs. Lakhs unless stated otherwise)

B) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

(i) Maturities of financial assets and liabilities

The tables below analyse the Company's financial assets and liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 March 2019

Particulars	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Non-derivatives					
Cash and cash equivalents	3,699.81	-	-	-	3,699.81
Loans	-	15,298.96	30,330.50	-	45,629.46
Investments	1,672.00	546.00	42.00	-	2,260.00
Security deposits	-	-	-	13.86	13.86
Total	**5,371.81**	**15,844.96**	**30,372.50**	**13.86**	**51,603.13**
Financial liabilities					
Non-derivatives					
Debt securities	3,208.77	499.73	-	-	3,708.50
Trade payables	10.63	-	-	-	10.63
Other payables	105.29	-	-	-	105.29
Other financial liabilities	6.72	-	-	-	6.72
Total	**3,331.41**	**499.73**	**-**	**-**	**3,831.14**

As at 31 March 2018

Particulars	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Non-derivatives					
Cash and cash equivalents	6,295.70	-	-	-	6,295.70
Investments	1,436.00	1,902.00	1,106.00	350.00	4,794.00
Security deposits	-	-	-	13.86	13.86
Total	**7,731.70**	**1,902.00**	**1,106.00**	**363.86**	**11,103.56**
Non-derivatives					
Trade payables	5.59	-	-	-	5.59
Other payables	40.00	-	-	-	40.00
Other financial liabilities	2.81	-	-	-	2.81
Total	**48.40**	**-**	**-**	**-**	**48.40**

As at 1 April 2017

Particulars	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Non-derivatives					
Cash and cash equivalents	74.21	-	-	-	74.21
Investments	5,000.00				5,000.00
Total	**5,074.21**	**-**	**-**	**-**	**5,074.21**
Non-derivatives					
Other financial liabilities	0.25	-	-	-	0.25
Total	**0.25**	**-**	**-**	**-**	**0.25**

(All amounts in Rs. Lakhs unless stated otherwise)

C) Market risk

a) Interest rate risk

i) Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2019, the debt securities carry fixed rate of interest, and accordingly, the Company do not have any exposure to interest rate risk.

ii) Assets

The Company's bank deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107 on Financial Instruments: Disclosures, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

D) Price risk

i) Exposure

The Company's exposure price risk arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit or loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets.

ii) Sensitivity

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the period:

Impact on profit after tax

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Security receipts		
Net assets value – increase by 5%	68.54	154.29
Net assets value – decrease by 5%	(68.54)	(154.29)

29 Capital management

The Company's capital management objectives are

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Debt*	3,428.50	-	-
Total equity	51,767.14	10,450.67	5,036.03
Debt to equity ratio	**0.07**	**-**	**-**

* Debt includes debt securities and interest accrued on debt securities.

Indiabulls Asset Reconstruction Company Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2019
(All amounts in Rs. Lakhs unless stated otherwise)

30 Related party disclosures

A List of related parties and disclosures

Holding Company:
Indiabulls Ventures Limited

Entities under common control:
Indiabulls Distribution Services Limited

Subsidiary entities:
Indiabulls ARC- III Trust
Indiabulls ARC- IV Trust
Indiabulls ARC- V Trust
Indiabulls ARC- VI Trust
Indiabulls ARC- VII Trust

Key managerial personnel and their relatives

Name of key managerial personnel	Designation
Mr. Kiran Shingwekar	Chief Executive Officer
Mr. Keyur Morparia	Chief Financial Officer
Mr. Gaurav Khetrapal	Company Secretary
Mr. Ajit Kumar Mittal	Non-Executive Director
Mr. Amit Ajit Gandhi	Executive Director
Dr. Kamalesh Shailesh Chandra Chakrabarty	Independent Director
Justice Bisheshwar Prasad Singh (Retd.)	Independent Director
Mr. Shyam Lal Bansal	Independent Director
Mr. Pradeep Kumar Panja	Independent Director

B Details of transactions with related parties carried out in the ordinary course of business:

