

**R.G.N.PRICE & CO.
CHARTERED ACCOUNTANTS**

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Post Box No.335
861, Anna Salai,
CHENNAI - 600 002.

Independent Auditor's Report

To the Members of

IFCI Financial Services Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IFCI Financial Services Limited (the "Company") and its subsidiaries which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Company for the year ended March 31, 2014 and a summary of significant accounting policies and other explanatory information.

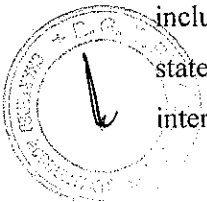
Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated



financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statement give the information required by the Companies Act, 1956, in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at March 31, 2014;
- b) in the case of Consolidated Statement of Profit and Loss, of the LOSS for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.


Emphasis of Matter

We draw attention to Note No.5 in Consolidated Financial Statements according to which there were unreconciled items for more than 3 months for Rs. 16.85 lakhs representing unidentified credit (direct bank deposits) and Rs.11.36 lakhs representing unidentified debits (cheques deposited but not cleared) in respect of IFCI Financial Services Ltd and Rs.2.24 lakhs representing unidentified credits and Rs. 7.72 lakhs representing unidentified debits in respect of one of its subsidiaries. We were informed that the company is in the process of reconciling the same. Our opinion is not qualified in respect of this matter.

Place: Chennai

Date: 11th April 2014

For R.G.N. PRICE & CO.
Chartered Accountants


K. Venkatakrishnan
Partner
M. No. 208591
FR No. 002785S

IFCI Financial Services Limited
Consolidated Balance Sheet as at 31st March 2014

(Amount in Rs.)

Particulars	Note No.	As at 31st March 2014	As at 31st March 2013
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	415,337,090	415,337,090
(b) Reserves and surplus	3	317,964,310	383,224,815
2 Non-current liabilities			
(a) Long-term borrowings			
(a) Deferred tax liabilities (Net)		5,031,486	-
(b) Other Long term liabilities	4	6,553,211	14,708,711
3 Current liabilities			
(a) Short-term borrowings	5	329,833,777	380,617,887
(b) Trade payables		275,845,468	246,101,881
(c) Other current liabilities	6	46,337,461	57,635,848
(d) Short-term provisions	7	38,960,835	2,534,641
TOTAL		1,435,863,638	1,500,160,873
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	8		
(i) Tangible assets		27,653,058	37,771,771
(ii) Intangible assets		6,488,395	8,631,691
(iii) Goodwill		2,253,857	2,253,857
(b) Non-current investments	9	-	-
(c) Deferred tax assets (net)		126,041	
(c) Long-term loans and advances	10	169,911,295	98,270,302
2 Current assets			
(a) Current investments	11	21,379,898	30,803,579
(b) Trade receivables	12	154,935,029	250,611,558
(c) Cash and Bank balances	13	291,854,883	276,713,785
(d) Short-term loans and advances	14	734,142,381	774,724,252
(e) Other current assets	15	27,118,801	20,380,079
TOTAL		1,435,863,638	1,500,160,873

The Notes 1 to 15 form an integral part of Consolidated Balance sheet

This is the Consolidated Balance Sheet referred to in our Report of even date

For R.G.N. PRICE & CO.
Chartered Accountants

K. Venkatakrishnan
Partner
M. No. 208591
FR No. 002785S

Place : Chennai
Date : 11th April 2014



FOR AND ON BEHALF OF THE BOARD OF
IFCI FINANCIAL SERVICES LIMITED

S. Shukla
SUNEET SHUKLA
MANAGING DIRECTOR

S. Susha
S.USHA
DIRECTOR

Ashwin Kumar R
ASHWIN KUMAR.R
COMPANY SECRETARY

IFCI Financial Services Limited
Consolidated statement of Profit and loss for the Period ended 31st March 2014

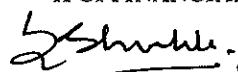

(Amount in Rs.)

Particulars		Note No.	For the Year Ended 31st March 2014	For the Year Ended 31st March 2013
I.	Revenue from operations	16	245,350,241	343,647,379
II.	Other Operating Income	17	7,074,324	6,894,386
III.	Other Income	18	44,759,997	48,879,034
IV.	Total Revenue (I + II + III)		297,184,562	399,420,798
V.	Expenses:			
	Employee benefits expense	19	123,180,038	136,375,387
	Finance costs	20	33,526,456	41,434,680
	Depreciation and amortization expense	8	13,959,327	20,117,509
	Other expenses	21	113,131,704	172,586,020
	Loss on trading in Securities		-	17,338,590
	Total expenses (V)		283,797,525	387,852,186
VI.	Profit before provision for bad & Doubtful debts and tax (IV - V)		13,387,037	11,568,612
VII.	Provision for Bad, Doubtful Assets & Dimunition of stock	22	59,003,950	(51,418,624)
VIII.	Profit before extraordinary items and tax (VI - VII)		(45,616,913)	62,987,236
IX.	Extra-ordinary items		-	-
X	Profit before tax (VIII - IX)		(45,616,913)	62,987,236
XI	Tax expense:			
	Provision for Taxation			
	- Current Tax		14,743,278	10,213,788
	- Current Tax - MAT Credit Entitlement		(5,132)	(2,510,574)
	- Deferred Tax Charge (Net)		4,905,445	-
XII	Profit (Loss) for the period (IX - X)		(65,260,504)	55,284,022
XIII	Earnings per equity share:			
	(1) Basic		(1.57)	1.33
	(2) Diluted		(1.57)	1.33

The Notes 1 & 16 to 22 form an integral part of Consolidated Statement of Profit and Loss

This is the Consolidated Statement of Profit and Loss referred to in our Report of even date

FOR AND ON BEHALF OF THE BOARD OF
IFCI FINANCIAL SERVICES LIMITED



SUNEET SHUKLA **S.USHA**
MANAGING DIRECTOR **DIRECTOR**

Place : Chennai

Date : 11th April 2014


ASHWIN KUMAR R
COMPANY SECRETARY

IFCI FINANCIAL SERVICES LIMITED (CONSOLIDATED FINANCIAL STATEMENT)
CONSOLIDATED CASH FLOW STATEMENT AS ON 31ST MARCH 2014

(Amount in Rs.)

