

**Edelweiss Broking Limited**

**Financial Statements  
together with Auditors' Report  
for the year ended 31 March 2016**

# Edelweiss Broking Limited

## **Financial statements together with Auditors' Report** *for the year ended 31 March 2016*

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**Independent Auditors' Report**

To  
**The Members of Edelweiss Broking Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **Edelweiss Broking Limited ("the Company")**, which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.

**Auditor's Responsibility**

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

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

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

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

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



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## Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

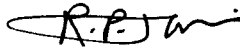
## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the aforesaid financial statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e. on the basis of written representations received from the Directors as on 31 March 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016, from being appointed as a director in terms of section 164(2) of the Act;
  - f. with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company does not have any pending litigations which would impact its financial position;
    - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
    - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



3. In our opinion, proper books of accounts and records as specified in Rule 15 of the Securities Contract (Regulation) Rules, 1957 have been kept by the Company in so far as it appears from examination of such books.
4. The Company has complied with the requirements of BSE Limited ('BESL'), the National Stock Exchange of India Limited ('NSEIL') and MCX Stock Exchange ('MCX SX') in so far as they relate to maintenance of accounts and to the best of our knowledge and belief, was regular in submitting the required accounting information to the respective stock exchanges.
5. The Company has complied with the requirements of the deprivities segment of the BSE and NSEIL in so far as they relates to maintenance of accounts and to the best of our knowledge and belief, was regular in submitting the required accounting information to the deprivities segment of the exchange.

**For NGS & Co. LLP**  
**Chartered Accountants**  
**Firm Registration No. 119850W**



**R. P. Soni**  
**Partner**  
**Membership No.:104796**



Place: Mumbai  
Date: 12 May 2016

**Annexure A to the Auditors' Report**

**The Annexure referred to in our Independent Auditors' Report to the members of Edelweiss Broking Limited ('the Company') on the financial statements for the year ended 31 March 2016, we report that:**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In our opinion this periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deed of immovable property is held in the name of the Company.
- (ii) The Company has conducted physical verification of inventory on the basis of statement received from depository participants in respect of securities held as inventory, at reasonable intervals during the year. No material discrepancies have been noticed on such physical verification.
- (iii) The Company has granted unsecured demand loan to one company covered in the register maintained under Section 189 of the Companies Act, 2013.
  - (a) In our opinion and according to the information and explanation given to us, the terms and conditions of above loan are prima facie not prejudicial to the interest of the Company.
  - (b) The borrower has been regular in repayment of the principal and payment of interest as stipulated.
  - (c) There is no overdue amount in respect of above loan granted to a company listed in the register maintained under section 189 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans to directors including entities in which they are interested in respect of which the provisions of section 185 of the Companies Act, 2013 are applicable and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Companies Act, 2013 in respect of loans and advances given and investments made.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Companies Act, 2013 for any activities conducted and services rendered by the Company.



- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales tax, value added tax, cess and other material statutory dues, applicable to it, have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, Company did not have any dues on account of duty of excise and duty of custom.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, value added tax, service tax and cess were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable except in case of professional tax and works contract tax which are outstanding for more than six months as at 31 March 2016, due to registration formalities in progress with respective statutory authorities, as mentioned in note no. 2.36 to financial statement.

- (b) According to the information and explanation given to us, there are no dues of sales tax, value added tax and cess which have not been deposited with the appropriate authorities on account of any dispute. The dues outstanding in respect of income-tax and service tax on account of dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1,405,961	A.Y.2008-09	ITAT
Finance Act, 1994	Service Tax	41,37,777*	April 2001 to March 2004	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	2,54,23,334	April 2003 to March 2007	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	34,98,371	April 2004 to March 2005	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	4,17,379*	April 2004 to September 2006	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	46,35,773*	April 2004 to March 2006	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	1,12,29,873*	April 2004 to March 2008	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	1,83,980*	October 2006 to September 2007	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	29,99,557	October 2007 to March 2008	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	20,50,693	April 2007 to September 2007	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	63,20,180	April 2007 to September 2007	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	95,21,656	October 2007 to March 2008	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	5,62,973	April 2008 upto 15th May 2008	CESTAT - Ahmedabad
Finance Act, 1994	Service Tax	14,91,534	April 2008 to March 2009	CESTAT - Ahmedabad



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Finance Act, 1994	Service Tax	41,54,480	April 2008 to March 2010	CESTAT - Ahmedabad	
Finance Act, 1994	Service Tax	13,33,487	April 2010 to March 2011	CESTAT - Ahmedabad	
Finance Act, 1994	Service Tax	1,05,363	April 2011 to March 2012	CESTAT - Ahmedabad	
Finance Act, 1994	Service Tax	1,86,975	April 2010 to March 2011	Commissioner (Appeal), Ahmedabad	

\* net of amounts paid under protest.