Name of related party	Nature of transaction	For the year ended 31 March 2019	For the year ended 31 March 2018
Indiabulls Ventures Limited	Issue of equity share capital (including securities premium)	2,500.00	5,000.00
	Inter corporate deposit taken	8,000.00	-
	Repayment of inter corporate deposit	(8,000.00)	-
	Issue of compulsory convertible debentures	40,000.00	-
	Interest on inter corporate deposit	131.51	-
	Interest on compulsorily convertible debentures	43.84	-
	Reimbursement of expenses incurred	19.58	23.02
Indiabulls Distribution Services Limited	Inter corporate deposit given	-	6,780.00
	Interest received on inter corporate deposit	-	23.89
Indiabulls ARC- III Trust	Investment in Security Receipts #	2,137.31	-
Indiabulls ARC- IV Trust	Investment in Security Receipts	16,012.60	-
Indiabulls ARC- V Trust	Investment in Security Receipts	562.53	-
Indiabulls ARC- VI Trust	Investment in Security Receipts	2,142.00	-
Indiabulls ARC- VII Trust	Investment in Security Receipts	2,958.00	-
Indiabulls ARC- III Trust	Fees and other income	150.46	-
Indiabulls ARC- IV Trust	Fees and other income	688.71	-
Indiabulls ARC- V Trust	Fees and other income	10.00	-
Mr. Kiran Shingwekar	Remuneration paid	260.00	109.48
Mr. Keyur Morparia	Remuneration paid	60.00	16.60

During the year investment has increased from 15% to 51%.

C Key management personnel remuneration includes the following expenses:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Short-term employee benefits	320.00	126.08
Post employment benefits	-	-
Other long-term employee benefits	-	-

Note: As provisions for gratuity and compensated absences are made for the Company as a whole, the amounts pertaining to the key management personnel are not specifically identified and hence are not included above.

D Outstanding balances with related parties in ordinary course of business:

Other recoverable	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Indiabulls ARC- III Trust	52.00	-	-
Indiabulls ARC- IV Trust	0.51	-	-
Indiabulls ARC- VII Trust	0.51	-	-

Income received in advance	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Indiabulls ARC- IV Trust	591.39	-	-
Indiabulls ARC- V Trust	20.78	-	-

Investment in security receipts	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Indiabulls ARC- III Trust	3,027.86	-	-
Indiabulls ARC- IV Trust	6,773.01	-	-
Indiabulls ARC- V Trust	523.26	-	-
Indiabulls ARC- VI Trust	2,142.00	-	-
Indiabulls ARC- VII Trust	2,958.00	-	-

31 Leases disclosure as lessee

Operating leases

The Company has taken office premises on operating lease at one location in India and lease rent in respect of the same amounting to Rs. 59.71 Lakh (31 March 2018 Rs. 39.80 Lakh) has been charged to the statement of profit and loss. The minimum lease rental outstanding for non-cancellable are as under:

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Future minimum lease payments:			
- within one year	55.44	55.44	-
- Later than one year but not later than five years	145.99	201.43	-
- Later than five years	-	-	-

32 Segment information

The Company operates in a single reportable segment i.e. financing, which has similar risks and returns for the purpose of Ind AS 108 "Operating segments", and accordingly is considered to be the only reportable business segment. Further, the Company is operating in India which is considered as a single geographical segment.

33 Capital adequacy

As per the Reserve Bank of India Guidelines, the Capital Adequacy Ratio of the Company as at 31 March 2019 works out to 97% (as at 31 March 2018 : 244%; as at 1 April 2017: 101%).

34 Commitments:

(i) The Company has committed to make good the shortfall in redemption of security receipts held in Indiabulls ARC III, IV and V Trusts aggregating upto maximum sum of Rs. 1,883.42 Lakh (as at 31 March 2018 : Nil; as at 1 April 2017: Nil)

(ii) Estimated amount of contract remaining to be executed on capital account and not provided for is Nil (31 March 2018: Nil and 1 April 2017: Nil).

35 Employee benefits

The Company has adopted Ind AS - 19 on Employee Benefits as under :

Defined contribution plans

Provident fund

The Company has made Rs. 3.36 Lakh (31 March 2018 Rs. 0.00 Lakh) contribution in respect of provident fund and other funds.

Defined benefit plans

A Gratuity (unfunded)

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The liability of Gratuity is recognized on the basis of actuarial valuation.