Particulars	CONSOLIDATED		
		Year Ended 31.03.2014	Year Ended 31.03.2013
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		(45,616,913)	62,987,236
Adjustments for:			
Depreciation / Amortisation on Fixed Assets	13,959,327		20,117,509
Provision for Doubtful Debts	29,498,374		(22,113,941)
Diminution in Value of Stock	(1,936,710)		(34,708,124)
Bad Debts Written Off	2,222,935		5,403,441
Dividend Received (considered separately under Investment Activities)	(818,409)		(1,408,825)
Finance Cost (considered separately under Finance Activities)	33,526,456		41,434,680
Interest income	(23,617,104)		(19,833,059)
Profit/(Loss) on Fixed Asset	(29,668)	52,805,201	164,247
Operation Profit before Working Capital Changes		7,188,288	52,043,164
Adjustments for:			
(Increase) / Decrease in Current Investments	11,360,391		358,015,186
(Increase) / Decrease in Trade Receivables	66,178,154		50,643,643
(Increase) / Decrease in Short term Loans & Advances	25,620,789		(467,871,198)
(Increase) / Decrease in Other Current Assets	(6,738,722)		3,515,795
(Increase) / Decrease in Long term loans & Advances	(71,640,993)		
Increase / (Decrease) in other Liabilities	(11,298,387)		(32,003,645)
Increase / (Decrease) in Short term Borrowings	(50,784,110)		
Increase / (Decrease) in Trade payable	29,743,587		
Increase / (Decrease) in Provisions	36,426,194		10,374,266
Increase / (Decrease) in Non - Current Liabilities	(8,155,500)		6,313,259
		20,711,403	(71,012,693)
Cash Generated from Operation before tax		27,899,692	(18,969,528)
Direct taxes paid		(2,000,000)	(8,506,899)
Net cash from Operating Activities		25,899,692	(27,476,427)
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(1,747,320)	(4,434,620)
(Increase) / Decrease in Fixed Deposits		(8,289,459)	(37,508,318)
Dividend Received		818,409	1,408,825
Interest received		23,617,104	23,348,853
Sale of Fixed Assets		79,670	181,700
Net Cash used in / raised from Investing Activities		14,478,404	(17,003,560)
C CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Received			
Short term Borrowing (net)			62625684.59
Finance Cost		(33,526,456)	(41,434,680)
		(33,526,456)	21,191,004
Net Changes in Cash & Cash Equivalent (a+b+c)		6,851,640	(23,288,983)
Opening Cash and Cash Equivalent		60,468,385	83,757,368
Closing Cash and Cash Equivalent		67,320,025	60,468,385
Increase / (Decrease) in Cash & Cash Equivalent		6,851,640	(23,288,983)

The above cash flow statement has been prepared under the "indirect method" set out in Accounting Standard-3 on Cash Flow Statement issued as per Company's Accounting Standard Rules, 2006.

This is the Cash Flow referred to our report of even date

For R.G.N. PRICE & CO.
Chartered Accountants

K. Venkatakrisnan
Partner
M. No. 208591
FR No. 002785S
Date: 11th April 2014



FOR AND ON BEHALF OF THE BOARD OF
IFCI FINANCIAL SERVICES LIMITED

SUNEET SHUKLA
MANAGING DIRECTOR

S.USHA
DIRECTOR

ASHWIN KUMAR R
COMPANY SECRETARY

IFCI Financial Services Limited
Note no. 2 Share Capital

(Amount in Rs.)

Particulars	As at 31 March 2014		As at 31 March 2013	
	Number	Rs	Number	Rs
Authorised				
Equity Shares of Rs.10/- each	5,00,00,000	50,00,00,000	5,00,00,000	50,00,00,000
Issued				
Equity Shares of Rs.10/- each	41,533,709	415,337,090	41,533,709	41,53,37,090
Subscribed & Paid up				
Equity Shares of Rs.10/- each	41,533,709	415,337,090	41,533,709	415,337,090
Total	41,533,709	415,337,090	41,533,709	415,337,090

Particulars	Equity Shares		Equity Shares	
	Number	Rs	Number	Rs
Shares outstanding at the beginning of the year	41,533,709	415,337,090	41,533,709	415,337,090
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	41,533,709	415,337,090	41,533,709	415,337,090

Name of Shareholder	As at 31 March 2014		As at 31 March 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
IFCI Limited and nominees	39363809	94.78	39363809	94.78
Ms. Chandra Ramesh	1757619	4.23	1757619	4.23

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IFCI Financial Services Limited
Note No. 3 Reserves and Surplus

