

# **Edelweiss Securities Limited**

Financial Statements  
together with Auditor's Report  
for the year ended 31 March 2016

# B S R & Associates LLP

Chartered Accountants

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## Independent Auditor's Report

### To the Members of Edelweiss Securities Limited

#### *Report on the financial statements*

We have audited the accompanying financial statements of Edelweiss Securities 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 the 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 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 thereunder.

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

## **Independent Auditor's Report (Continued)**

### **Edelweiss Securities Limited**

#### ***Auditor's responsibility (Continued)***

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.

#### ***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 profits and its cash flows for the year ended on that date.

#### ***Report on other legal and regulatory requirements***

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

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

**Independent Auditor's Report (Continued)**

**Edelweiss Securities Limited**

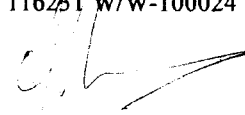
**Report on other legal and regulatory requirements (Continued)**

- e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors are 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 has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 2.33 to the financial statements;
  - 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 long term derivative contracts - Refer Note 2.42 to the financial statements; and
  - iii. There were no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

For B S R & Associates LLP

*Chartered Accountants*

Firm's Registration No: 116281 W/W-100024



**Ashwin Suvarna**

*Partner*

Membership No: 109503

Mumbai  
12 May 2016

## Edelweiss Securities Limited

### Annexure A to the Independent Auditor's Report-31 March 2016

The Annexure referred to in Independent Auditor's Report to the members of 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) 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 the 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 deeds of immovable properties are held in the name of the Company.
- ii. (a) With regards to stock-in-trade, the Company has conducted at reasonable intervals during the year, physical verification of equity shares and other securities on the basis of actual verification or on the basis of electronic statements received from depository participants.
- (b) The procedures for physical verification of stock-in-trade followed by management are reasonable and adequate in relation to the size of the company and nature of business.
- (c) The company is maintaining proper records of stock-in-trade. No material discrepancies have been noticed on physical verification of stock-in-trade.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans 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 Act, for any activities conducted/ 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, income-tax, service tax, duty of customs, value added tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance, sales tax, duty of excise and cess. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, service tax, duty of customs, value added tax and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

## Edelweiss Securities Limited

Annexure A to the Independent Auditor's Report-31 March 2016  
(Continued)

- (b) According to the information and explanations given to us, the following dues have not been deposited by the Company on account of any disputes.

Name of the statute	Nature of dues	Amount (Rs. In million)	Period to which the amount relates	Forum where dispute is pending
The Bombay Stamp Act, 1958	Stamp Duty	3.54	F.Y. 2004-05	Maharashtra State Government
The Bombay Stamp Act, 1958	Stamp Duty	14.39	F.Y. 2005-06	Maharashtra State Government
The Bombay Stamp Act, 1958	Stamp Duty	5.34	F.Y. 2006-07	Maharashtra State Government
Income Tax Act, 1961	Income Tax	24.39	A.Y. 2008-09	High Court (Maharashtra)
Income Tax Act, 1961	Income Tax	3.26	A.Y. 2009-10	High Court (Maharashtra)
Income Tax Act, 1961	Income Tax	5.45	A.Y. 2011-12	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	9.09	F.Y. 2012-13	Commissioner of Income Tax (Appeals)

- viii. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not defaulted in the repayment of outstanding dues to financial institution, bank, government or debenture holder during the year.
- ix. According to the information and explanations given to us and based on our examination of records of the Company, the term loans taken by the Company have been applied for the purpose for which they were raised.
- x. According to the information and explanations given to us, no material 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, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- 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 the Act 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 given to us and based on our examination of the records of the Company, the Company has made private placement of Non-convertible debentures during the year in accordance with Section 42 of Companies Act 2013 and have been used for the purpose for which the funds were raised.

## Edelweiss Securities Limited

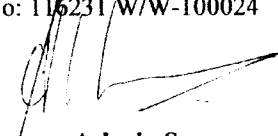
### Annexure A to the Independent Auditor's Report-31 March 2016 (Continued)

- 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 any 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 45-1A of Reserve Bank of India Act 1934.