Risks associated with plan provisions

Salary increases	Actual salary increases will increase the plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
Investment risk	If the plan is funded then assets liabilities mismatch and actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability.
Discount rate	Reduction in discount rate in subsequent valuations can increase the plan's liability.
Mortality and disability	Actual deaths and disability cases proving lower or higher than assumed in the valuation can impact the liabilities.
Withdrawals	Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact plan's liability.

(i) Amount recognised in the balance sheet is as under:

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Present value of obligation	13.09	3.84	-
Net obligation recognised in balance sheet as provision	**13.09**	**3.84**	**-**

(ii) Amount recognised in the statement of profit and loss is as under:

Particulars	For the year ended	For the year ended
	31 March 2019	31 March 2018
Current service cost	8.65	3.35
Past service cost including curtailment gains/losses	-	0.49
Interest cost on defined benefit obligation	0.30	-
Net impact on Profit	**8.95**	**3.84**

(iii) Amount recognised as other comprehensive income is as under:

Particulars	For the year ended	For the year ended
	31 March 2019	31 March 2018
Re-measurement loss for the year on Planned Benefit obligation	(0.31)	-

(iv) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:

Particulars	For the year ended	For the year ended
	31 March 2019	31 March 2018
Present value of defined benefit obligation as at the beginning of year	3.84	-
Current service cost	8.65	3.35
Interest cost	0.30	-
Past service cost including curtailment gains/losses	-	0.49
Actuarial loss on obligation		
Actuarial loss on arising from change in financial assumption	0.17	-
Actuarial loss on arising from experience adjustment	0.13	-
Present value of defined benefit obligation as at the end of the year	**13.09**	**3.84**

(All amounts in Rs. Lakhs unless stated otherwise)

(v) Actuarial assumptions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discounting rate (% p.a.)	7.65%	7.80%
Future salary increase (% p.a.)	5.00%	5.00%
Retirement age (years)	60	60
Withdrawal rate (% p.a.)		
Up to 30 years	3%	3%
From 31 to 44 years	2%	2%
Above 44 years	1%	1%
Weighted average duration (years)	18.04	17.58

Mortality rates inclusive of provision for disability -100% of IALM (2006 – 08)

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

(vi) Sensitivity analysis for gratuity liability

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Impact of the change in discount rate		
Present value of obligation at the end of the year		
- Impact due to increase of 0.50 %	(0.62)	(0.18)
- Impact due to decrease of 0.50 %	0.67	0.20
Impact of the change in salary increase		
Present value of obligation at the end of the year		
- Impact due to increase of 0.50 %	0.68	0.20
- Impact due to decrease of 0.50 %	(0.64)	(0.19)

Sensitivities due to mortality and withdrawals are not material and hence impact of change due to these is not calculated.

Sensitivities as to rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable.

(vii) Maturity profile of defined benefit obligation

Particulars	As at 31 March 2019	As at 31 March 2018
0 to 1 year	0.09	0.02
1 to 2 year	-	-
2 to 3 year	0.03	0.02
3 to 4 year	0.03	0.02
4 to 5 year	0.23	0.07
5 to 6 year	0.23	0.07
6 year onwards	12.48	3.65

(All amounts in Rs. Lakhs unless stated otherwise)

36 Disclosures as per the directions of Reserve Bank of India are as follows:

a) Names and addresses of the selling banks/financial institutions from whom financial assets were acquired and the value at which such assets were acquired from each such bank/financial institutions.

Name of the Selling Bank /Financial Institution	Address	Acquisition price as on 31 March 2019	% to total
IndusInd Bank	2401 Gen. Thimmayya Road, Pune, 411001	16,000.00	20%
Indiabulls Housing Finance Limited	M-62 & 63, First Floor, Connaught Place, New Delhi, 110001	58,428.23	73%
Indiabulls Commercial Credit Limited	M-62 & 63, First Floor, Connaught Place, New Delhi, 110001	5,303.00	7%
Total		**79,731.23**	**100%**