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
a. Capital Reserves		
Opening Balance	-	-
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance	-	-
b. Capital Redemption Reserve		
Opening Balance	-	-
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance	-	-
A. Securities Premium Account		
Opening Balance	451,643,790	13,750,000
Add : Securities premium credited on Share issue	-	437,893,790
Less : Premium Utilised for various reasons	-	-
Premium on Redemption of Debentures	-	-
For Issuing Bonus Shares	-	-
Closing Balance	451,643,790	451,643,790
B. Other Reserves (Specify the nature and purpose of each reserve)		
i) Amalgamation Reserve:		
Opening Balance	1,745,305	1,745,305
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance	1,745,305	1,745,305
ii) General Reserve:		
Opening Balance	9,179,620	9,179,620
(+) Current Year Transfer	322,231	-
(-) Written Back in Current Year	-	-
Closing Balance	9,501,851	9,179,620
iii. Surplus:		
Opening balance	(79,343,900)	(134,627,921)
(+) Net Profit/(Net Loss) For the current year	(65,260,504)	55,284,022
(+) Transfer from Reserves	-	-
(-) Proposed Dividends	-	-
(-) Interim Dividends	-	-
(-) Transfer to Reserves	322,231	-
Closing Balance	(144,926,636)	(79,343,900)
Total	317,964,310	383,224,815

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IFCI FINANCIAL SERVICES LIMITED
Note No. 4 Other Long Term Liabilities

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Security Deposit and Sundry deposits	6,553,211	14,708,711
Total	6,553,211	14,708,711

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Note 5 Short Term Borrowings

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Secured		
Loans and advances from related parties	-	-
Other loans and advances (specify nature)		
Marin funding loan (Secured By Shares)	-	379,585,053
	-	379,585,053
Unsecured		
(a) Loans repayable on demand	-	-
(b) Loans and advances from related parties	39,833,776	-
(C) Others	290,000,001	1,032,834
	329,833,777	1,032,834
Total	329,833,777	380,617,887

Note 6 Other Current Liabilities

Particulars	As at 31st March 2014	As at 31st March 2013
Sundry deposit	729,498	-
Statutory remittances (Contributions to PF and ESIC,	20,767,365	19,378,167
Creditors for expenses	5,254,657	7,420,859
Other liabilities	19,585,941	30,836,822
Total	46,337,461	57,635,848

Note 7 Short Term Provisions

Particulars	As at 31st March 2014	As at 31st March 2013
(a) Provision for employee benefits		
Gratuity	321,222	39,244
Leave Encashment	760,160	782,666
Bonus	116,889	-
(b) Others (Specify nature)		
Others	2,496,507	-
Provision for Sub-standard Assets	23,183,079	-
Provision for doubtful debts	10,385,413	-
Provision for Standard Assets	1,697,565	1,712,731
Total	38,960,835	2,534,641

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Note: 8 Fixed Assets

Description	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1st April 2013	Additions/ (Disposals)	Deletion	Balance as at 31st Mar 2014	Balance as at 1st April 2013	Depreciation charge for the year	On disposals	Balance as at 31st Mar 2014	Balance as at 31st Mar 2014	Balance as at 31st Mar 2013
Tangible Assets										
Land	272,500			272,500					272,500	
Plant and Equipment	44,568,782			44,568,782	24,626,206	5,548,025	-	30,174,231	14,394,551	19,942,576
Furniture and Fixtures	6,179,035	22,500		6,201,535	3,552,796	497,849	-	4,050,645	2,150,890	2,626,239
Vehicles	22,150			22,150	18,175	1,029	-	19,204	2,946	3,975
Office equipment	11,710,724	157,975	25,389	11,843,310	5,387,393	909,266	8,237	6,288,422	5,554,888	6,323,331
computer hardware	39,592,592	166,950	166,500	39,593,042	30,989,441	3,459,968	133,650	34,315,759	5,277,283	8,603,151
Total	102,345,783	347,425	191,889	102,501,319	64,574,011	10,416,137	141,887	74,848,261	27,653,058	37,771,772
Intangible Assets										
Computer software	32,589,442	1,399,895		33,989,337	23,957,751	3,543,190	-	27,500,941	6,488,396	8,631,691
Membership Card	3,200,000			3,200,000	3,200,000		-	3,200,000		
Others - Non compete fees	10,000,000			10,000,000	10,000,000		-	10,000,000		
Total	45,789,442	1,399,895	-	47,189,337	37,157,751	3,543,190	-	40,700,941	6,488,396	8,631,691
Capital Work In Progress										
Total	148,135,225	1,747,320	191,889	149,690,656	101,731,762	13,959,327	141,887	115,549,202	34,141,454	46,403,462
Intangible assets under Development										
Total	148,135,225	1,747,320	191,889	149,690,656	101,731,762	13,959,327	141,887	115,549,202	34,141,454	46,403,462
Previous year	144,235,131	3,900,094	-	148,135,225	81,614,254	20,117,509	-	101,731,763	46,403,462	62,432,297

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IFCI FINANCIAL SERVICES LIMITED
Note 9 Non Current Investments

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Other Investments		
(a) Investment Properties	-	-
(b) Investment in Equity instruments	-	-
(c) Investments in preference shares	-	-
(d) Investments in Government or Trust securities	-	-
(e) Investments in debentures or bonds	-	-
(f) Investments in Mutual Funds	-	-
(g) Investments in partnership firms	-	-
(h) Other non-current investments	-	-
Total	-	-
Grand Total (A + B)	-	-
Less : Provision for diminution in the value of Investments	-	-
Total	-	-