For **B S R & Associates LLP**

*Chartered Accountants*

Firm's Registration No: 116231/W/W-100024



**Ashwin Suvarna**

*Partner*

Membership No: 109503

Mumbai  
12 May 2016

## Edelweiss Securities Limited

### Annexure B to the Independent Auditor's Report-31 March 2016

#### 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 Securities Limited (the "Company") as of 31 March 2016 in conjunction with our audit of the 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

#### Auditor's 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 and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, 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 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 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.





## Edelweiss Securities Limited

### Annexure B to the Independent Auditor's Report-31 March 2016 (Continued)

#### Meaning of internal financial controls over financial reporting

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

#### Inherent limitations of internal financial controls over financial reporting

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

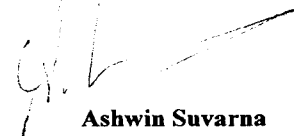
#### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 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 issued by the ICAI.

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No: 116231 W/W-100024



Ashwin Suvarna

Partner

Membership No: 109503

Mumbai  
12 May 2016

## Edelweiss Securities Limited

### Balance sheet

as at 31 March 2016

(Currency : Indian rupees in millions)

	Note	As at 31 March 2016	As at 31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2.1	264.84	264.84
Reserves and surplus	2.2	4,245.65	4,094.74
		<u>4,510.49</u>	<u>4,359.58</u>
<b>Non-current liabilities</b>			
Other long term liabilities	2.3	0.26	0.60
Long-term provisions	2.4	19.63	18.09
<b>Current liabilities</b>			
Short-term borrowings	2.5	3,967.92	4,938.46
Trade / customer accounts payables	2.6	1,935.31	1,381.13
Other current liabilities	2.7	10,225.50	9,452.91
Short-term provisions	2.8	159.68	158.50
<b>TOTAL</b>		<u><u>20,818.79</u></u>	<u><u>20,309.27</u></u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	2.9		
(i) Tangible assets		342.48	352.65
(ii) Intangible assets		28.73	39.79
(iii) Capital work-in-progress		14.92	2.68
Non-current investments	2.10	3,077.62	2,985.41
Deferred tax assets	2.11	63.02	66.53
Long-term loans and advances	2.12	1,046.65	984.79
Other non-current assets	2.13	6,623.99	6,490.74
		<u>11,197.41</u>	<u>10,922.59</u>
<b>Current assets</b>			
Stock-in-trade	2.14	0.26	1.06
Trade / customer accounts receivables	2.15	852.09	649.46
Cash and bank balances	2.16	7,380.68	7,903.64
Short-term loans and advances	2.17	397.24	296.92
Other current assets	2.18	991.11	535.60
		<u>9,621.38</u>	<u>9,386.68</u>
<b>TOTAL</b>		<u><u>20,818.79</u></u>	<u><u>20,309.27</u></u>

Significant accounting policies and notes to the financial statements

1 & 2

As per our report of even date attached.

For B S R & Associates LLP  
Chartered Accountants  
Firm's Registration No: 116231W/W-100024

Ashwin Suvarna  
Partner  
Membership No: 109503

Mumbai  
12 May 2016

For and on behalf of the Board of Directors

Kaushik Karani  
Director  
DIN : 02020023

Santosh Sawant  
Chief Financial Officer

Mumbai  
12 May 2016

Maneesha Sha Thakur  
Director  
DIN : 01183101

Pooja Doshi  
Company Secretary

## Edelweiss Securities Limited

### Statement of Profit and Loss

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

	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	1,891.62	1,754.70
Income from treasury	2.20	(22.23)	135.41
Interest income	2.21	2,178.64	2,048.07
Other operating revenue	2.22	120.00	72.74
		<u>4,168.03</u>	<u>4,010.92</u>
<b>Other income</b>	2.23	0.87	1.98
<b>Total Revenue</b>		<u>4,168.90</u>	<u>4,012.90</u>
<b>Expenses</b>			
Employee benefit expenses	2.24	1,721.73	1,283.67
Finance costs	2.25	1,310.02	1,635.52
Depreciation and amortization expenses	2.9	107.87	86.55
Other expenses	2.26	882.37	808.71
<b>Total expenses</b>		<u>4,021.99</u>	<u>3,814.45</u>
Profit before tax		146.91	198.45
(1) Current tax:		4.59	11.14
(includes net excess provision for earlier years of ₹ 0.86 (Previous year: ₹ 0.25))			
(2) MAT credit entitlement		(12.10)	-
(includes for earlier years of ₹ 12.10 (Previous year: ₹ Nil))			
(3) Deferred tax		3.51	(7.41)
<b>Profit for the year</b>		<u>150.91</u>	<u>194.72</u>
<b>Earnings per equity share:</b>	2.29	5.76	7.42
<b>Basic and diluted (face value of ₹ 10 each)</b>			

Significant accounting policies and notes to the financial statements

J & 2

As per our report of even date attached.

