

## ANNEXURE 5

### INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
National Payments Corporation of India

#### REPORT ON THE IND AS FINANCIAL STATEMENTS

We have audited the accompanying Ind AS financial statements of National Payments Corporation of India ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Income & Expenditure, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), Income & Expenditure (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 Ind AS 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 of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 Ind AS 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 Ind AS 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 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 Ind AS 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 Ind AS financial statements.

#### OPINION

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS 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 March 31, 2017, its Statement of Income & Expenditure including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act does not apply to the company, since it is a company licensed to operate under section 8 of the Act. Accordingly we have not commented upon the same.
2. As required by section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Statement of Income & Expenditure including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, 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 A" to this report;
- (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 Ind AS financial statements.
  - ii. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - iv. The Company has provided requisite disclosures in Note 2.12 to these Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our enquiries, test check of the books of account and other details maintained by the Company and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company.
3. As per the requirements of section 143 (5), in our opinion and to the best of our information and according to the explanations given to us, books of accounts and other records produced before us for verification and on the basis of management representation; the said accounts, read together with the Company's Accounting policies and the Notes thereto:
- (a) The Company has clear title & lease deeds for freehold and leasehold properties.
  - (b) No case of waiver / write off of debts/loans/ interest etc. was observed.
  - (c) Since the Company is not having inventory but only providing services, the clause of inventory is not applicable.
  - (d) The Company has not received any assets as gifts from government or any other authorities.
  - (e) There are no legal/arbitration cases pending as on March 31, 2017. Further pending disputes in respect of taxation matters are not considered as legal/arbitration cases in common parlance.
  - (f) No case of waiver of fees / reversal of accounted fees which was due but not received / written off was observed.

## DIRECTORS' REPORT

### OTHER MATTER

The comparative financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 01, 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2016 and March 31, 2015 dated May 10, 2016 and May 20, 2015 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in

the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

#### For **S C Mehra & Associates**

Chartered Accountants

Firm's Registration No. 106156W

#### **CA Manoj Chaubey**

(Partner)

Membership No. 109477

Place: Mumbai

Date : May 17, 2017

## ANNEXURE A

### ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph [2(f)] of the Independent Auditors' Report of even date to the members of National Payments Corporation of India on the financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of National Payments Corporation of India as of March 31, 2017 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

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

the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing 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.
4. 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.

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

#### **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

6. 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 pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; 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 provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

#### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

7. Because of the inherent limitations of 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**

8. 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 March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S C Mehra & Associates**  
Chartered Accountants  
Firm's Registration No. 106156W

**CA Manoj Chaubey**  
(Partner)  
Membership No. 109477

Place: Mumbai  
Date : May 17, 2017

# BALANCE SHEET

as at March 31, 2017

(Amount ₹ in Lakh)

Particulars	Notes	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant & Equipment	2.3	14,632.70	10,486.60	9,981.72
Capital work-in-progress	2.4	1,980.37	774.34	974.49
Intangible assets	2.5	5,463.19	3,505.08	3,286.62
Intangible Assets under development	2.6	380.05	-	-
<b>Financial Assets</b>				
Investments	2.7	11,344.67	8,152.47	2,147.92
Trade receivables	2.8	60.67	-	-
Other Financial assets	2.9	9,564.81	14,620.12	3,874.13
Other non-current assets	2.10	-	2,485.00	-
<b>TOTAL NON-CURRENT ASSET</b>		<b>43,426.46</b>	<b>40,023.61</b>	<b>20,264.88</b>
<b>Current assets</b>				
<b>Financial Assets</b>				
Investments	2.11	1,400.00	500.00	2,000.00
Trade receivables	2.12	5,883.20	2,157.12	1,886.36
Cash & Cash equivalents	2.13	44,563.14	28,329.49	21,271.84
Others Financial assets	2.14	795.77	551.85	502.19
Current tax assets (net)	2.15	2,408.57	1,980.26	1,130.85
Other current assets	2.16	2,793.23	3,187.54	1,057.68
<b>TOTAL CURRENT ASSET</b>		<b>57,843.91</b>	<b>36,706.26</b>	<b>27,848.92</b>
<b>TOTAL ASSETS</b>		<b>101,270.37</b>	<b>76,729.87</b>	<b>48,113.80</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Equity share capital	2.17	13,386.70	13,386.70	10,000.00
Other equity	2.18	61,608.56	45,685.83	25,561.90
<b>TOTAL EQUITY</b>		<b>74,995.26</b>	<b>59,072.53</b>	<b>35,561.90</b>
<b>Liabilities</b>				
<b>Non-current Liabilities</b>				
<b>Financial Liabilities</b>				
Others Financial Liabilities	2.19	13,384.92	9,463.36	6,816.50
Provisions	2.20	222.18	72.84	0.87
Deferred Tax Liabilities (net)	2.21	2,531.70	1,659.45	1,523.09
Other Non-current Liabilities	2.22	154.21	228.85	259.62
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>16,293.01</b>	<b>11,424.50</b>	<b>8,600.08</b>
<b>Current liabilities</b>				
<b>Financial Liabilities</b>				
Trade Payables	2.23	2,283.33	2,494.62	892.99
Other Financial Liabilities	2.24	1,660.43	685.48	660.56
<b>Other Current Liabilities</b>				
Provisions	2.25	4,578.05	2,314.31	1,659.84
Current Tax Liabilities (Net)	2.26	1,460.29	738.43	738.43
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,982.10</b>	<b>6,232.84</b>	<b>3,951.82</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,270.37</b>	<b>76,729.87</b>	<b>48,113.80</b>
Significant Accounting Policies & Notes on Accounts	1 & 2			