- (viii) In our opinion, and according to information and explanations given to us, the Company has not defaulted in repayment of dues to its bank. Further, the Company does not have any loans or borrowings from any financial institution, government and debenture holders.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, during the year, the Company has not paid/provided for managerial remuneration. Accordingly, paragraph 3 (xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

**For NGS & Co. LLP**  
**Chartered Accountants**  
**Firm Registration No. 119850W**

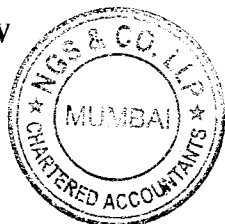
  
**R. P. Soni**

**Partner**

**Membership No.:104796**

**Place: Mumbai**

**Date: 12 May 2016**





**Annexure B to the Auditors' Report**

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

We have audited the internal financial controls over financial reporting of **Edelweiss Broking Limited ("the Company")** as of 31 March 2016 in conjunction with our audit of financial statements of the Company for the year ended on that date.

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

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

**Auditors' Responsibility**

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

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

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



### **Meaning of Internal Financial Controls over Financial Reporting**

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

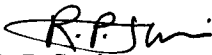
### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For NGS & Co. LLP**  
**Chartered Accountants**  
**Firm Registration No.: 119850W**

  
**R. P. Soni**  
**Partner**  
**Membership No.: 104796**



Place: Mumbai  
Date: 12 May 2016

# Edelweiss Broking Limited

## Balance sheet

(Currency: Indian rupees)

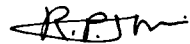
	Note	As at 31 March 2016	As at 31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2.1	67,720,000	67,720,000
Reserves and surplus	2.2	1,268,134,870	1,133,777,634
<b>Non-current liabilities</b>			
Other long term liabilities	2.3	53,032,785	55,430,036
Long-term provisions	2.4	3,884,000	2,486,000
<b>Current liabilities</b>			
Short-term borrowings	2.5	1,623,018,847	2,195,670,819
Trade payables			
Total outstanding dues of Micro, Small and Medium enterprises	2.40	-	-
Total outstanding dues of creditors other than Micro, Small and Medium enterprises	2.6	2,710,145,601	2,086,177,821
Other current liabilities	2.7	402,377,786	329,232,500
Short-term provisions	2.8	12,906,866	35,683,541
<b>TOTAL</b>		<b>6,141,220,755</b>	<b>5,906,178,351</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	2.9		
Tangible assets		304,461,009	286,750,827
Intangible assets		18,774,250	13,717,225
Capital work-in-progress		74,101,201	22,926,724
Non-current investments	2.10	371,152,005	341,152,005
Deferred tax assets	2.11	150,787,501	96,962,956
Long-term loans and advances	2.12	225,510,175	231,665,483
Other non-current assets	2.13	7,475,500	10,045,000
		1,152,261,641	1,003,220,220
<b>Current assets</b>			
Stock-in-trade	2.14	317,366	112,691
Trade receivables	2.15	1,455,223,917	1,159,342,475
Cash and bank balances	2.16	975,194,793	2,099,549,101
Short-term loans and advances	2.17	58,664,013	77,500,102
Other current assets	2.18	2,499,559,025	1,566,453,762
		4,988,959,114	4,902,958,131
<b>TOTAL</b>		<b>6,141,220,755</b>	<b>5,906,178,351</b>

Significant accounting policies and notes to the financial statements

1 & 2

As per our report of even date attached.