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Ashwin Suvarna

Partner

Membership No: 109503

For and on behalf of the Board of Directors

Kaushik Karani

Director

DIN : 02020023

Sandesh Sawant

Chief Financial Officer

Maneesha Jha Thakur

Director

DIN : 01183101

Pooja Doshi

Company Secretary

Mumbai  
12 May 2016

Mumbai  
12 May 2016

## Edelweiss Securities Limited

### Cash Flow Statement

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>A Cash flow from operating activities</b>		
Profit before tax	146.91	198.45
Adjustments for		
Depreciation / amortisation	107.87	86.55
Provision for doubtful debts	0.26	22.21
Profit on sale of fixed assets	(1.47)	(0.23)
Dividend on long term investment	(0.70)	(0.70)
Interest expense	1,220.69	1,356.09
<b>Operating cash flow before working capital changes</b>	<b>1,473.56</b>	<b>1,662.37</b>
Add / (Less): Adjustments for working capital changes		
Increase in trade receivables	(202.89)	(226.75)
Decrease in inventories	0.80	780.00
Decrease / (Increase) in loans and advances	459.60	(909.07)
(Increase) / Decrease in other assets	(455.51)	258.52
Increase in other non current assets	(133.25)	(4,763.69)
Increase in liabilities and provisions	1,331.17	3,478.39
<b>Cash generated from operations</b>	<b>2,473.48</b>	<b>279.76</b>
Income taxes paid	147.59	142.68
<b>Net cash generated from operating activities - A</b>	<b>2,325.89</b>	<b>137.08</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(101.15)	(112.45)
Sale of fixed assets	3.74	0.85
Purchase of long term investments	(92.21)	(671.11)
Dividend on long term investment	0.70	0.70
<b>Net cash used in investing activities - B</b>	<b>(188.92)</b>	<b>(782.01)</b>
<b>C Cash flow from financing activities</b>		
Repayment of intercorporate deposit	-	2,180.00
Repayment of commercial paper	(44,722.99)	(64,011.59)
Proceeds from commercial paper	44,722.99	62,039.31
(Repayment of) / Proceeds from loan from Edelweiss Financial Services Limited (refer note 1)	(2,082.23)	2,327.32
Repayment of loan from fellow subsidiary company	(7.60)	(22.33)
Proceeds from / (Repayment of) secured loans (refer note 1)	740.24	(3,835.33)
Proceeds from other loans	379.05	2,023.20
Interest paid on loans	(1,222.71)	(1,346.26)
Dividend paid on equity shares	-	(201.85)
Dividend distribution tax paid	-	(40.36)
<b>Net cash used in financing activities - C</b>	<b>(2,193.25)</b>	<b>(887.90)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(56.28)</b>	<b>(1,532.82)</b>
Cash and cash equivalent as at the beginning of the year	819.46	2,352.28
Cash and cash equivalent as at the end of the year (refer note 2.16)	763.18	819.46

#### Notes:

1 Net figures have been reported on account of volume of transactions.

As per our report of even date attached.

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No: 116231W/W-100024

Anshwin Suvarna

Partner

Membership No: 109503

For and on behalf of the Board of Directors

Kaushik Karani

Director

DiN : 02020023

Sandesh Sawant

Chief Financial Officer

Manisha Jha Thakur

Director

DiN : 02383101

Pooja Doshi

Company Secretary

Mumbai  
12 May 2016

Mumbai  
12 May 2016

# Edelweiss Securities Limited

## Notes to the financial statements

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies

#### 1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared and presented in accordance with India 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 Schedule III to the Act. The financial statements are presented in Indian rupees in millions.