b) Dispersion of various financial assets, industry wise

Industry	Acquisition price as on 31 March 2019	
	Amount	% to total
Real Estate	47,895.57	60.07%
Cotton and Textiles	10,209.56	12.80%
Retail	4,454.54	5.59%
Pharmaceuticals	3,754.27	4.71%
Automobiles	2,674.03	3.35%
Food Products and Beverages	2,033.30	2.55%
Print Media	1,765.53	2.21%
Transport Services	1,064.13	1.33%
Edible Oil	828.22	1.04%
Iron and Steel	773.22	0.97%
Gems and Jewellery	488.91	0.61%
Plastics	450.82	0.57%
IT and ITES	439.81	0.55%
Jewellery	432.08	0.54%
Construction and Engineering	402.59	0.50%
Payroll Services	381.56	0.48%
Electrical Equipment	275.81	0.35%
Waste and Scrap	227.99	0.29%
Copper	217.18	0.27%
Wood and wood products	195.03	0.24%
Media and Entertainment	191.81	0.24%
Aluminium	180.75	0.23%
FMCG	154.56	0.19%
Others	239.97	0.30%
Total	**79,731.23**	**100.00%**

c) The acquisition price in tables (a) and (b) above includes financial assets acquired till 31 March 2019 and financial assets resolved till date.

d) Status of financial assets acquired in the Trusts set up by the Company as on 31 March 2019 as required as per RBI Notification No. DBNS.PD(SC/RC).8/CGM(ASR) dated 21 April 2010:

Particulars	2018-19
i. Value of financial assets outstanding for realisation as at 1 April 2018	27,844.58
ii. Value of financial assets acquired during the financial year	42,500.25
iii. Value of financial assets realised during the financial year *	28,981.54
iv. Value of financial assets written-off/written back during the financial year	-
v. Value of financial assets outstanding for realisation as on 31 March 2019 (i+ii-iii-iv)	41,363.29
vi. Value of land and / or building acquired in ordinary course of business of reconstruction of assets	-

* Surplus realisation, if any, over and above the value of financial assets has been adjusted in (c) above

e) Status of Security Receipts (SRs) issued by the Trusts set up by Indiabulls Asset Reconstruction Company Limited as on 31 March 2019:

Particulars	Value of SRs redeemed fully during the year	Value of SRs redeemed partially during the year	Total value
i. SRs outstanding as on 1 April 2018	-	28,394.26	28,394.26
ii. Movement during the year from partially to fully redeemed	6,457.28	(6,457.28)	-
iii. SRs issued during the year	-	42,500.25	42,500.25
iv. SRs redeemed during the year	6,457.28	21,300.88	27,758.16
v. SRs written-off during the year	-	-	-
vi. SRs outstanding as on 31 March 2019 (i+ii+iii-iv-v)	**-**	**43,136.35**	**43,136.35**

f) Additional disclosures as required in circular no. DNBS(PD) CC. No. 41/SCRC/26.03.001/2014-2015 dated 5 August 2014 for the assets acquired after the aforesaid dates:

Particulars	Amount
i. Details of acquisition value of Assets more than the book value alongwith the basis of their valuation	-
ii. Details of assets of the trusts (at Trust level) disposed off during the year at substantial discount (more than 20% of valuation as at the previous year end) and the reasons thereof.	-
iii. Details of assets where the value of the SRs has declined more than 20% below the acquisition value.	-

(All amounts in Rs. Lakhs unless stated otherwise)

37 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
ASSETS	**Within 12 months**	**After 12 months**	**Within 12 months**	**After 12 months**	**Within 12 months**	**After 12 months**
Financial assets						
Cash and cash equivalents	3,699.81	-	6,295.70	-	74.21	-
Loans	-	34,110.17	-	-	-	-
Investments	1,672.00	15,686.07	1,436.00	2,823.52	5,000.00	-
Other financial assets	-	10.51	-	9.67	-	-
	5,371.81	**49,806.75**	**7,731.70**	**2,833.19**	**5,074.21**	**-**
Non-financial assets						
Deferred tax assets (net)	-	1,004.50	-	1.42	-	-
Property, plant and equipment	-	5.21	-	5.94	-	-
Other non-financial assets	65.70	-	14.79	-	2.34	-
	65.70	**1,009.71**	**14.79**	**7.36**	**2.34**	**-**
TOTAL ASSETS	**5,437.51**	**50,816.46**	**7,746.49**	**2,840.55**	**5,076.55**	**-**
LIABILITIES AND EQUITY						
LIABILITIES						
Financial liabilities						
Payables						
Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	10.63	-	5.59	-	-	-
Other payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	105.29	-	40.00	-	-	-
Debt securities	3,208.77	219.73	-	-	-	-
Other financial liabilities	6.72	-	2.81	-	0.25	-
	3,331.41	**219.73**	**48.40**	**-**	**0.25**	**-**
Non-financial liabilities						
Current tax liabilities (net)	35.65	-	50.62	-	38.83	-
Provisions	0.24	21.51	0.06	5.77	-	-
Other non-financial liabilities	878.29	-	31.52	-	1.44	-
	914.18	**21.51**	**82.20**	**5.77**	**40.27**	**-**
TOTAL LIABILITIES	**4,245.59**	**241.24**	**130.60**	**5.77**	**40.52**	**-**
Net	**1,191.92**	**50,575.22**	**7,615.89**	**2,834.78**	**5,036.03**	**-**