For NGS & Co. LLP  
Chartered Accountants  
Firm Registration No.: 119850W



R. P. Soni  
Partner  
Membership No.: 104796




Mumbai  
12 May 2016

For and on behalf of the Board of Directors

Biren Shah  
Director  
DIN : 01258542

Prashant Mody  
Director  
DIN : 03101048

  
Brijmohan Bohra  
Company Secretary  
Mumbai  
12 May 2016

# Edelweiss Broking Limited

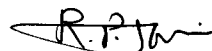
## Statement of profit and loss

(Currency: Indian rupees)

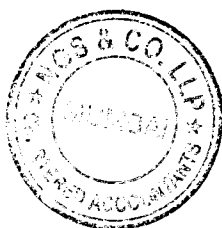
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenue from operations</b>			
Fee and commission income	2.19	1,272,537,485	1,204,751,972
Income from treasury operations	2.20	8,080,637	52,542,106
Interest income	2.21	72,544,912	34,361,156
Other operating revenue	2.22	258,942,886	118,366,859
<b>Other income</b>	2.23	28,861,472	15,743,749
<b>Total revenue</b>		<b>1,640,967,392</b>	<b>1,425,765,842</b>
<b>Expenses</b>			
Employee benefit expenses	2.24	729,646,894	739,572,634
Finance costs	2.25	213,514,710	129,948,209
Depreciation and amortisation expenses	2.9	64,023,263	52,982,433
Other expenses	2.26	571,048,253	425,303,132
<b>Total expenses</b>		<b>1,578,233,120</b>	<b>1,347,806,408</b>
<b>Profit before tax</b>		<b>62,734,272</b>	<b>77,959,434</b>
<b>Tax expense:</b>			
Current tax (Includes adjustment of short/ (excess) provisions for earlier years Rs. 235,730 (Previous year: Rs. (179,451)))		32,197,130	17,890,549
MAT credit entitlement (includes for earlier years of Rs. 18,034,150 (Previous year: Rs. Nil))		(49,995,550)	-
Deferred tax benefit		(53,824,544)	(1,780,166)
<b>Profit for the year</b>		<b>134,357,236</b>	<b>61,849,051</b>
<b>Earnings per equity share:</b>			
Basic and diluted (face value Rs.10 each)	2.29	27.53	12.67
Significant accounting policies and notes to the financial statements	1 & 2		

As per our report of even date attached.

For NGS & Co. LLP  
Chartered Accountants  
Firm Registration No.: 119850W

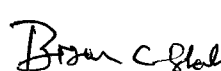


R. P. Soni  
Partner  
Membership No.: 104796



Mumbai  
12 May 2016

For and on behalf of the Board of Directors



Biren Shah  
Director  
DIN : 01258542



Prashant Mody  
Director  
DIN : 03101048



Brijmohan Bohra  
Company Secretary

Mumbai  
12 May 2016

# Edelweiss Broking Limited

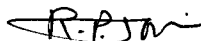
## Cash flow statement

(Currency: Indian rupees)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>A Cash flow from operating activities</b>		
Profit before taxation	62,734,272	77,959,434
Adjustments for:		
Depreciation and amortisation expenses	64,023,263	52,982,433
Provision for doubtful debts	85,975,780	35,306,537
Profit on sale/ write-off of fixed assets (net)	(1,148,119)	(5,465)
Compensated absences	1,782,000	1,037,000
Rental income	(26,251,225)	(2,163,759)
Interest income	(77,484)	(3,804,161)
Interest expense	210,146,653	127,333,574
<b>Operating cash flow before working capital changes</b>	<b>397,185,140</b>	<b>288,645,593</b>
Add / (Less): Adjustments for working capital changes		
Increase in trade receivables	(381,857,222)	(989,912,337)
(Increase)/decrease in loans and advances, other current assets	(911,099,760)	749,983,073
Increase in inventory	(204,675)	(104,254)
Increase in liabilities and provisions	689,743,791	21,153,123
<b>Cash (used in)/ generated from operations</b>	<b>(206,232,724)</b>	<b>69,765,198</b>
Income tax paid	(19,366,063)	(32,597,938)
<b>Net cash (used in)/ generated from operating activities - A</b>	<b>(225,598,787)</b>	<b>37,167,260</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(137,114,335)	(66,426,742)
Sale of fixed assets	1,727,599	1,408,827
Rental income	26,251,225	2,163,759
Purchase of investment	(30,000,000)	(314,605,000)
Interest received	77,484	4,209,657
<b>Net cash used in investing activities - B</b>	<b>(139,058,027)</b>	<b>(373,249,499)</b>
<b>C Cash flow from financing activities</b>		
(Re-payment of)/ proceeds from short term borrowings (net) (refer note 2)	(572,651,972)	1,603,844,208
Interest paid	(206,604,722)	(122,024,459)
<b>Net cash (used in)/ generated from financing activities - C</b>	<b>(779,256,694)</b>	<b>1,481,819,749</b>
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</b>	<b>(1,143,913,508)</b>	<b>1,145,737,510</b>
Cash and cash equivalents as at the beginning of the year	1,439,648,868	212,845,104
Add: Cash and cash equivalent acquired on merger of Edelweiss Financial Advisors Limited ('EFAL') (Refer note 2.39)	-	81,066,254
Cash and cash equivalents as at the end of the year (Refer note 1)	295,735,360	1,439,648,868
<b>Notes:</b>		
1 Cash and cash equivalents include the following:		
Cash in hand	65,580	9,803
Balances with scheduled banks:		
In current accounts	295,669,780	439,639,065
In deposit accounts	-	1,000,000,000
Cash equivalents	295,735,360	1,439,648,868
2 Net figures have been reported on account of volume of transactions.		