Particulars	As at 31st March 2014	As at 31st March 2013
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	-	-

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IFCI FINANCIAL SERVICES LIMITED

Note 10 Long Term Loans and Advances

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
a. Capital Advances		
Secured, considered good	-	-
Unsecured, considered good	1,513,710	1,513,710
Doubtful	-	-
Less: Provision for doubtful advances	-	-
	1,513,710	1,513,710
b. Security Deposits		
Secured, considered good	350,000	-
Unsecured, considered good	116,875,287	87,723,586
Doubtful	-	-
Less: Provision for doubtful deposits	-	-
	117,225,287	87,723,586
c. Loans and advances to related parties		
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	-	-
Less: Provision for doubtful loans and advances	-	-
	-	-
d. Other loans and advances (specify nature)		
Other Loans & Advances	51,172,298	9,033,006
Advance Tax (net of provisions)	-	-
Doubtful	-	-
	51,172,298	9,033,006
Total	169,911,295	98,270,302

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IFCI FINANCIAL SERVICES LIMITED

Note 11 Current Investments

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
(a) Investment in Equity instruments	40,470,984	51,831,375
(b) Investments in preference shares	-	-
Total (A)	40,470,984	51,831,375
Less : Provision for dimunition in the value of Investm	19,091,086	21,027,796
Total	21,379,898	30,803,579

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Aggregate amount of quoted investments	21,379,898	30,803,579
Aggregate amount of unquoted investments	-	-

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IFCI FINANCIAL SERVICES LIMITED

Note 12 Trade receivable

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	32,346,521	154,765,740
Unsecured, considered good	82,262,059	63,412,760
Unsecured, considered doubtful	79,686,143	12,910,983
	194,294,723	231,089,483
Less: Provision for doubtful debts	79,686,143	12,910,983
	114,608,581	218,178,500
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	39,555,767	31,828,947
Unsecured, considered good	770,681	604,110
Unsecured, considered doubtful	49,730,828	87,007,613
	90,057,277	119,440,671
Less: Provision for doubtful debts	49,730,828	87,007,613
	40,326,449	32,433,057
Total	154,935,029	250,611,558

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IFCI FINANCIAL SERVICES LIMITED

Note 13 Cash and bank balances

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Balances with banks		
This includes:		
a). In Current Accounts with Banks	67,287,415	60,437,383
b). Fixed Deposit	224,534,859	216,245,399
Cash equivalents and Bank Deposits		
Cash on hand	32,610	31,003
Total	291,854,883	276,713,785

Note 14 Short term loans and advances

Particulars	As at 31st March 2014	As at 31st March 2013
a. Loans and advances to related parties		
Secured, considered good		
Unsecured, considered good		
Doubtful	17,046	-
b. Others		
Other Loans and Advances	647,234,197	2,101,287
Advance tax net of provisions	(2,248,666)	13,209,669
Balance with Govt Authorities	1,097,189	-
Prepaid Expenses	165,365	707,194,522
Secured, considered good	87,877,251	52,218,774
	734,125,336	774,724,252
Total	734,142,381	774,724,252

Note 15 Other current assets

Particulars	As at 31st March 2014	As at 31st March 2013
Interest accrued on Deposits	27,044,197	20,305,474
Interest Receivable	74,604	74,604
Total	27,118,801	20,380,078

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IFCI FINANCIAL SERVICES LIMITED

Note 16 Revenue from Operations

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Operating revenues:		
Brokerage On Stock Broking	132,417,707	205,303,499
Commission On Mutual Fund	1,522,439	4,329,127
Insurance Commission	99,602	192,561
Loan Syndication Fee	1,864,000	8,825,684
Fees for Merchant Banking	280,000	305,000
Depository Income	7,660,098	7,827,953
Commision From IPO / Bonds	5,507,671	17,073,807
Commision On Fixed deposits	6,258,670	2,952,120
Account Opening Charges	227,373	344,550
Processing Fees	4,817,500	6,869,000
Interest Receipt from Loan	83,876,773	85,674,952
Dividend income	818,409	3,949,126
Total	245,350,241	343,647,379

Note 17 Other Operating Income

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of Power / Electricity	6,033,574	6,182,986
Others	1,040,750	711,400
Total	7,074,324	6,894,386

Note 18 Other Income

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Rental Income	1,720,335	-
Miscellaneous Income	17,376,555	29,045,974
Interest Income	23,617,104	19,833,059
Provision for Diminution of Securities Written back	-	-
Profit on Sale of Securities	2,046,003	-
Total	44,759,997	48,879,034

Note 20 Finance Cost

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Bank charges & Interest	33,526,456	41,434,680
Total	33,526,456	41,434,680

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IFCI FINANCIAL SERVICES LIMITED**Note 19 Employee Benefits expense****(Amount in Rs.)**

Particulars	As at 31st March 2014	As at 31st March 2013
Salaries and incentives	106,700,687	119,026,205
Contribution to Provident fund & Employee state insurance	7,378,589	8,494,026
Gratuity fund contributions	1,901,596	359,243
Staff welfare expenses	7,199,166	8,495,912
Total	123,180,038	136,375,387

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IFCI FINANCIAL SERVICES LIMITED