(All amounts in Rs. Lakhs unless stated otherwise)

38 Transition to Ind AS

A Explanation of transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ending 31 March 2019, the comparative information presented in these financial statements for the year ended 31 March 2018 and in the preparation of an opening Ind AS balance sheet at 1 April 2017 (the Company's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

1 Reconciliation of assets and liabilities presented in the balance sheet prepared as per previous GAAP and as per Ind AS as at 31 March 2018

Particulars	Note	As at 31 March 2018		
		Previous GAAP*	Effect of transition to Ind AS	Ind AS
ASSETS				
Financial assets				
Cash and cash equivalents		6,295.70	-	6,295.70
Investments		4,259.52	-	4,259.52
Other financial assets	1	13.86	(4.19)	9.67
		10,569.08	**(4.19)**	**10,564.89**
Non-financial assets				
Deferred tax assets (net)	2	1.39	0.03	1.42
Property, plant and equipment		5.94	-	5.94
Other non-financial assets	1	10.69	4.10	14.79
		18.02	**4.13**	**22.15**
TOTAL ASSETS		**10,587.10**	**(0.06)**	**10,587.04**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial liabilities				
Payables				
Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		5.59	-	5.59
Other payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other then micro enterprises and small enterprises		40.00	-	40.00
Other financial liabilities		2.81	-	2.81
		48.40	**-**	**48.40**
Non-financial liabilities				
Current tax liabilities (net)		50.62	-	50.62
Provisions		5.83	0.00	5.83
Other non-financial liabilities		31.52	-	31.52
		87.97	**0.00**	**87.97**
EQUITY				
Equity share capital		5,500.00	-	5,500.00
Other equity		4,950.73	(0.06)	4,950.67
		10,450.73	**(0.06)**	**10,450.67**
TOTAL LIABILITIES AND EQUITY		**10,587.10**	**(0.06)**	**10,587.04**

*The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

(All amounts in Rs. Lakhs unless stated otherwise)

2 Reconciliation of assets and liabilities presented in the balance sheet prepared as per previous GAAP and as per Ind AS as at 1 April 2017

Particulars	As at 1 April 2017		
	Previous GAAP*	**Effect of transition to Ind AS**	**Ind AS**
ASSETS			
Financial assets			
Cash and cash equivalents	74.21	-	74.21
Investments	5,000.00	-	5,000.00
	5,074.21	**-**	**5,074.21**
Non-financial assets			
Other non-financial assets	2.34	-	2.34
	2.34	**-**	**2.34**
TOTAL ASSETS	**5,076.55**	**-**	**5,076.55**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Other financial liabilities	0.25	-	0.25
	0.25	**-**	**0.25**
Non-financial liabilities			
Current tax liabilities (net)	38.83	-	38.83
Other non-financial liabilities	1.44	-	1.44
	40.27	**-**	**40.27**
EQUITY			
Equity share capital	5,000.00	-	5,000.00
Other equity	36.03	-	36.03
	5,036.03	**-**	**5,036.03**
TOTAL LIABILITIES AND EQUITY	**5,076.55**	**-**	**5,076.55**

*The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

(All amounts in Rs. Lakhs unless stated otherwise)

3 Reconciliation of total comprehensive income presented in the statement of profit and loss prepared as per previous GAAP and as per Ind AS for the year ended 31 March 2018