As per our report of even date attached.

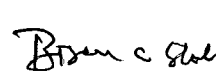
For NGS & Co. LLP  
Chartered Accountants  
Firm Registration No.: 119850W



R. P. Soni  
Partner  
Membership No.: 104796



For and on behalf of the Board of Directors



Biren Shah  
Director  
DIN : 01258542



Prashant Mody  
Director  
DIN : 03101048



Brijmohan Bohra  
Company Secretary  
Mumbai  
12 May 2016

Mumbai  
12 May 2016

# Edelweiss Broking Limited

## Notes to the financial statements

for the year ended 31 March 2016

(Currency: Indian rupees)

### 1. Significant accounting policies

#### 1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention, on the accrual basis of accounting, unless otherwise stated, and comply with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) rules, 2014, the provisions of the Companies Act, 2013 (to the extent notified), (hereinafter referred to as 'the Act') and the Schedule III to the Act. The financial statements are presented in Indian rupees.

#### 1.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent liabilities on date of the financial statements and reported amount of revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 1.3 Current / non-current classification

All assets and liabilities are classified into current and non-current

##### Assets

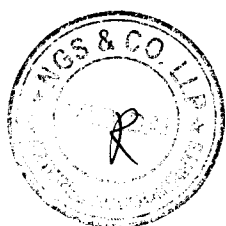
An asset is classified as current when it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle or it is held primarily for the purpose of being traded or it is expected to be realized within 12 months after the reporting date or it is cash or cash equivalent unless it is restricted from being exchanged or expected to be used to settle a liability for at least 12 months after the reporting date. Current assets include the current portion of non-current assets. All other assets are classified as non-current.

##### Liabilities

A liability is classified as current when it is expected to be settled in the company's normal operating cycle or it is held primarily for the purpose of being traded or it is due to be settled within 12 months after the reporting date or the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Current liabilities include current portion of non-current liabilities. All other liabilities are classified as non-current.

#### 1.4 Revenue recognition

- a) Brokerage income on securities broking business is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date and is reflected net of related sub-brokerage expenses, transaction charges and stock exchange expenses.
- b) Fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- c) Income from treasury operations comprises of profit/loss on sale of securities and profit/loss on derivative instruments.
  - i) Realised profit/ loss on closed positions of derivative instruments is recognised on final settlement on squaring-up of the contracts. Outstanding derivative contracts in the nature of forwards / futures / options are measured at fair value as at the balance sheet date. Fair value is determined using quoted market prices



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency: Indian rupees)

### 1. Significant accounting policies (Continued)

#### 1.4 Revenue recognition (Continued)

in an actively traded market, for the instrument, wherever available, as the best evidence of fair value. In the absence of quoted market prices in an actively traded market, market intermediary quotes are used to determine the fair value. In most cases the valuation techniques use observable market data as input parameters in order to ensure reliability of the fair value measure.

(ii) Profit/loss on error trades in broking business is included in "Income from treasury".

- d) Interest income is recognised on accrual basis.
- e) Warehouse income and rental income are recognised on accrual basis by reference to the agreements entered.
- f) Dividend income is recognised when the right to receive payment is established.