As per our report attached

For **S. C. Mehra & Associates**  
Chartered Accountants  
Registration No. 106156W

**Manoj Choubey**  
Membership No. 109477  
Partner

Place : Mumbai  
Date : May 17, 2017

For and on behalf of Board of Directors

**Balachandran M.**  
Chairman

**A. P. Hota**  
Managing Director & CEO

**Anjalee Javeri**  
Company Secretary

**Deena Mehta**  
Director

**Sanjay Saxena**  
Chief Financial Officer

# INCOME AND EXPENDITURE ACCOUNT

for the period ended March 31, 2017

(Amount ₹ in Lakh)

Particulars	Notes	Year ended March 31, 2017	Year ended March 31, 2016
<b>INCOME</b>			
Revenue From operations		50,394.14	37,741.21
Other Income	2.27	4,478.83	3,224.35
<b>TOTAL INCOME</b>		<b>54,872.97</b>	<b>40,965.56</b>
<b>EXPENSES</b>			
Operating Expenses	2.28	5,007.73	3,872.40
Employee Benefits Cost	2.29	9,261.89	6,521.23
Administrative & Establishment Expenses	2.30	2,671.40	2,196.85
Depreciation and Amortisation Expenses	2.3	4,769.36	4,913.54
Other Operating Expenses	2.31	7,935.43	4,976.87
<b>TOTAL EXPENSES</b>		<b>29,645.81</b>	<b>22,480.90</b>
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>25,227.16</b>	<b>18,484.66</b>
<b>Tax Expense</b>			
- Current Tax		8,000.00	6,400.00
- Deferred Tax	2.21	881.83	139.65
<b>TOTAL TAX EXPENSES</b>		<b>8,881.83</b>	<b>6,539.65</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>16,345.33</b>	<b>11,945.01</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>16,345.33</b>	<b>11,945.01</b>
<b>Other Comprehensive Income</b>			
(i) Items that will not be reclassified to Income and Expenditure		(27.67)	(9.53)
(ii) Income Tax relating to items that will not be reclassified to Income and Expenditure		9.57	3.30
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>16,327.24</b>	<b>11,938.78</b>
<b>Earnings Per Equity Share (For Continuing Operations)</b>			
1 Basic Earning Per Share (₹)	2.32	121.97	112.13
2 Diluted Earnings per Share (₹)		121.97	112.13

As per our report attached

For **S. C. Mehra & Associates**  
Chartered Accountants  
Registration No. 106156W

**Manoj Choubey**  
Membership No. 109477  
Partner

Place : Mumbai  
Date : May 17, 2017

For and on behalf of Board of Directors

**Balachandran M.**  
Chairman

**A. P. Hota**  
Managing Director & CEO

**Anjalee Javeri**  
Company Secretary

**Deena Mehta**  
Director

**Sanjay Saxena**  
Chief Financial Officer

# CASH FLOW STATEMENT

for the period ended March 31, 2017

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>CASH FLOW FROM OPERATION ACTIVITIES :</b>		
Net Surplus before tax and extraordinary items :	<b>25,227.15</b>	<b>18,484.66</b>
<b>Adjustment to reconcile net profit to net cash by operating activities</b>		
Depreciation	4,769.36	4,913.54
Provision for Employee benefit	149.34	71.97
Fixed assets written off	57.71	44.25
Unrealised foreign exchange (gain) / loss (net)	62.06	-
Liabilities / provisions no longer required written back	(59.38)	-
Share Issue expenses	-	54.92
Less : Interest Income earned	(4,308.64)	(3,157.63)
<b>OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES</b>	<b>25,897.60</b>	<b>20,411.71</b>
<b>Adjustment for:</b>		
Trade and Other receivable	(3,714.18)	(2,896.86)
<b>Trade and Other Payable</b>	<b>6,511.67</b>	<b>4,897.11</b>
<b>CASH GENERATED FROM OPERATION</b>	<b>28,695.09</b>	<b>22,411.96</b>
Cash Flow Before extraordinary items	28,695.09	22,411.96
Less : Adjustment for Income tax	(7,580.52)	(7,249.41)
Less : Tax paid on regular Assessment	(135.50)	-
<b>NET CASH FROM OPERATING ACTIVITIES AFTER EXTRA-ORDINARY ITEMS (A)</b>	<b>20,979.07</b>	<b>15,162.55</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Expenditure on Property, Plant & Equipment, CWIP, and Intangible Asset	(10,032.37)	(5,480.98)
Deposit for land being acquired at Hyderabad	-	(2,485.00)
Investment Earmarked Fund	(1,429.48)	(1,458.25)
Investment Earmarked Fund (under cash and cash equivalent)	(10,544.84)	(2,845.24)
Investment Own fund	6,500.00	(9,200.00)
Investment with Financial Institution	(900.00)	1,500.00
Investments in Government Securities (Quoted)	(1,892.20)	(4,404.55)
Investments in Government of India Bonds	(1,300.00)	(1,600.00)
Interest Income received on Fixed Deposits, and Bonds	4,308.63	3,157.63
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(15,290.26)</b>	<b>(22,816.39)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds from issuance of Equity Shares	-	11,866.25
<b>NET CASH USED IN FINANCIAL ACTIVITIES (C)</b>	<b>-</b>	<b>11,866.25</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>5,688.81</b>	<b>4,212.41</b>
<b>Cash and Cash Equivalents (Opening)</b>	<b>10,404.07</b>	<b>6,191.66</b>
<b>Cash and Cash Equivalents(Closing)</b>	<b>16,092.88</b>	<b>10,404.07</b>
1. The above cash flow statement has been prepared using the indirect method as per IND AS 7.		
2. Previous year's figures have been regrouped, reclassified and rearranged to conform to current year's presentation wherever necessary.		