Particulars	Note	Previous GAAP*	Effect of transition to Ind AS	Ind AS
Revenue from operations				
Interest income	1	489.45	0.52	490
Fees and commission income		401.74	-	402
Net gain on fair value changes		44.88	(0.01)	45
Total revenue from operations		**936.07**	**0.51**	**936.58**
Expenses				
Finance costs		5.21	-	5.21
Employee benefits expenses		199.69	-	199.69
Depreciation		0.33	-	0.33
Other expenses	1	143.49	0.61	144.10
Total expenses		**348.72**	**0.61**	**349.33**
Profit before tax		**587.35**	**(0.10)**	**587.25**
Tax expense				
Current tax (including earlier years)		174.03	-	174.03
Deferred tax credit	2	(1.39)	(0.03)	(1.42)
		172.64	**(0.03)**	**172.61**
Profit for the year		**414.71**	**(0.07)**	**414.64**
Other comprehensive income				
Items that will not be reclassified to profit or loss		-	-	-
Re-measurement loss on defined benefit plans		-	-	-
Income tax relating to items that will not be reclassified to profit		-	-	-
Total comprehensive income for the year		**414.71**	**(0.07)**	**414.64**

*The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

(All amounts in Rs. Lakhs unless stated otherwise)

B Ind AS optional exemptions

1 Deemed cost for property, plant and equipment

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measure as per the previous GAAP and use that as its deemed cost as at the date of transition. Accordingly, the Company has elected to measure all of its property, plant and equipment at their previous GAAP carrying value.

2 Deemed cost for investments in subsidiaries

The Company has elected to carry the investment in subsidiary at its actual cost determined as per Ind AS 27 "Separate financial statements" as its carrying value in these financial statements on the date of transition.

C Ind AS mandatory exceptions

1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2017 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

a) Investment in equity instruments carried at FVTPL or FVOCI

b) Impairment of financial assets based on expected credit loss model

2 Classification and measurement of financial assets and liabilities

Classification of financial asset is required to be made on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Further, if it is impracticable for the Company to apply retrospectively the effective interest method in Ind AS 109, the fair value of the financial asset or the financial liability at the date of transition to Ind AS shall be the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of transition to Ind AS.

D Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile total equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

1 Reconciliation of total equity as at 31 March 2018 and 1 April 2017

	Note	As at 31 March 2018	As at 1 April 2017
Total equity (shareholder's funds) as per previous GAAP		**10,450.74**	**5,036.03**
Adjustments:			
Security deposits measured at amortised cost	Note 1	(0.11)	-
Tax impact on above	Note 2	-	-
Total adjustments		**(0.11)**	**-**
Total equity as per Ind AS		**10,450.63**	**5,036.03**

2 Reconciliation of total comprehensive income for the year

	Note	For the year ended 31 March 2018
Profit after tax as per previous GAAP		**414.71**
Adjustments:		
Security deposits measured at amortised cost	Note 1	(0.11)
Tax impact on above	Note 2	0.03
Total adjustments		**(0.08)**
Total comprehensive income as per Ind AS		**414.63**

(All amounts in Rs. Lakhs unless stated otherwise)

3 Impact of Ind AS adoption on statement of cash flows for the year ended on 31 March 2018:

Particulars	Previous GAAP*	Adjustments	Ind AS
Net cash flow from operating activity	442.40	-	442.40
Net cash flow from investing activity	779.09	-	779.09
Net cash flow from financing activity	5,000.00	-	5,000.00
Net increase in cash and cash equivalent	6,221.50	-	**6,221.50**
Cash and cash equivalent as at 1 April 2017	74.21	-	74.21
Cash and cash equivalent as at 31 March 2018	**6,295.71**	-	**6,295.71**

*The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

Notes to first time adoption

1 **Security deposits paid**
Under previous GAAP, security deposits were initially recognized at transaction price. Subsequently, finance income was recognized based on contractual terms, if any. Under Ind AS, such security deposits are initially recognized at fair value and subsequently carried at amortised cost determined using the effective interest rate. Any difference between transaction price and fair value is recognised in statement of profit and loss unless it quantifies for recognition as some other type of asset.