#### 1.2 Use of estimates

The preparation of the financial statements in conformity with the GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities disclosure of contingent liabilities on the date of the financial statement 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 statement. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 1.3 Current and Non-current classification

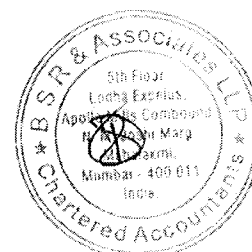
All assets and liabilities are classified into current and non-current

##### 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 twelve 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 twelve 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 twelve months after the reporting date or the company does not have an unconditional right to defer settlement of the liability for at least twelve 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



# Edelweiss Securities Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies *(Continued)*

#### 1.4 Revenue recognition

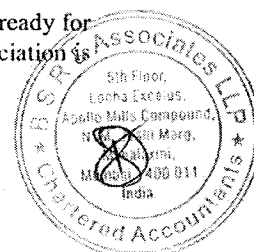
- Brokerage income is recognised as per contracted rates at the execution of transactions on behalf of the customers on the trade date and is reflected net of related stock exchange expenses.
- Fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- Income from treasury operations comprises of profit/loss on sale of securities, profit/loss on equity and currency derivative instruments.
  - i) Profit/ loss on sale of securities are determined based on the weighted average cost of the securities sold.
  - ii) Realised profit/ loss on closed positions of all derivative instruments is recognised on final settlement on squaring-up of the contracts. All 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 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, valuation techniques 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.
- Research services fee income is accounted when there is reasonable certainty as to its receipts.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Profit/loss on sale of investment is recognised on trade date basis. Profit/loss on sale of investments is determined based on the weighted average cost of the investments sold.
- Warehouse charges have been netted off against warehouse expenses.
- Delayed payment charges are recognised on accrual basis.

#### 1.5 Fixed assets and depreciation

##### Tangible fixed assets and Capital work in progress

Tangible fixed assets are stated at cost of acquisition or construction, less 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 for its intended use or put to use whichever is earlier. In respect of assets sold, depreciation is provided upto the date of disposal.



# Edelweiss Securities Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies (Continued)

#### 1.5 Fixed assets and depreciation (Continued)

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

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

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

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

#### Intangible fixed assets

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

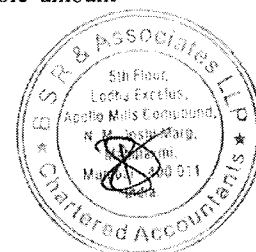
Intangible such as software is amortised over a period of 3 years based on its estimated useful life whichever is shorter.

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

Goodwill is amortised over a period of 5 years.

#### 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 which the asset belongs to 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.



# Edelweiss Securities Limited

## Notes to the financial statements (Continued)

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies (Continued)

#### 1.7 Stock-in-trade

- a) The securities acquired with the intention of short term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b) The securities, including from error trades, held as stock-in-trade are valued at lower of weighted average cost or market value.
- c) In case of units of mutual funds held as stock-in-trade, net asset value is considered as fair value.
- d) Debt instruments held as stock in trade are valued at weighted average cost or realisable value whichever is lower. In case of debt instruments for which direct quotes are not available, they are valued at the lowest of the quotes as on valuation date as provided by market intermediaries.

#### 1.8 Investments

Investments are classified into non-current (long term) 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 (long term) 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 of the year.

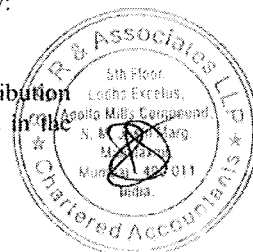
Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated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

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 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 which recognises each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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 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 Leave Absences*

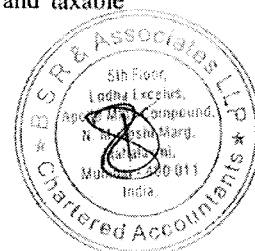
The eligible employees of the Company are permitted to carry forward certain number of their annual leave entitlement to subsequent years, subject to a ceiling. The Company recognises the charge to the statement of profit and loss and corresponding liability on account of such non-vesting accumulated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

##### *Deferred Bonus*

The Company has adopted a Deferred Bonus Plan under the Deferred Variable Compensation Plan. A pool of identified senior employees of the Company is entitled for benefits under this plan. Such deferred compensation will be paid in a phased manner over a future period of time. The measurement for the same has been based on actuarial assumptions and principles. These assumptions and principles are consistent with the requirements of Accounting Standard 15 (Revised 2005).