Note: 21 OTHER EXPENSES

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Fees to clearing member	1,614,787	1,900,156
Information technology exp	738,887	1,591,156
Data feed charges	1,659,994	1,650,011
Depository participant expenses	311,278	148,498
Broking stamp expenses	9,263	19,529
Turnover based fees - sebi	48,985	522,522
Professional & consultancy charges	26,627,831	44,790,300
Transaction charges	928,281	1,540,076
Vsat charges	20,674	117,678
Advertisement	12,107	60,750
Audit fees - statutory	1,599,948	435,000
Bank charges	-	72,868
Bank financial expenses	-	1,576,189
Broking trade expenses - prior period	-	5,883,896
Electricity charges	4,379,270	4,650,309
Insurance expenses	1,261,264	2,326,400
Commission paid	11,545,687	22,541,211
Miscellaneous expenses	2,238,167	2,069,598
Postage & telegram	1,317,840	1,669,544
Printing & stationery	1,482,289	1,387,364
Rent	29,241,513	34,910,630
Rates & taxes	1,578,688	4,858,307
Repairs & maintenance	3,919,447	4,494,198
Sitting fees	246,000	315,000
Membership fee and subscription	2,190,173	952,022
Telephone expenses	7,399,252	9,088,901
Training expenses	163,773	527,925
Travelling & conveyance expenses	3,784,893	3,637,492
Office maintenance	5,699,017	5,216,228
Business development expenses	294,931	1,017,490
Contbn to inv prot fund	621,432	356,386
Loss on sale of assets	2,196,032	164,247
Other expenses	-	12,094,139
Total	113,131,704	172,586,020

Note: 22 Provision for Bad , Doubtful debts & Diminution value of stock

(Amount in Rs.)

Particulars	As at 31st March 2014	As at 31st March 2013
Reversal of Mar 12 Dimn provn	-	(38,634,629)
Diminution in the value of shares (Net)	(1,936,710)	3,926,505
Bad debts requirement	2,222,935	5,403,441
Provison for Substandard Assets	(15,166)	-
Provison for doubtful debts and advances	23,948,070	1,712,731
	34,784,821	(23,826,672)
Total	59,003,950.13	(51,418,624)

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IFCI Financial Services Limited (Consolidated)

Note No.1

A. Significant Accounting Policies & Notes to Accounts for the year ended March, 31 2014

I. Basis of Preparation of Financial Statements:

The accompanying consolidated financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply in all material respects with the accounting standards issued by the Institute of Chartered Accountants of India / accounting standards notified under sub-section (3C) of section 211 of the Companies Act, 1956 (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

II. Use of Estimates:

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements. Any differences of actual results to such estimates are recognized in the period in which the results are known/materialized.

III. Principles and assumptions used for consolidated financial statements and pro-forma adjustments

The consolidated financial statements have been prepared applying the principles laid in the Accounting Standard (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India as considered appropriate for the purposes of these Consolidated Balance Sheet, and Profit and Loss Account, together referred to in as 'Consolidated Financial Statements'. Following are the companies whose accounts have been considered for the consolidated financial statements.

IFCI Financial Services Ltd's (the parent company or the holding company) shareholding in the following companies as on 31st March 2014 and 31st March 2013 are as under:

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Name of the subsidiary	Country		As on 31st March 2014		As on 31st March 2013	
	Date on which became a subsidiary		No of shares held	% of holding	No of shares held	% of holding
IFIN Commodities Ltd.	India	30.01.2009	50,00,000	100	50,00,000	100
IFIN Credit Ltd.	India	01.02.2010	25,00,000	100	25,00,000	100
IFIN Securities Finance Ltd. (Formerly known as Narayan Sriram Investments Private Ltd)	India	02.03.2011	30,01,000	100	30,01,000	100

IV. Principles used in preparing Consolidated Financial statements:

a) In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries is combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.

b) Intra-group transactions are eliminated in preparation of consolidated financial statements

c) The cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, is eliminated.

(i) In the case of IFIN Commodity Ltd., since the amount paid is equal to the paid up capital of the subsidiary, there is neither goodwill nor a capital reserve.

(ii) In the case of IFIN Credit Ltd., IFCI Financial Services Ltd. had acquired the 100% of the share capital in two stages i.e. initially 45% in the accounting year 2008-09 and the balance in 2009-10. The total amount paid is Rs.2, 79, 00,000 for a net asset value of Rs. 1, 98, 81,335/- as on 01.02.2010 i.e., the date on which the Company became a subsidiary (Wholly owned). The surplus of Rs.80, 18,665/- is adjusted against the Amalgamation Reserve of Rs.96, 63,970/- leaving a balance of Rs.17, 45,305/-.

(iii) In the case of IFIN Securities Finance Ltd (Formerly known as Narayan Sriram Investments Private Ltd.), IFCI Financial Services Ltd. had acquired the 100% of the share capital for a consideration of Rs. 73,23,063 for a total equity of Rs.1,00,000/- as on 02.03.2011 i.e., the date on which the Company became a subsidiary (Wholly owned). The total reserves and surplus as on date of acquisition of Rs.49, 69,206/- and the balance amount of Rs. 22, 58,857 is shown as goodwill.

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V. **Revenue Recognition:**

Broking Income

Brokerage Income is recognized on the trade date of the transaction upon confirmation of the transactions by the exchanges.

Interest Income from Fixed Deposits

Interest earned on fixed income bearing securities is accounted on a time proportion basis taking into account the amount outstanding and the rate applicable.

Loan Syndication Fees

Loan Syndication Fees are recognised when the right to receive the income is established.

Income from Depository Segment

Depository Services incomes are recognised on the basis of agreements entered into with clients and when the right to receive the income is established.

Insurance Income

Insurance Commission from Agency business is booked upon actual receipt of commission from the principal.