2 **Tax impact on adjustments**
Retained earnings and statement of profit and loss has been adjusted consequent to the Ind AS transition adjustments with corresponding impact to deferred tax, wherever applicable.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm Registration No. 001076N/N500013

For and on behalf of the board of directors
Indiabulls Asset Reconstruction Company Limited

Sudhir N. Pillai
Partner
Membership No.: 105782

Ajit Kumar Mittal
Director
DIN: 02698115

Amit Ajit Gandhi
Whole time Director
DIN: 07606699

Kiran Shingwekar
Chief Executive Officer

Place : Mumbai
Date : 25 April 2019

Keyur Morparia
Chief Financial Officer

Gaurav Khetrapal
Company Secretary
Membership No. : 52774

1. Corporate Information

Indiabulls Asset Reconstruction Company Limited ('the Company') was incorporated on 2 November 2006 with the object of engaging in the business of asset reconstruction. The Company has been granted certificate of registration from Reserve Bank of India (RBI) on 19 May 2017 to commence the business of securitisation or asset reconstruction under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act"). The Company is domiciled in India and its registered office is situated at Indiabulls Finance Centre, Tower-1, 9th Floor, Senapati Bapat Marg, Elphinstone Road, Mumbai, Maharashtra 400 013.

a. Basis of preparation

(i) Statement of compliance with Indian Accounting Standards (Ind AS)

These financial statements ("the Financial Statements") have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Company has uniformly applied the accounting policies for all the periods presented in these financial statements.

The financial statements for the year ended 31 March 2019 are the first financial statements which has been prepared in accordance with Ind AS and other applicable guidelines issued by the Reserve Bank of India ('RBI').

The financial statements upto and for the year ended 31 March 2018 were prepared in accordance with the accounting standard notified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP) and other applicable guidelines issued by the RBI, which have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS.

As these are the Company's first financial statements prepared in accordance with Ind AS an explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 38.

The financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 25 April 2019.

(ii) Historical cost convention

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities and share based payments which are measured at fair values as explained in relevant accounting policies.

2. Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement basis summarised as below. These policies are applied consistently for all the periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

a) Property, plant and equipment

Recognition and initial measurement
Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit and loss.

Subsequent measurement (depreciation method, useful lives and residual value)
Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on the straight-line method over the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

The useful life of the assets is as follows:

Asset class	Useful life
Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	10 years

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

De-recognition
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit and loss, when the asset is derecognised.

Transition to Ind AS
The Company has elected to measure all its property, plant and equipment at the previous GAAP carrying amount as its deemed cost on the date of transition of Ind AS i.e. 1 April 2017.

b) Revenue recognition

Interest income on loans
Interest income on loans (including processing fee) is recorded on accrual basis using the effective interest rate (EIR) method.

Interest on bank deposits
Interest income on bank deposits is recorded on accrual basis using the effective interest rate (EIR) method.

Management and other fees
Management and other fee are recognised as revenue on accrual basis based on contractual arrangement, when there is no uncertainty in the ultimate realisation/collection.

Incentive fees
Incentive fee is recognised as revenue on accrual basis based on contractual arrangement, when there is no uncertainty in the ultimate realisation/collection.

Dividend income
Dividend income is recognised at the time when the right to receive is established by the reporting date.

c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition and/or construction of a qualifying asset, till the time such qualifying assets become ready for its intended use sale, are capitalised. Borrowing costs consists of interest and other cost that the Company incurred in connection with the borrowing of funds. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred basis the effective interest rate method.

d) Taxation

Tax expense recognized in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity.

Current tax comprises the tax payable or receivable on taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax is computed in accordance with relevant tax regulations. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax is recognised in respect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and corresponding amount used for taxation purposes. Deferred tax assets are recognised on unused tax loss, unused tax credits and deductible temporary differences to the extent it is probable that the future taxable profits will be available against which they can be used. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity).

e) Employee benefits

Short-term employee benefits
Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Other long-term employee benefits
The Company also provides the benefit of compensated absences to its employees which are in the nature of long-term employee benefit plan. Liability in respect of compensated absences becoming due and expected to availed after one year from the balance sheet date is estimated in the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to Statement of Profit and Loss in the year in which such gains or losses are determined.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plans
The Company has a defined contribution plans namely provident fund, pension fund and employees state insurance scheme. The contribution made by the Company in respect of these plans are charged to the Statement of Profit and Loss.