As per our report attached

For **S. C. Mehra & Associates**  
Chartered Accountants  
Registration No. 106156W

**Manoj Choubey**  
Membership No. 109477  
Partner

Place : Mumbai  
Date : May 17, 2017

For and on behalf of Board of Directors

**Balachandran M.**  
Chairman

**A. P. Hota**  
Managing Director & CEO

**Anjalee Javeri**  
Company Secretary

**Deena Mehta**  
Director

**Sanjay Saxena**  
Chief Financial Officer



# STATEMENT OF CHANGES IN EQUITY

for the period ended March 31, 2017

Particulars	Reserves and Surplus					Other items of Other Comprehensive Income	Total
	Securities Premium Reserve	Technology Reserve	NFS SGM Reserve	Risk Cover Reserve	Retained Earnings		
<b>BALANCE AS AT APRIL 1, 2015</b>	-	2,500.00	-	-	23,061.90	-	25,561.90
<b>Restated balance as at April 1, 2015</b>	-	2,500.00	-	-	23,061.90	-	25,561.90
Total Comprehensive Income for the year	-	-	-	-	11,945.00	(6.23)	11,938.77
Receipt from fresh issue of shares	8,534.48	-	-	-	-	-	8,534.48
Transfer to Technology Reserve	-	2,500.00	-	-	(2,500.00)	-	-
Transfer to SGM Contribution	-	-	-	-	(349.33)	-	(349.33)
<b>BALANCE AS AT MARCH 31, 2016</b>	8,534.48	5,000.00	-	-	32,157.58	(6.23)	45,685.83
<b>Balance as at March 31, 2016</b>	8,534.48	5,000.00	-	-	32,157.58	(6.23)	45,685.83
<b>Restated balance as at March 31, 2016</b>	8,534.48	5,000.00	-	-	32,157.58	(6.23)	45,685.83
Total Comprehensive Income for the year	-	-	-	-	16,345.31	(18.09)	16,327.22
Transfer to NFS SGM Reserve	-	-	1,000.00	-	(1,000.00)	-	-
Risk Cover Reserve	-	-	-	750.00	(750.00)	-	-
Transfer to Technology Reserve	-	2,500.00	-	-	(2,500.00)	-	-
Transfer to SGM Contribution	-	-	-	-	(404.49)	-	(404.49)
<b>BALANCE AS AT MARCH 31, 2017</b>	8,534.48	7,500.00	1,000.00	750.00	43,848.40	(24.33)	61,608.56

Note: Remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognised as a part of retained earnings with separate disclosure of such items alongwith the relevant amounts in the Notes.

As per our report attached

For **S. C. Mehra & Associates**  
Chartered Accountants  
Registration No. 106156W

**Manoj Choubey**  
Membership No. 109477  
Partner

Place : Mumbai

Date : August 11, 2017

For and on behalf of Board of Directors

**Balachandran M.**  
Chairman

**Deena Mehta**  
Director

**A. P. Hota**  
Managing Director & CEO

**Sanjay Saxena**  
Chief Financial Officer

**Anjalee Javeri**  
Company Secretary



# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### CORPORATE INFORMATION

National Payments Corporation of India (NPCI) is a Section 8 Company as per the Companies Act 2013. It was incorporated as a Public Limited Company under Section 25 of the erstwhile Companies Act, 1956 with the object to set up and implement the Retail Payment System in the Country. The Company is licensed by Reserve Bank of India (RBI) to operate various retail payment systems in the Country under the Payment and Settlement Systems Act, 2007. The main objective of the Company is to consolidate and integrate multiple Retail Payment Systems into Nationwide uniform and standard business process and also to facilitate an affordable payment mechanism to benefit the common man across the country & promote financial inclusion.

The Company has been promoted by ten Banks comprising of 6 Public Sector Banks, 2 Private Banks and 2 Foreign Banks. After the broad basing exercise completed in financial year 2015-2016, the total number of shareholders has gone to 56 Banks comprising of 19 Public Sector Banks, 17 Private Banks, 3 Foreign Banks, 10 Co-operative Banks, and 7 Regional Rural Banks.

The Company's initiatives in the Retail Payment System are in the form of providing National Financial Switch (NFS), Cheque Truncation System (CTS), Immediate Payment Service (IMPS), Card Scheme (RuPay), National Automated Clearing House (NACH), Aadhar Enabled Payment System (AePS), Unified Payments Interface (UPI), Electronic Toll Collection (ETC) etc. During the year Company has taken further steps to operationalise the mandate from RBI for Bharat BillPay. It is also in process of launching of National Common Mobility Card (NCMC). The above initiatives will contribute towards achieving cashless society. The Company through its product and services also continuously participating in the Financial inclusion programme and Direct Benefit Transfer (DBT) initiatives. The Company has arrangement with International Card schemes such as Discover Financial Services, JCBI and Union Pay International to provide the Global acceptance.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1. Basis of Preparation of Financial Statements

These Financial Statements are the Company's first Ind-AS financial statements. The Financial Statement have been prepared under the historical cost convention except certain financial assets and liabilities, which have been measured at fair value. The details accounting policy provides information on such, financial assets and liabilities measured at fair value. The Company follows the accrual basis of accounting.