Commission from selling of Mutual Fund

Commission from selling of mutual funds is accounted on accrual basis.

Interest Income from Loans disbursed

Interest earned on Loan is accounted on accrual basis. In terms of the RBI Directions, interest income on Non-performing assets ("NPAs") is recognised only when it is actually realised.

Processing Fee:

Processing Fee received in respect of loans is accounted for in the year in which the loan is disbursed

Dividend Income

Dividend income is recognized when the shareholders' right to receive payment is established.

Equity Index/Stock – derivatives

Equity Index/Stock/Commodity Futures are marked to market on daily basis. Debit or Credit Balances disclosed under Current Assets or Current liabilities respectively represent the net

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amount paid or received on the basis of movement of prices in the Index Stock Futures till the Balance sheet date.

(a) As at the Balance sheet date, the profit or loss on open positions are accounted for as follows:

The unrealized profit determined scrip wise/Index wise, being anticipated profit, is ignored and no credit is taken in the profit and loss account.

The unrealized loss determined scrip wise/Index wise, being anticipated loss, is recognized in the profit and loss account.

(b) On final settlement or squaring-up of contracts, the profit or loss is calculated as difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract is recognized as profit or loss upon expiry/squaring-up of the contracts. When more than one contract in respect of the relevant series of Equity Index/Stock / Commodity Futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring up.

(c) Initial and additional margin paid over and above initial margin, for entering into contracts which are released on final settlement/squaring-up of underlying contracts, are disclosed under Current Assets.

Fee Income from Portfolio Management and advisory services




Fee income from Portfolio Management and advisory services is recognized on accrual basis.

Income from sale of electricity

Units generated from windmills are sold to the Tamil Nadu Electricity Board (TNEB) at agreed rates and the income is included in the value of power generated from windmills.

VI. Stock-in-trade:

Stock-in-trade is valued at lower of cost and quoted value, computed category wise. Cost is ascertained on FIFO basis. Provision is made for diminution arising there from.

VII.

Investments:

- The Company acquires holds and deals in shares in its own account also. The investments intended to be held for one year or more were classified as long-term investments and provision for diminution in the value of long term investments being made only if such a decline is other than temporary.
- Current investments are considered as stock in trade and are valued at lower of cost or net realizable value.

VIII.

Fixed Assets and Depreciation:

Fixed assets are stated at historical cost less accumulated depreciation.

Intangible Assets:

Intangible assets are recognized if they are separately identifiable and the Company controls the future economic benefits arising out of them. All other expenses on intangible items are charged to the profit and loss account.

The computer software is identified as Intangible assets and has been amortized at the rate 40% following WDV method. The consideration paid as non-compete fees is identified as an Intangible Asset and has been amortised as per the terms of the agreement on straight line basis. Depreciation on the fixed assets is provided on the written down value method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

IX.

Impairment of Assets:

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss Account in the period/year in which the said asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

X.

Employee Benefits:

Employee benefits comprise both Defined contribution plan and Defined benefit plans. All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.

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Defined contribution plan -

- The Company's Provident Fund Scheme and Employee State insurance scheme are defined contribution plan and company's contribution paid/payable is recognized as expense in Profit & Loss account during the period in which the employee renders the related service.

Defined Benefit Plan -Gratuity

- The Company's liability towards Gratuity is a Defined Benefit Plan. The liability towards Gratuity is determined using the Projected Unit Credit Method which recognizes each period of service as giving rise to additional unit of Employee benefit entitlement. The gratuity Scheme is operated through Group gratuity Scheme of LIC. The gratuity liabilities are provided based on Actuarial Valuation certified by LIC. Actuarial gains and losses are charged to Profit and Loss Account.

- **Compensated Absence-Leave Salary**

The policy provides for that an employee is entitled to 24 days of earned leave per year and any leave standing to the credit of the employee at the end of the calendar year will be paid as leave salary calculated on the basic pay along with January month salary of the immediate next calendar year. The expenses on account thus arising are recognized in the profit and loss account.

XI. Borrowing Cost:

Interest and other borrowing costs attributable to qualifying assets are capitalized. Other Interest and borrowing costs are charged to revenue.

XII. Taxation:

Income Tax expense comprises current tax as determined in accordance with the income tax laws and deferred tax charge or credit reflecting the tax effect of the timing differences between accounting income and taxable income for the year. The deferred tax charge or credit and the corresponding deferred tax liability / assets are recognized applying the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that such assets can be realized in future.

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B. Notes forming part of the Accounts

I. Nature of Business:

The Parent Company is a SEBI registered Stock Broker on National Stock Exchange of India Ltd (NSE) and Bombay Stock Exchange (BSE) is primarily engaged in the business of providing securities market related transaction services.

The subsidiary company IFIN Commodity Limited is a registered member of Multi Commodity Exchange Limited and its primarily engaged in the business of providing Commodity Market related transaction services.

The subsidiary company IFIN Securities Finance Limited is a Non Banking Finance Company, registered u/s 45-IA of Reserve Bank of India Act, Is primarily engaged in the business of margin funding, providing loan against shares & property, Promoter funding, etc.

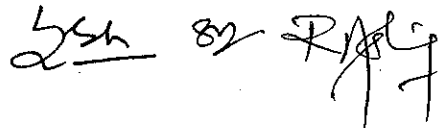
The subsidiary company IFIN Credit Limited is engaged primarily in the business of extending credit facilities to customers and in investing activities.