Defined benefit plans
The Company has unfunded gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability are included in other comprehensive income.

f) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the reporting date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

g) Impairment of financial assets

Loan assets

The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 (1-30 days past due) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 (31-60 days past due) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 (more than 90 days past due) includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

Loss Given Default (LGD) – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

Exposure at Default (EAD) – EAD is based on the amounts the Company expects to be owed at the time of default. For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Forward-looking economic information (including management overlay) is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

Other financial assets

In respect of its other financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs

Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. Any subsequent recoveries are credited to impairment on financial instrument on statement of profit and loss.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments (certificate of deposits) that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. For cash flow statement purposes, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

i) Investment in security receipts of Asset Reconstruction (AR) trusts

Investments representing controlling interest in AR Trusts are measured at cost in accordance with Ind AS 27 'Separate Financial Statements'.

j) Provisions, contingent assets and contingent liabilities

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.

k) Operating leases

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of an asset to the lessee are classified as operating leases. Lease rental are charged to statement of profit and loss on straight line basis except where scheduled increase in rent compensates the lessor for expected inflationary costs.

l) Financial instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Non-derivative financial assets

Subsequent measurement

i. **Financial assets carried at amortised cost** – a financial asset is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

ii. **Investments in security receipts** – Investments in security receipts where the Company holds non-controlling interest are classified as at fair value through profit or loss (FVTPL).

iii. **Investments in mutual funds** – Investments in mutual funds are measured at fair value through profit and loss (FVTPL).

De-recognition of financial assets
Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Non-derivative financial liabilities

Subsequent measurement
Subsequent to initial recognition, all non-derivative financial liabilities are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Convertible debentures

Convertible debentures are separated into liability and equity components basis the terms of the contract. On issuance of the convertible debentures, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as financial liability measured at amortised cost until it is extinguished on conversion. The remainder of the proceeds is recognised in equity since conversion option meets the fixed for fixed criteria.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss (interest and other finance cost associated) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n) Foreign currency

Functional and presentation currency
Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees, which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the Statement of Profit and Loss in the year in which they arise.

o) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgements

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Expected credit loss ('ECL') – The measurement of expected credit loss allowance for financial assets measured at amortised cost requires use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of customers defaulting and resulting losses). The Company makes significant judgements with regard to the following while assessing expected credit loss:

- Determining criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Provisions – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

Significant estimates

Useful lives of depreciable assets – Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument.

p) Standards issued but not yet effective

Ind AS 116 'Leases'

On 30 March 2019, Ministry of Corporate Affairs ('MCA') has clarified that Ind AS 116 is effective for annual periods beginning on or after 1 April 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

Amendment to Ind AS 12, Income taxes

On 30 March 2019, Ministry of Corporate Affairs ("MCA") has notified Appendix C to Ind-AS 12 Income taxes – "Uncertainty over Income Tax Treatments". The amendment to Ind AS 12 requires the entities to consider recognition and measurement requirements when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability accordingly. The effective date of amendment is 1 April 2019. Further, there has been amendments in relevant paragraphs in Ind-AS 12 "Income Taxes" which clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events in accordance with Ind-AS 109. The Company is evaluating the requirements of the amendments and their impact on the financial statements.

Amendment to Ind AS 19, Employee benefits

On 30 March 2019, Ministry of Corporate Affairs ("MCA") has issued an amendment to Ind AS 19 which requires the entities to determine current service cost using actuarial assumptions and net interest using discount rate determined at the start of the annual reporting period. However, if an entity re-measures the net defined benefit liability (asset) as per the requirement of the standard, it shall determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to re-measure the net defined benefit liability (asset). The effective date of amendment is 1 April 2019. The Company is evaluating the requirements of the amendments and their impact on the financial statements.

Amendment to Ind AS 109, Financial instruments

On 30 March 2019, Ministry of Corporate Affairs ("MCA") issued an amendment to Ind-AS 109 in respect of prepayment features with negative compensation, which amends the existing requirements in Ind-AS 109 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment is effective for annual periods beginning on or after 1 April 2019. The Company is evaluating the requirements of the amendments and their impact on the financial statements.

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