The Company has adopted all the relevant Indian Accounting Standards prescribed under section 133 of the Companies Act (the Act) read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 issued by Ministry of Corporate Affairs and the adoption was carried out in accordance with Ind-AS 101-First Time Adoption of Indian Accounting Standard. The transition was carried out from Indian Accounting Principles Generally Accepted in India as prescribed under sec 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) rules 2014 (I-GAAP), which was the previous GAAP. Reconciliations and the description of the effect of the transition has been summarised in Note 2.2.

### 1.2. Presentation of Financial Statements

The Balance Sheet and the Statement of Income and Expenditure are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Ind-AS 7 "Statement of Cash flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Income and Expenditure, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

### 1.3. Use of estimates

The preparation of Financial Statements in conformity with Indian Accounting Standard requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

### 1.4. Operating cycle

Based on the nature of its activities, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### 1.5. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured

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and there exists reasonable certainty of its recovery. Revenue is measured at the fair value of the consideration received or receivable.

The price that is regularly charged for an item when sold in arm's length transaction is the best evidence of its fair value.

### 1.5.1. Income from Operations

The Company derives revenue primarily from operating Retail Payment System in India. The Company operates various retail payment systems for member banks through its product and services like NFS, CTS, IMPS, RuPay Card, NACH, AePS, UPI, ETC, etc. Revenue from such products and services is accounted for all transactions routed during the reporting period.

Product and Membership fees (non-refundable) collected from customers using Company's product and services are recognised as income in the reporting period in which the services are commissioned.

Revenue from rendering services is recognised when the outcome of a transaction can be estimated reliably by reference to the stage of completion of the transaction. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i. The amount of revenue can be measured reliably;
- ii. It is probable that the economic benefits associated with the transaction will flow to the Company; and
- iii. The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- iv. The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- v. Where there is a substantive effect of recognition of revenue with the cost incurred in the revenue arrangement, the revenue is recognized on Net basis under "Matching Concept".

The Company has entered into stage-wise (fixed price) contract with foreign vendors to establish the use of infrastructure for retail payment platforms. Revenue from such services, in India, out of India has been recognized as per terms under percentage completion method.

The revenue is presented net of value-added / Indirect Taxes in the Statement of Income and Expenditure.

### 1.5.2. Other Income

In case of other Income, revenue is recognized during the period in which the services are rendered.

Interest income is recognized on a time proportion basis, taking into account the amount outstanding and at effective interest rate, as applicable.

Liquidated damages are collected from suppliers as a penalty for non-delivery as per contracted terms.

Other miscellaneous income includes fees received towards tender process.

### 1.6. Property, plant and equipment (PPE)

PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment.

Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use as estimated by the management. Any trade discounts and rebates are deducted in arriving at the purchase price.

For transition to Ind-AS, the carrying value of PPE under previous GAAP as on April 1, 2015 is regarded as its deemed cost. The carrying value was original cost less accumulated depreciation and cumulative impairment.

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PPE not ready for the intended use, on the date of the Balance Sheet are disclosed as "capital work-in-progress".

Depreciation is calculated on a straight-line method on the basis of the useful life as specified in Schedule II to the Companies Act, 2013. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation for additions to/deductions from, owned assets is calculated pro rata.

Subsequent expenditures relating to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost can be measured reliably.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Depreciation is provided using the straight line method as per the following rates as per Schedule II of the Companies Act 2013:

Sr. No.	Nature of Assets Tangible Assets	Estimated Useful life (In years)
1	Network Equipment / Central Switching	6
2	Plant and Machinery / Office Equipment #	5
3	Computers and Printers	3
4	Furniture and Fittings	10
5	Vehicles	8
6	Leasehold Improvements*	-
7	Buildings (Other than factory Building)	60

#Office equipment includes Air conditioners, Web cameras, Fire alarm system etc.

\*Leasehold Improvements are depreciated over the life of the assets or the lease term, whichever is shorter.

Repairs & maintenance costs are recognised in the statement of Income and Expenditure.

#### 1.7. Intangible Assets

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Intangible assets are recognised when it is probable that the future economic benefits

that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible assets are amortised over their respective individual estimated useful life on a straight line basis, commencing from the date the asset is available to the Company for its use.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the assets revised carrying amount over its remaining useful life.

Amortization is provided using the straight line method as per the following rates as per Schedule II of the Companies Act 2013:

Sr. No.	Nature of Assets Intangible Assets	Estimated Useful life (In years)
1	Software	3

#### 1.8. Research and Development expenditure

Revenue expenditure on research is expensed under respective heads of account in the period in which it is incurred.

Development expenditure on new products is capitalised as intangible asset, if all the following conditions are duly fulfilled:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company has intention to complete the intangible asset and use or sell it.
- The Company has ability to use or sell the intangible asset.
- The manner in which the probable future economic benefits will be generated including the existence of a market for output of the intangible asset or intangible asset itself or if it is to be used internally, the usefulness of intangible assets.

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- v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- vi. The Company has ability to measure the expenditure attributable to the intangible asset during its development reliably.

Development expenditure that does not meet the criteria listed above is expensed in the period in which it is incurred.

### 1.9. Employee Benefits

#### 1.9.1. Short term Employee Benefits

All employee benefits payable within a period of twelve months of rendering service are classified as short term employee benefits. Benefits such as salaries, allowances, advances and similar payments paid to the employees of the Company are recognized during the period in which the employee renders such related services.

The Company has recognised the cost due to the fair valuation of advances granted to staff which are either interest free or at concessional rate. The interest income will be recognised over the period of advances.

#### 1.9.2. Post-employment benefits

##### i. Defined Contribution plans

**Provident Fund:** The Company is a member of the Government Provident Fund which is operated by the office of the Regional Provident Fund Commissioner (RPFC) and the contribution thereof is paid /provided for during the period in which the employee renders the related service.