- II. The holding company, IFCI Financial Services Ltd in its Board meeting held on 8th Nov 2013 have passed resolution for merging its another subsidiary IFIN Credit Ltd with this company towards business consolidation, Accordingly, the company in its Board Meeting held on 18th Jan 2014 has passed a resolution approving the proposal for merger of IFIN Credit, a wholly owned subsidiary of IFCI Financial Services Ltd with this company. The above proposal is subject to approval of shareholders and applicable authorities.

III. Contingent Liabilities not provided for:

Bank guarantees aggregating to Rs.15,00,00,000 (Previous Year – Rs.16,75,00,000/-) to National Stock Exchange of India Limited, Rs.2,00,00,000/- (Previous Year – 2,00,00,000/-) to Bombay Stock Exchange and Rs.3,00,00,000/- (Previous Year – 3,00,00,000) to MCX Stock Exchange Limited as on 31st March 2014 for meeting margin requirements.

The Company has pledged fixed deposits aggregating to Rs. 20, 48, 14,859/- (Previous Year – Rs. 19, 61, 25,399/-) with banks for obtaining the above bank guarantees.

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Counter guarantee given by the Parent Company (IFCI Limited) to a bank for issue of bank guarantee to the subsidiary company IFCI Financial Services Limited – Rs.30,00,00,000/- (previous year – Rs.30,00,00,000/-) and IFIN Commodities Limited – Rs.5,00,00,000/- (previous year – Rs.5,00,00,000/-)

Other Contingent liabilities in respect of claims against the company:

(Rupees in lakhs)

Forum before which the case is pending	No. of cases	Amount
NSE Arbitrator Tribunal, Chennai	1	7.54
Additional City Civil & Sessions Judge, Bangalore	1	127.45
Civil Court - Multi commodity Exchange of India Limited	8	465.33
Consumer court	1	10.25

The Company has entered into an agreement to sell electricity to TNEB @ Rs.3.39 per unit. The rate however is on a conditional basis subject to the outcome of the appeal petition of the TNEB before the honorable ATE and, excess tariff, if any, paid will be adjusted by TNEB against the subsequent bills raised by the Company.

IV. Estimated amount of contracts remaining to be executed

Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances) is Rs. NIL (Previous Year – Nil)

V. Bank Reconciliation status as of 31st March 2014 includes unreconciled items for more than 3 months for Rs. 16.85 lakhs representing unidentified credit (direct bank deposits) and Rs.11.36 lakhs representing unidentified debits (cheques deposited but not cleared) in respect of IFCI Financial Services Ltd and Rs.2.24 lakhs representing unidentified credits and Rs. 7.72 lakhs representing unidentified debits in respect of one of its subsidiaries . The company is in the process of reconciling these items

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VI. Earnings Per Share:

The Earning per Share [EPS] has been computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India. The numerators and denominators used to calculate the EPS are:

(Amounts in Rupees)

Particulars	As on 31-03-2014	As on 31-03-2013
Net Loss for the year available for the equity share holders (Before extra-ordinary Item)	(6,52,60,504)	5,52,84,022
Nominal value per equity share	10	10
Weighted Average No. of outstanding equity shares during the year – Basic & Diluted.	4,15,33,709	41,533,709
Basic & Diluted Earnings per Share (Before extra-ordinary Item)	(1.57)	1.33
Net Profit for the year available for the equity share holders (After extra-ordinary Item)	(6,52,60,504)	5,52,84,022
Basic & Diluted Earnings per Share (After extra-ordinary Item)	(1.57)	1.33

VII. Current and Deferred Taxation:

- The Subsidiary Company IFIN Commodities Limited has provided Rs. 7,70,000 (Previous Year – Rs. 14,88,688) as per provisions of Income Tax Act, 1961
- The Subsidiary Company IFIN Securities Finance Limited (Formerly known as Narayan Sriram Investments Private Limited) has provided Rs.1,38,96,046 (Previous Year – Minimum Alternate Tax (MAT) Rs.87,25,100) as per provisions of Income Tax Act, 1961.
- The Subsidiary Company IFIN Credit Limited has provided Rs.77, 232 (Previous Year – NIL) as per provisions of Income Tax Act, 1961.
- During the year the tax effect on timing difference has resulted in Deferred Tax Liability and as a matter of prudence the company has recongnized the same in the books. The Parent Company IFCI Financial Services Limited has recognized Rs. 48, 72,383 and the Subsidiary Company IFIN Commodities Limited has recognized Rs. Rs.159, 103 towards the same.

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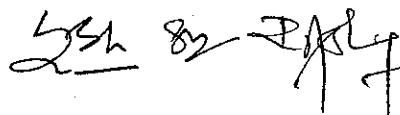
VIII. **Managerial Remuneration:**

(Amount in Rupees)

Particulars	2013-14	2012-13
To Whole Time Director		
(a) Salary and Allowances	43,33,972	53,68,274
(b) Contribution to PF and other funds	2,76,112	2,92,779
To Managing Director (On deputation from IFCI Limited)		
(a) Salary and Allowances	18,53,417	-
(b) Contribution to PF and other funds	59,140	-
(c) Gratuity	49,126	-
Total	65,71,767	56,61,053