#### 1.5 Fixed assets and depreciation

##### Tangible fixed assets

Tangible fixed assets acquired by the Company are reported at acquisition cost, with deductions for accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Capital work in progress comprises the cost of fixed assets that are not ready for its intended use at the reporting date.

Depreciation is provided on a written down value basis from the date the asset is ready to use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.

As per the requirement of Schedule II of the Companies Act, 2013, the Company has evaluated the useful lives of the respective fixed assets which are as per the provisions of Part C of the Schedule for calculating the depreciation.

The estimated useful lives of the fixed assets are as follows:

Nature of assets	Useful life
Building (other than factory building)	60 years
Furniture and fixtures	10 years
Vehicles	8 years
Office equipment	5 years
Computers - Servers and networks	6 years
Computers - End user devices, such as desktops, laptops, etc.	3 years

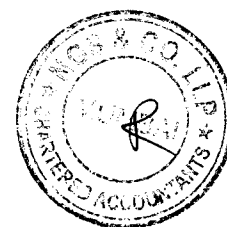
Leasehold improvements are amortised on a straight-line basis over the estimated useful lives of the assets or the period of lease whichever is earlier.

##### Intangible fixed assets

Intangible fixed assets are recorded in consideration paid for the acquisition of such assets and are carried at cost less accumulated amortization and impairment, if any.

Intangibles such as software is amortised over a period of 3 years or its estimated useful life whichever is shorter.

MCX membership rights are amortised over a period of 3 years.



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency: Indian rupees)

### 1. Significant accounting policies (Continued)

#### 1.6 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the net selling price and the value in use of those assets. Value in use is arrived at by discounting the estimated future cash flows to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of 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 recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost.

#### 1.7 Stock-in-trade

- a) The securities acquired with the intention of short term holding and trading positions are considered as inventory and disclosed as current assets.
- b) The securities, including from error trades, held as inventory are valued at lower of weighted average cost or market value.
- c) In case of units of mutual funds held as inventory, net asset value is considered as fair value.

#### 1.8 Investments

Investments are classified into non-current investments and current investments. Investments which are intended to be held for one year or more are classified as non-current investments and investments which are intended to be held for less than one year are classified as current investments.

Non-current investments are carried at cost less diminution in value which is other than temporary, determined separately for each investment.

Current investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investment. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value.

#### 1.9 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the statement of profit and loss for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

#### 1.10 Employee benefits

The accounting policy followed by the Company in respect of its employee benefit schemes in accordance with Accounting Standard 15 (revised 2005), is set out below:

##### Provident fund

The Company contributes to a recognized provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognized in the statement of profit and loss.





# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency: Indian rupees)

### 1. Significant accounting policies (Continued)

#### 1.10 Employee benefits (Continued)

##### Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that the employees have earned in return for their service in the current and prior periods. Such benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at present values of estimated future cash flows. The discounted rates used for determining the present value are based on the market yields on Government Securities as at the balance sheet date.

Benefits in respect of funded gratuity are funded with an Insurance Company approved by Insurance Regulatory and Development Authority (IRDA).

Actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss in the period in which they arise.

##### Compensated Absences

The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated leave entitlement based on a valuation by an independent actuary.

#### 1.11 Tax

Tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the Income Tax Act, 1961) and deferred tax charge or benefit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

##### Current tax

Provision for current tax is recognised based on estimated tax liability computed after adjusting for allowances, disallowances and exemptions in accordance with the Income Tax Act, 1961.

##### Deferred tax

The deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### Minimum alternative tax (MAT)

MAT credit asset is recognised where there is convincing evidence that the asset can be realised in future. MAT credit assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realised.



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency: Indian rupees)

### 1. Significant accounting policies (Continued)

#### 1.12 Operating leases

Lease payments for assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### 1.13 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 – “Earnings Per Share”. Basic earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed by dividing the net profit after tax attributable to the equity shareholders for the year by weighted average number of equity shares considered for deriving basic earning per share and weighted average number of equity shares that could have been issued upon conversion of all potential equity shares.