##### ii. Defined Benefits plans

**Gratuity:** In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ('The Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and the tenure of employment with the Company.

Gratuity payable to employees is covered by a Gratuity Plan provided by Insurance Company. The contribution thereof is paid / provided during the period in which the employee renders service. Gratuity is provided as per actuarial valuation as at the Balance Sheet date, carried out by an independent actuary. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Re-measurement, comprising actuarial gains and losses, the return on plan assets (excluding net interest) and any change in the effect of asset ceiling (if applicable) are recognised in other comprehensive income and is reflected immediately in retained earnings and is not reclassified to income & expenditure.

**Leave Encashment:** The Company provides for leave encashment liability of its employees who are eligible for encashment of accumulated leave based on actuarial valuation of the leave encashment liability at the Balance Sheet date, carried out by an independent actuary.

### 1.10. Impairment of Assets

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- i. The provision for impairment loss, if any; and
- ii. The reversal of impairment loss recognised in previous periods, if any,

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

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Recoverable amount is determined:

- i. In the case of an individual asset, at the higher of the net selling price and the value in use;
- ii. In the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

#### 1.11. Leases

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

- i. Finance Leases: There are no Finance leases entered into by the Company.
- ii. Operating Leases: Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease rentals/payments are charged as an expense in the Income and Expenditure account on a straight-line basis over the lease term.

#### 1.12. Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

##### Financial Assets

All recognised financial assets are subsequently measured in their entirety at amortised cost.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income on Financial asset measured at amortised cost, is measured at effective interest rate on the gross carrying amount.

Cash and cash equivalents (including bank balances and bank overdrafts) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

##### Impairment of financial assets:

- i. The Company is not recognising estimated credit loss on trade receivables since the company is dealing with regulated entities and has not experienced any loss due to credit risk since inception.
- ii. The Company has invested in Central Government Securities, Government of India Bonds and Bond issued by Government entity, which are sovereign in nature. Hence, impairment is not required.

A financial asset is derecognised when and only when:

- i. The contractual rights to the cash flows from the financial asset expire;
- ii. It transfers the financial assets and the transfer qualifies for derecognition.

##### Financial Liabilities

Financial Liabilities are subsequently carried at amortised cost using the effective interest method for trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

#### 1.13. Share Capital

##### Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

#### 1.14. Earnings per equity share

Basic earnings per equity share are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares

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considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors

### 1.15. Income Tax

**1.15.1** The Company has been incorporated as a 'Not for Profit Company' under section 25 of the Companies Act, 1956 (now section 8 of Companies Act 2013), and granted registration under section 12AA of the Income Tax Act, 1961. The Company is prohibited by its objects to carry out any activity on commercial basis and it operates on a non-commercial basis and thereby claims to be eligible for tax exemption. On a conservative basis the Management has decided to provide for Current tax including deferred tax; if any.

**1.15.2** Tax expenses comprises of Current tax and deferred tax. Current tax is measured as the amount expected to be paid to the Tax Authorities in accordance with the provision of Income Tax Act, 1961. The Company offsets, on a year on year basis, the Current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**1.15.3** Minimum alternate tax (MAT) paid in a reporting period is charged to the statement of Income & Expenditure Account as current tax. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period i.e. the

period for which MAT credit is allowed to be carried forward. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset, the said asset is created by way of a credit to the Income & Expenditure account and shown as MAT Credit Entitlement.

**1.15.4** Deferred taxes reflect the impact of current reporting period timing differences between taxable income and accounting income for the reporting period. Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 1.16. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value unless the effect of time value of money is not affecting materially and are determined based on a best estimate required to settle the obligation at the balance sheet date.

### 1.17. Contingent Liabilities

Contingent Liabilities, if any, are disclosed in the Notes to Accounts. Provision is made in the Accounts if it becomes probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

### 1.18. Contingent Assets

Contingent Assets, if any, are disclosed in the Notes to Accounts. A brief description of the nature of the contingent assets, where an inflow of economic benefits is probable, and, where practicable, an estimate of their financial effect will be disclosed.

### 1.19. Foreign currency transactions

- i. The functional currency of the Company is Indian rupee.



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- ii. Foreign currency transactions are recorded on initial recognition using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing rate are recognised in income and expenditure in the period in which they arise.

#### 1.20. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- i. Estimated amount of contracts remaining to be executed on capital account and not provided for
- ii. Uncalled liability on shares and other investments partly paid and
- iii. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

#### 1.21. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net surplus is adjusted for the effects of changes during the period in inventories and operating receivables and payables transactions of a non-cash nature

- i. Non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and

- ii. All other items for which the cash effects are investing or financing cash flows.

## 2. NOTES ON ACCOUNTS

### 2.1. First-time adoption of Ind-AS

The financial statements of National Payments Corporation of India for the year ended March 31, 2017 have been prepared in accordance with Indian Accounting Standards (Ind-AS). This is the Company's first set of financial statements in accordance with Ind-AS. For the purposes of transition to Ind-AS, the Company has followed the guidance prescribed in Ind-AS 101 - First Time adoption of Indian Accounting Standard, with April 1, 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind-AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2017 and for the comparative figures. An explanation of how the transition from previous GAAP to Ind-AS has affected the Company's Balance sheet, Statement of Income and Expenditure, is set out in note 2.2. Exemptions on first time adoption of Ind-AS availed in accordance with Ind-AS 101 have been set out in note 2.1.1.