IX. **Related Party Disclosure as per AS 18:**

- a) Holding Company : IFCI Limited
- b) Subsidiary Companies : a) IFIN Commodities Limited
b) IFIN Credit Limited
c) IFIN Securities Finance Limited (Formerly known as Narayan Sriram Investments Private Limited)
- c) Fellow Subsidiaries : a) IFCI Venture Capital Funds Limited
b) IFCI Factors Limited
c) IFCI Infrastructure Development limited
- d) Key Management Personnel and relatives of such personnel:
Mr. Sujith Kumar Mandal : Whole Time Director-(from 14.01.2012 to 23.07.2013)
Mr. P.N. Swaminathan : Whole Time Director (from 15.01.2013 to 23.07.2013)
Mr. Suneet Sukla : Managing Director (since 23.07.2013)
(On deputation from holding company IFCI Limited)



e) Transaction with Related Parties:

(Amount in Rupees)

Sr. No.	Particulars	Holding /Subsidiary/ Fellow Subsidiary Companies		Key Managerial Personnel	
		2013-14	2012-13	2013-14	2012-13
1	Rent Paid to IFCI Ltd.	1,41,65,795	2,15,59,380	-	-
2	Rent received from IFIN Commodities Ltd.	53,06,628	3,304,420	-	-
3	Brokerage Received from IFCI Ltd	35,13,958	5,004,925	-	-
4	Portfolio Management Services fees received	-	-	-	-
5	Depository Services	27,36,870	2,000,088	-	-
6	Reimbursement of Expenses to IFCI Limited.	1,47,00,162	1,132,034	-	-
7	Reimbursement of Exp received from IFIN Commodities Limited	-	6,562,307	-	-
8	Managerial Remuneration	-	-	65,71,767	56,61,053
9	Consultancy Fee received from IFIN Commodities Limited	-	4,345,445	-	-
10	Loan Availed from IFIN Securities Finance Limited	17,10,00,000	411,930,000	-	-
11	Loan Repaid to IFIN Securities Finance Limited	17,10,00,000	417,370,814	-	-
12	Corporate Guarantee Issued to IFIN Commodities ltd	5,00,00,000	50,000,000	-	-
13	Interest Paid to IFIN Securities Finance Ltd	4,65,176	986,293	-	-
14	Equity contribution made in IFIN Securities Finance Limited	-	140,000,000	-	-
15	Equity contribution made in IFIN Commodity Limited	-	30,000,000	-	-
16	Brokerage received from IFCI Factors Ltd	194,643	-	-	-
17	Reimbursement of Expenses from IFIN Securities Finance Limited	99,98,995	-	-	-
18	Amount Due to IFIN Securities Finance Limited	22,95,117	9,32,35,446	-	-

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19	Reimbursement of Expenses from IFIN Credit Limited	14,40,000	18,00,000	-	-
20	Amount Due from IFIN Credit Limited	16,76,232	-	-	-
21	Insurance of IFIN Commodities Ltd Paid by IFCI Financial Services Ltd.	1,55,947	-	-	-
22	Amount Payable by IFIN Commodities to IFCI Financial Services Ltd	1,55,947	-	-	-
23	Loan availed from IFCI Venture Capital Ltd by IFIN Securities Finance Ltd	26,20,00,000	23,50,00,000	-	-
24	Loan repaid to IFCI Venture Capital Ltd by IFIN Securities Finance Ltd	22,20,00,000	23,50,00,000	-	-
25	Interest paid to IFCI Venture Capital Ltd by IFIN Securities Finance Ltd	2,00,49,548	10169434	-	-
26	Loan availed from IFCI Factors Ltd by IFIN Securities Finance Ltd	10,00,00,000	-	-	-
27	Loan repaid to IFCI Venture Capital Ltd by IFIN Securities Ltd	10,00,00,000	-	-	-
28	Interest paid to IFCI Venture Capital Ltd by IFIN Securities Finance Ltd	26,63,013	-	-	-

X. Employee Benefits

Provisions for employee benefits under revised AS 15:

- (a) Defined Contribution plan: The amount recognized as an expense during the year is Rs.73,78,589/- (Previous Year – Rs. 82,95,135/-) towards Provident fund.
- (b) Defined Benefit plan-Liability on account of encashment of leave to employees is paid within one year from the end of the financial year. The expenses recognized in the profit and loss account is Rs.28,87,327 /- (previous year Rs.25,86,473)
- (c) The Company has constituted The Employees Group Gratuity Fund under the Group Gratuity Assurance Scheme administered by the Life Insurance Corporation of India. The scheme provides for Lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each year of completed service or part thereof in excess of 6 months. Vesting occurs on completion of 5 years of service.

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XI. Employee Benefits

The following table sets out the Gratuity plan as required under AS-15 (revised).

(Amount in Rupees)

Particulars	2013-14	2012-13
Reconciliation of Benefit Obligation & Planned Assets for the period		
Opening Net Liability	NIL	35,98,091
Expenses as above	19,01,596	38,38,844
Closing Net Liability	3,21,222	2,40,753
Assumptions:		
Discount rate	8.00%	8.00%
Salary escalation rate	5.00%	5.00%
Attrition rate	1-3%	1-3%

- XII. Balances of Sundry Debtors, Advances recoverable are subject to confirmation from the respective parties. In the opinion of the management the same are good and recoverable, except for an amount of Rs.12, 94, 16,971/- which is provided for.
- XIII. Company had initiated the process of identifying the vendors under Micro, Small & Medium Enterprises Development Act, 2006. The Company is yet to receive intimation from the vendors stating their status under Micro, Small & Medium Enterprises Development Act, 2006. In view of this, the company has not made any provision and disclosure required by this Act.
- XIV. Figures have been rounded off to the nearest Rupee. Figures in bracket represent previous year's figures.

LSH *By* *[Signature]*