#### 1.14 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

(Currency: Indian rupees)

	As at 31 March 2016	As at 31 March 2015
<b>2.1 Share capital</b>		
<b>Authorised :</b>		
39,750,000 (Previous year: 39,750,000) Equity Shares of Rs. 10 each	397,500,000	397,500,000
10,000,000 (Previous year: 10,000,000 ) Preference Shares of Rs. 10 each	100,000,000	100,000,000
	<u>497,500,000</u>	<u>497,500,000</u>
<b>Issued, subscribed and paid up:</b>		
4,881,000 (Previous year: 4,881,000) Equity shares of Rs. 10 each, fully paid-up	48,810,000	48,810,000
250,000 (Previous year: 250,000) 7% Non-cumulative, Non-convertible and Redeemable Preference Shares Rs. 10 each, fully paid up	2,500,000	2,500,000
1,641,000 (Previous year: 1,641,000) 11% Non-cumulative, Optionally Convertible Preference Shares Rs. 10 each, fully paid up	16,410,000	16,410,000
	<u>67,720,000</u>	<u>67,720,000</u>

(All the above 4,881,000 equity shares of Rs. 10 each are held by Edelweiss Financial Services Limited, the holding company and its nominees)

**a. Movement in share capital :**

**i) Equity shares**

**Reconciliation of number of shares outstanding :**

	No. of shares	No. of shares
Number of shares outstanding at the beginning of the year	4,881,000	4,881,000
Shares issued during the year	-	-
Number of shares at the end of the year	<u>4,881,000</u>	<u>4,881,000</u>

**Reconciliation of share capital:**

	Amount	Amount
Share capital at the beginning of the year	48,810,000	48,810,000
Share capital issued during the year	-	-
Share capital at the end of the year	<u>48,810,000</u>	<u>48,810,000</u>

**ii) Preference shares**

**7% Non-cumulative, Non-convertible and Redeemable Preference Shares of Rs. 10 each, fully paid up**

	No. of shares	No. of shares
Reconciliation of number of shares outstanding :		
Number of shares outstanding at the beginning of the year	250,000	250,000
Shares issued during the year	-	-
Number of shares at the end of the year	<u>250,000</u>	<u>250,000</u>

**11% Non-cumulative, Optionally Convertible Preference Shares of Rs. 10/- each, fully paid up**

	No. of shares	No. of shares
Reconciliation of number of shares outstanding :		
Number of shares outstanding at the beginning of the year	1,641,000	1,641,000
Shares issued during the year	-	-
Number of shares at the end of the year	<u>1,641,000</u>	<u>1,641,000</u>

**Reconciliation of share capital:**

	Amount	Amount
Share capital at the beginning of the year	18,910,000	18,910,000
Share capital issued during the year	-	-
Share capital at the end of the year	<u>18,910,000</u>	<u>18,910,000</u>

**b. Details of Preference shareholders holding more than 5% shares in the Company:**

	31 March 2016		31 March 2015	
	No. of shares	% holding in the class	No. of shares	% holding in the class
7% Non-cumulative, Non-convertible and Redeemable Preference Shares				
Edelweiss Agri Value Chain Limited (Formerly known as Edelweiss Integrated Commodity Management Limited)	250,000	100%	250,000	100%
11% Non-cumulative Optionally Convertible Preference Shares				
Edelweiss Commodities Services Limited	667,000	40.65%	667,000	40.65%
ECL Finance Limited	600,000	36.56%	600,000	36.56%
Edelweiss Finance & Investments Limited	374,000	22.79%	374,000	22.79%



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

(Currency: Indian rupees)

### 2.1 Share capital (Continued)

**c. Terms/rights attached to equity shares:**

The Company has only one class of equity shares having a par value of Rs 10. Each holder of equity shares is entitled to one vote per share held.

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.

**d. Terms of conversion/repayment**

**7% Non-cumulative Non-convertible Redeemable Preference Shares:**

The Preference Shares of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The Preference Shares were allotted on December 26, 2011. The Preference Shares are Non-cumulative, Non-convertible Redeemable. The Preference Shares carry a Non-cumulative dividend of 7%. The Preference Shares will be redeemed at Rs. 1,000/- per share at the end of 20 years from the date of allotment.