#### 2.1.1. Exemptions availed on first time adoption of Ind-AS 101

Ind-AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind-AS. However, the Company has not applied any such exemptions.

### 2.2. Reconciliations

The following reconciliations along with the required explanations provide the effect of transition to the Ind-AS from IGAAP in accordance with Ind-AS 101.

#### 2.2.1. Reconciliation of equity

As at April 1, 2015 and March 31, 2016, as previously reported under IGAAP to Ind-AS.



# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

(Amount ₹ in Lakh)

Particulars	Balance Sheet as at April 01, 2015			Balance Sheet as at March 31, 2016		
	IGAAP	Ind-AS Impact	Ind-AS	IGAAP	Ind-AS Impact	Ind-AS
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, Plant & Equipment	9,981.72	-	9,981.72	10,486.60	-	10,486.60
Capital work-in-progress	974.49	-	974.49	774.34	-	774.34
Intangible assets	3,286.62	-	3,286.62	3,505.08	-	3,505.08
Investments	2,099.64	48.28	2,147.92	8,072.02	80.45	8,152.47
Others	3,946.46	(72.33)	3,874.13	14,714.78	(94.66)	14,620.12
Other non-current assets	-	-	-	2,485.00	-	2,485.00
<b>Current assets</b>						
Investments	2,000.00	-	2,000.00	500.00	-	500.00
Trade receivables	1,886.36	-	1,886.36	2,157.12	-	2,157.12
Cash & Cash equivalents	6,191.67	-	6,191.67	10,404.08	-	10,404.08
Bank balances	15,080.17	-	15,080.17	17,925.41	-	17,925.41
Others	483.17	19.02	502.19	537.84	14.00	551.85
Current tax assets (net)	1,130.85	-	1,130.85	1,980.26	-	1,980.26
Other current assets	1,057.67	-	1,057.67	3,187.53	-	3,187.53
<b>TOTAL ASSETS</b>	<b>48,118.82</b>	<b>(5.03)</b>	<b>48,113.79</b>	<b>76,730.06</b>	<b>(0.21)</b>	<b>76,729.86</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity share capital	10,000.00	-	10,000.00	13,386.70	-	13,386.70
Other equity	25,957.91	(396.00)	25,561.90	45,899.96	(214.1)	45,685.83
<b>Liabilities</b>						
<b>Non-current Liabilities</b>						
Others	6,816.50	-	6,816.50	9,463.37	-	9,463.37
Provisions	0.87	-	0.87	72.84	-	72.84
Deferred Tax Liabilities (net)	1,611.00	(87.91)	1,523.09	1,740.00	(80.55)	1,659.45
Other Non-current Liabilities	1.00	258.62	259.62	1.00	227.85	228.85
<b>Current liabilities</b>						
Trade Payables	892.98	-	892.98	2,494.62	-	2,494.62
Others	660.55	-	660.55	685.48	-	685.48
Provisions	1,439.58	220.26	1,659.84	2,247.66	66.63	2,314.29
Current Tax Liabilities (Net)	738.43	-	738.43	738.43	-	738.43
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,118.82</b>	<b>(5.03)</b>	<b>48,113.79</b>	<b>76,730.06</b>	<b>(0.21)</b>	<b>76,729.86</b>

### Explanations:

#### A. Investments

Investments in Central Government Securities and Government Bonds are initially recognized at fair value and subsequently measured at amortized cost against the classification of Non-Current Investments. Current investments measured at cost and/or market value whichever is lower as per the applicable investment category. In IGAAP the premium paid on the purchase of securities is amortized over the tenure of the investment and discount is ignored.

#### B. Security Deposits

Security Deposit placed towards lease assets are recognized as financial instruments and initially recognized at fair value and subsequently recognized at amortized cost. The fair value is considered equal to the yield on zero coupon bonds of equivalent/similar maturities. The fair value loss at initial recognition is debited/credited to the Retained Earnings.

#### C. Advances to staff

Advances given to Staff are recognized at its Fair value at initial recognition and subsequently measured at amortized cost. The fair value is determined based on the yield on zero coupon bonds at initial recognition.

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#### D. Other Equity

- Adjustments to retained earnings and Other Comprehensive Income (OCI) have been made in accordance with Ind-AS, for the above mentioned line items.
- In addition, as per Ind-AS 19, actuarial gain and losses are recognized in OCI as compared to being recognized in the Statement of Income and Expenditure under IGAAP.

#### 2.2.2. Reconciliation Statement of Income and Expenditure as previously reported under IGAAP to IND-AS

(Amount ₹ in Lakh)

Particulars	Year ended 31-Mar-16		
	IGAAP	Ind-AS Impact	Ind-AS
<b>INCOME</b>			
Revenue From operations	37,741.21	-	37,741.21
Other Income	3,226.23	(1.89)	3,224.35
<b>TOTAL INCOME</b>	<b>40,967.44</b>	<b>(1.89)</b>	<b>40,965.56</b>
<b>EXPENSES</b>			
Operating Expenses	3,850.75	21.65	3,872.40
Employee benefits expenses	6,524.88	(3.65)	6,521.23
Administrative & Establishment Expenses	2,223.01	(26.16)	2,196.85
Other Operating Expenses	4,953.36	22.52	4,976.88
Depreciation and Amortisation Expenses	4,913.54	-	4,913.54
<b>TOTAL EXPENSES</b>	<b>22,466.54</b>	<b>14.36</b>	<b>22,480.90</b>
<b>SURPLUS/(DEFICIT BEFORE TAX)</b>	<b>18,500.90</b>	<b>(16.24)</b>	<b>18,484.65</b>
<b>Tax Expense</b>			
Current Tax	6,400.00	-	6,400.00
Deferred Tax	129.00	10.65	139.65
<b>TOTAL</b>	<b>6,529.00</b>	<b>10.65</b>	<b>6,539.65</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>11,971.90</b>	<b>(26.89)</b>	<b>11,945.00</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>11,971.90</b>	<b>(26.89)</b>	<b>11,945.00</b>
Other comprehensive Income			
Items that will not be reclassified to Income and Expenditure	-	(9.53)	(9.53)
Income tax relating items that will not be reclassified to Income and Expenditure	-	3.30	3.30
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>11,971.90</b>	<b>(33.13)</b>	<b>11,938.77</b>