#### 1.11 Taxation

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



# Edelweiss Securities Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies *(Continued)*

#### 1.11 Taxation *(Continued)*

##### *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 recognized 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 these 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 Alternate Tax (MAT) Credit*

MAT credit asset is recognized where there is convincing evidence that the asset can be realized 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 realized.

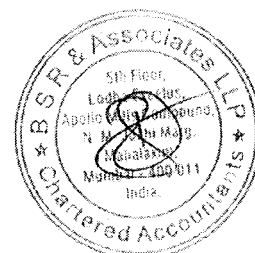
#### 1.12 Operating leases

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 during 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 the weighted average number of equity shares considered for deriving basic earnings per share and weighted average number of equity shares that could have been issued upon conversion of all potential equity shares.



# Edelweiss Securities Limited

## Notes to the financial statements *(Continued)*

for the year ended 31 March 2016

(Currency : Indian rupees in millions)

### 1. Significant accounting policies *(Continued)*

#### 1.14 Provisions and contingences

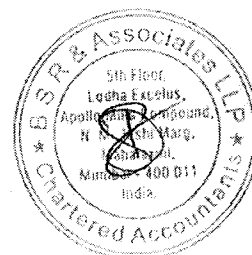
The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present 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.

#### 1.15 Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amounts are presented in the Balance Sheet where the Company has a legal right to set off the recognised amounts. Such legal rights are by virtue of a binding legal contract or by an irrevocable undertaking executed by the Company. The aforesaid policy is generally applied to offset receivables from and payables to same counterparties; to offset fixed deposits specifically pledged with banks against the borrowings availed from them; and other such similar qualifying arrangements.



## Edelweiss Securities Limited

### Notes to the financial statements (Continued)

as at 31 March 2016

(Currency : Indian rupees in millions)

	As at 31 March 2016	As at 31 March 2015
<b>2.1 Share capital</b>		
Authorised :		
27,540,000 (Previous year: 27,540,000) equity shares of ₹ 10 each	275.40	275.40
460,000 (Previous year: 460,000) preference shares of ₹ 10 each	4.60	4.60
	<u>280.00</u>	<u>280.00</u>
Issued, Subscribed and Paid up:		
26,213,676 (Previous year: 26,213,676) equity shares of ₹ 10 each, fully paid-up (the entire Equity Share Capital is held by Edelweiss Financial Services Limited, the holding company and its nominees)	262.14	262.14
260,000 (Previous year: 260,000) 7% redeemable non-cumulative non-convertible preference shares of ₹ 10 each, fully paid up [All the above 260,000 preference shares of ₹ 10 each are held by Edelweiss Commodities Services Limited, a fellow subsidiary]	2.60	2.60
9,575 (Previous year: Nil) 9% Non-Cumulative Redeemable Preference Shares of ₹ 10 each, fully paid up (All the above 9,575 Preference Shares of ₹ 10 each are held by Edelweiss Financial Services Limited, the holding Company)	0.10	0.10
	<u>264.84</u>	<u>264.84</u>

#### a. Movement in share capital :

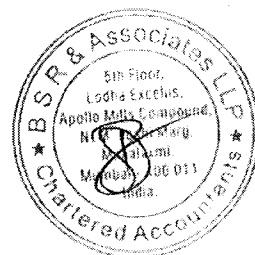
	31 March 2016		31 March 2015	
	No of shares	Amount	No of shares	Amount
(i) Equity shares				
Outstanding at the beginning	26,213,676	262.14	26,213,676	262.14
Shares issued during the year	-	-	-	-
Outstanding at the end of the year	<u>26,213,676</u>	<u>262.14</u>	<u>26,213,676</u>	<u>262.14</u>

Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Financial Services Limited, the holding company	26,213,676	100%	26,213,676	100%
	<u>26,213,676</u>	<u>100%</u>	<u>26,213,676</u>	<u>100%</u>

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Financial Services Limited and its nominees	26,213,676	100%	26,213,676	100%
	<u>26,213,676</u>	<u>100%</u>	<u>26,213,676</u>	<u>100%</u>



## Edelweiss Securities Limited

### Notes to the financial statements (Continued)

as at 31 March 2016

#### 2.1 Share capital (Continued)

(ii) Preference shares

7% Redeemable Non-Cumulative Non-convertible Preference Shares of ₹ 10 each, fully paid up