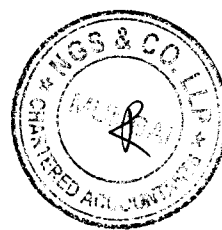
**11% Non-cumulative, Optionally Convertible Preference Shares (NOCPS):**

The 11% Non-cumulative, Optionally Convertible Preference Shares (Shares/NOCPS) of the face value of Rs. 10 each were issued at the rate of Rs. 1,000 per share. The NOCPS were allotted on September 30, 2013. The shares are Non-cumulative Optionally Convertible Shares. The NOCPS carry a Non-cumulative dividend of 11%.

At the option of the NOCPS holder, each NOCPS issued at the price of Rs. 1,000 shall be converted into such number of equity shares of the Company as may be determined by the professional valuer, to be mutually appointed by the Company and the NOCPS holder.

The option of conversion can be exercised by the NOCPS holder at any time after a period of 5 years from the date of allotment of NOCPS. The Company and the NOCPS holder can seek the redemption of the NOCPS after a period of 5 years from the date of allotment of the NOCPS.

The Preference Shares will be redeemed at Rs. 1,000/- per share at the end of 20 years from the date of allotment.

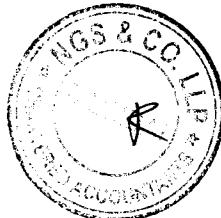


# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

(Currency: Indian rupees)

	As at 31 March 2016	As at 31 March 2015
<b>2.2 Reserves and surplus</b>		
Securities premium account		
Opening balance	1,193,033,530	2,129,080,000
Less: Utilised during the year towards goodwill generated on account of merger	-	936,046,470
	<u>1,193,033,530</u>	<u>1,193,033,530</u>
Surplus/ (deficit) in statement of profit and loss		
Opening balance	(59,255,896)	(94,863,701)
Add: Profit for the year	134,357,236	61,849,051
Less: Loss of EFAL for the period 1 October 2013 to 31 March 14 (refer note 2.39)	-	21,226,085
Less: Adjustment on account of Accumulated Depreciation (refer note 2.9)	-	5,015,161
	<u>75,101,340</u>	<u>(59,255,896)</u>
	<u><u>1,268,134,870</u></u>	<u><u>1,133,777,634</u></u>
<b>2.3 Other long term liabilities</b>		
Deposits from sub-brokers	53,032,785	55,430,036
	<u>53,032,785</u>	<u>55,430,036</u>
<b>2.4 Long-term provisions</b>		
Provision for employee benefits		
Compensated leave absences	3,884,000	2,486,000
	<u>3,884,000</u>	<u>2,486,000</u>
<b>2.5 Short-term borrowings</b>		
<u>Secured</u>		
Bank overdraft	229,989,982	-
(Secured by way of pledge of hypothecation of immovable property and it is repayable on demand, at 12 percent per annum floating rate of interest)		
<u>Unsecured</u>		
Loans and advances from related parties	1,393,028,865	2,195,670,819
(repayable on demand, at variable rate of interest ranging from 8.47 percent per annum to 11.50 percent per annum)		
	<u>1,623,018,847</u>	<u>2,195,670,819</u>
<b>2.6 Trade payables</b>		
Trade payables	2,710,145,601	2,086,177,821
(includes sundry creditors, provision for expenses, customer payables)		
	<u>2,710,145,601</u>	<u>2,086,177,821</u>



# Edelweiss Broking Limited

## Notes to the financial statements (Continued)

(Currency: Indian rupees)

	As at 31 March 2016	As at 31 March 2015
<b>2.7 Other current liabilities</b>		
Interest accrued and due on borrowings	10,529,690	6,987,759
Income received in advance	238,438	432,571
Other payables		
Accrued salaries and benefits	106,720,946	212,537,321
Payable to exchange / clearing house (net)	81,398,336	24,016,335
Withholding tax, service tax and other statutory dues payable	37,750,855	18,729,098
Advances from customers	21,092,937	21,963,051
Book overdraft	137,129,996	42,390,762
Retention money payable	1,346,783	182,469
Others	6,169,805	1,993,134
	<b>402,377,786</b>	<b>329,232,500</b>
<b>2.8 Short-term provisions</b>		
Provision for employee benefits		
Compensated absences	1,430,000	1,046,000
Others		
Provision for taxation (net of advance income taxes and tax deducted at sources)	11,476,866	34,637,541
	<b>12,906,866</b>	<b>35,683,541</b>