#### Explanations:

- Interest on investments, security deposits, advances to staff have been measured at effective interest rate on the date of recognition of the Financial Instruments.
- Employee Benefit Expenses**  
As per Ind-AS 19, actuarial gain and losses are recognized in OCI and not reclassified to Income and Expenditure in a subsequent period.
- Leases**  
Operating lease rentals/payments are charged as an expense in the Income and Expenditure account on a straight-line basis over the lease term after netting off of interest income on security deposit placed for rented premises.
- Tax Expense**  
Tax component on actuarial gains and losses is transferred to OCI under Ind-AS.
- Provision:**  
Provision made for prior period expenses retrospectively.

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## and Notes on Accounts

### Non Current Asset: 2.3. Property, Plant and Equipment

Following are the changes in the carrying value of the property, plant and equipment for the year ended 31-Mar-17:

Asset Group	(Amount ₹ in Lakh)											
	GROSS BLOCK - AT COST					DEPRECIATION					NET BLOCK	
	Cost as at 01-Apr-16	Addition	Deletion	Cost as at 31-Mar-17	01-Apr-16	For the Period	Deletion/ Adjustments	As at 31-Mar-17	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-16	
<b>Tangible Assets</b>												
Land		2,485.00	-	2,485.00	-	-	-	-	-	2,485.00	-	
Building	4,022.39	-	-	4,022.39	67.91	67.72	-	135.63	3,886.76	3,954.49		
Computers	448.32	377.07	9.47	815.92	141.63	221.78	6.09	357.31	458.61	306.69		
Network Eq	1,858.06	1,267.65	1.88	3,123.84	455.17	540.31	0.39	995.09	2,128.75	1,402.89		
Switching Eq / Central Processors	6,004.52	2,290.48	-	8,295.00	1,672.93	1,296.60	-	2,969.53	5,325.47	4,331.59		
Furniture & Fixture	218.66	12.83	18.96	212.53	20.37	22.86	3.79	39.45	173.08	198.29		
Electrical Installation	87.08	0.91	57.15	30.83	30.23	24.35	42.35	12.23	18.61	56.85		
Telephone	21.01	12.26	0.46	32.81	4.61	6.45	0.26	10.80	22.01	16.40		
Vehicle	4.54	-	-	4.54	0.98	0.98	-	1.96	2.59	3.56		
Office Equipment	254.61	14.59	18.80	250.40	65.24	67.67	11.63	121.28	129.11	189.37		
Lease Hold Improvements	52.05	0.21	46.75	5.51	25.58	8.46	31.25	2.79	2.72	26.47		
<b>TOTAL</b>	<b>12,971.25</b>	<b>6,461.00</b>	<b>153.47</b>	<b>19,278.78</b>	<b>2,484.65</b>	<b>2,257.19</b>	<b>95.76</b>	<b>4,646.07</b>	<b>14,632.70</b>	<b>10,486.60</b>		
<b>AS AT 31-MAR-16</b>	<b>9,981.72</b>	<b>3,040.98</b>	<b>3,040.98</b>	<b>12,971.25</b>	<b>-</b>	<b>2,491.85</b>	<b>7.20</b>	<b>2,484.65</b>	<b>-</b>	<b>10,486.60</b>		
<b>AS AT 01-APR-15</b>	<b>11,367.05</b>	<b>7,697.35</b>	<b>7,697.35</b>	<b>19,059.15</b>	<b>6,969.56</b>	<b>2,112.05</b>	<b>4.18</b>	<b>9,077.43</b>	<b>-</b>	<b>9,981.72</b>		

Following are the changes in the carrying value of the property, plant and equipment for the year ended 31-Mar-16:

Asset Group	(Amount ₹ in Lakh)											
	GROSS BLOCK - AT COST					DEPRECIATION					NET BLOCK	
	Cost as at 01-Apr-15	Addition	Deletion	Cost as at 31-Mar-16	01-Apr-15	For the Period	Deletion/ Adjustments	As at 31-Mar-16	As at 31-Mar-16	As at 01-Apr-15	As at 01-Apr-15	
<b>Tangible Assets</b>												
Building	4,023.86	0.51	1.98	4,022.39	-	67.92	0.02	67.91	3,954.49	4,023.86		
Computers	218.82	230.39	0.89	448.32	-	142.01	0.38	141.63	306.69	218.82		
Network Eq	1,675.94	182.12	-	1,858.06	-	455.17	-	455.17	1,403	1,675.94		
Switching Eq/ Central Processors	3,829.36	2,188.49	13.33	6,004.52	-	1,674.99	2.06	1,672.93	4,331.59	3,829.36		
Furniture & Fixture	48.12	199.36	28.82	218.66	-	23.25	2.88	20.37	198.29	48.12		
Electrical installation	60.81	27.40	1.13	87.08	-	30.35	0.12	30.23	56.85	60.81		
Telephone	10.13	12.18	1.30	21.01	-	4.96	0.35	4.61	16.40	10.13		
Vehicle	4.54	-	-	4.54	-	0.98	-	0.98	3.56	4.54		
Office Equipment	89.63	4.00	4.00	254.61	-	66.64	1.40	66.24	188.37	89.63		
Lease Hold Improvements	20.50	-	-	52.05	-	25.58	-	25.58	26.47	20.50		
<b>TOTAL</b>	<b>9,981.72</b>	<b>51.45</b>	<b>51.45</b>	<b>12,971.25</b>	<b>-</b>	<b>2,491.85</b>	<b>7.20</b>	<b>2,484.65</b>	<b>10,486.60</b>	<b>9,981.72</b>		
<b>AS AT 01-APR-15</b>	<b>113,675.05</b>	<b>5.25</b>	<b>5.25</b>	<b>19,059.15</b>	<b>-</b>	<b>2,112.05</b>	<b>4.18</b>	<b>9,077.43</b>	<b>-</b>	<b>9,981.72</b>		