	31 March 2016		31 March 2015	
	No of shares	Amount	No of shares	Amount
Outstanding at the beginning	260,000	2.60	260,000	2.60
Issued during the year	-	-	-	-
Redeemed during the year	-	-	-	-
Outstanding at the end of the year	260,000	2.60	260,000	2.60

9% Redeemable Non-Cumulative Non-convertible Preference Shares of ₹ 10 each, fully paid up

	31 March 2016		31 March 2015	
	No of shares	Amount	No of shares	Amount
Outstanding at the beginning	9,575	0.10	-	-
Shares issued during the year	-	-	9,575	0.10
Shares redeemed during the year	-	-	-	-
Number of shares at the end	9,575	0.10	9,575	0.10

9,575 - 9% Redeemable Non-Cumulative Preference Shares of ₹ 10 each to Edelweiss Financial Services Limited, pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh at Hyderabad for acquisition of the Derivatives business of EC Commodity Limited.

7% Non-cumulative Non-convertible Redeemable Preference Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Commodities Services Limited, the fellow subsidiary	260,000	100%	260,000	100%
	260,000	100%	260,000	100%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

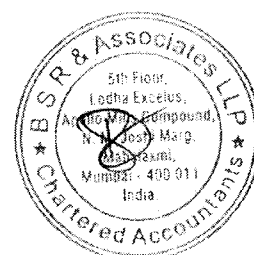
	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Commodities Services Limited	260,000	100%	260,000	100%
	260,000	100%	260,000	100%

9% Redeemable non-cumulative preference Shares Preference Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Financial Services Limited, the holding company	9,575	100%	9,575	100%
	9,575	100%	9,575	100%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	31 March 2016		31 March 2015	
	No of shares	%	No of shares	%
Edelweiss Financial Services Limited	9,575	100%	9,575	100%
	9,575	100%	9,575	100%



## Edelweiss Securities Limited

### Notes to the financial statements (Continued)

as at 31 March 2016

#### 2.1 Share capital (Continued)

b. Terms/rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 10. Each holder of equity shares is entitled to one vote per share held. In the event 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 entitlement will be in proportion to the number of equity shares held by the shareholders.

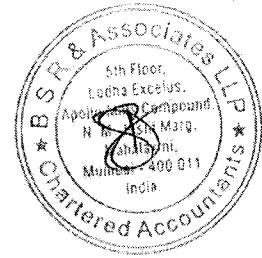
c. Terms of conversion/repayment of 7% non-cumulative non-convertible redeemable preference shares:

The preference shares of the face value of ₹ 10 each were issued at ₹ 1,000 per share. The preference shares are non-cumulative and non-convertible. The preference shares carry a non-cumulative dividend of 7%. The preference shares will be redeemed at ₹ 1,000 per share at the end of 20 years from the date of allotment, being 22 February 2012.

d. Terms of Redemption of 9% Redeemable Non-Cumulative Preference Shares :

The Preference Shares are non-cumulative.

The Preference Shares carry a non-cumulative dividend of 9%. The Preference Shares will be redeemed at ₹ 10 per share at the end of 20 years from the date of allotment, being May 30, 2014. The Company has the option to redeem the Preference Shares at any time after six months from the date of allotment.



## Edelweiss Securities Limited

### Notes to the financial statements (Continued)

as at 31 March 2016

(Currency : Indian rupees in millions)

	As at 31 March 2016	As at 31 March 2015
<b>2.2 Reserves and surplus</b>		
Securities premium account - opening balance	<u>1,064.78</u>	<u>1,064.78</u>
	1,064.78	1,064.78
General reserve - opening balance	<u>112.11</u>	<u>112.11</u>
	112.11	112.11
Surplus in statement of profit and loss		
Opening balance	2,917.85	2,976.54
Add: Profit for the year	150.91	194.72
Less: Adjustment on account of Accumulated Depreciation (refer note 2.9 (2))	-	(10.97)
<b>Amount available for appropriation</b>	<u>3,068.76</u>	<u>3,160.29</u>
Appropriations:		
Interim dividend	-	201.85
Dividend distribution tax	-	40.40
Dividend on preference shares	-	0.19
	<u>3,068.76</u>	<u>2,917.85</u>
	<u>4,245.65</u>	<u>4,094.74</u>