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.4. Capital Work-in-progress

Following are the changes in the capital work-in-progress:

Particulars	(Amount ₹ in Lakh)		
	31-Mar-17	31-Mar-16	01-Apr-15
<b>Capital WIP</b>			
Capital WIP - IT	1,978.87	766.14	806.35
Capital WIP - Other	1.50	8.20	168.14
<b>TOTAL</b>	<b>1,980.37</b>	<b>774.37</b>	<b>974.49</b>

### 2.5. Intangible Assets

Following are the changes in the carrying value of Intangibles acquired for the year ended 31-Mar-17:

Asset Group	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK				
	Cost as at 01-Apr-16	Addition	Deletion	Cost as at 31-Mar-17	As at 01-Apr-16	For the Period	Deletion/ Adjustments	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-17	As at 31-Mar-16
	<b>Intangible Assets</b>												
Computer Software	592,677.00	447,029.00	-	10,397.06	242,169.00	251,218.00	-	493,387.00	546,319.00	350,508.00	350,508.00	350,508.00	350,508.00
<b>GRAND TOTAL</b>	<b>592,677.00</b>	<b>447,029.00</b>	<b>-</b>	<b>10,397.06</b>	<b>242,169.00</b>	<b>251,218.00</b>	<b>-</b>	<b>493,387.00</b>	<b>546,319.00</b>	<b>350,508.00</b>	<b>350,508.00</b>	<b>350,508.00</b>	<b>350,508.00</b>
<b>AS AT 31-MAR-16</b>	<b>3,286.62</b>	<b>2,640.15</b>	<b>-</b>	<b>5,926.77</b>	<b>-</b>	<b>2,421.69</b>	<b>-</b>	<b>2,421.69</b>	<b>-</b>	<b>3,505.08</b>	<b>3,505.08</b>	<b>3,505.08</b>	<b>3,505.08</b>
<b>AS AT 01-APR-15</b>	<b>7,300.59</b>	<b>1,779.53</b>	<b>-</b>	<b>9,080.13</b>	<b>3,662.61</b>	<b>2,130.90</b>	<b>-</b>	<b>5,799.51</b>	<b>-</b>	<b>3,286.62</b>	<b>3,286.62</b>	<b>3,286.62</b>	<b>3,286.62</b>

There is no Research and Development expense recognized in net surplus in the statement of income and expenditure for the year ended March 31, 2016 and March 31, 2017, respectively.

Asset Group	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK				
	Cost as at 01-Apr-15	Addition	Deletion	Cost as at 31-Mar-16	As at 01-Apr-15	For the Period	Deletion/ Adjustments	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-17	As at 31-Mar-16
	<b>Intangible Assets</b>												
Computer Software	3,286.62	2,640.15	-	5,926.77	-	2,421.69	-	2,421.69	3,505.08	3,286.62	3,286.62	3,286.62	3,286.62
<b>GRAND TOTAL</b>	<b>3,286.62</b>	<b>2,640.15</b>	<b>-</b>	<b>5,926.77</b>	<b>-</b>	<b>2,421.69</b>	<b>-</b>	<b>2,421.69</b>	<b>3,505.08</b>	<b>3,286.62</b>	<b>3,286.62</b>	<b>3,286.62</b>	<b>3,286.62</b>

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.6. Intangibles assets under development

Following is the changes in carrying value of the intangible assets:

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Intangibles assets under development	380.05	-	-
<b>TOTAL</b>	<b>380.05</b>	<b>-</b>	<b>-</b>

### Financial Assets (non-current)

#### 2.7 Investments:

(Amount ₹ in Lakh)

Investments	Face Value per unit	Face Value	As at	As at	As at
			March 31, 2017	March 31, 2016	April 01, 2015
<b>Quoted Investment</b>					
G-Sec 8.19% 2020	100	100.00	99.91	99.88	99.85
G-Sec 8.27% 2020	100	1200.00	1,209.10	1,211.53	805.25
G-Sec 7.68% 2023	100	1200.00	1,194.84	993.25	-
G-Sec 7.35% 2024	100	400.00	391.85	391.04	-
G-Sec 8.40% 2024	100	400.00	408.47	409.30	202.34
G-Sec 7.72% 2025	100	400.00	400.84	400.89	-
G-Sec 8.15% 2026	100	600.00	609.84	610.51	200.26
G-Sec 8.60% 2028	100	400.00	417.84	418.81	419.72
G-Sec 7.88% 2030	100	800.00	796.38	796.23	-
G-Sec 7.95% 2032	100	200.00	197.84	197.77	-
G-Sec 8.24% 2033	100	800.00	824.23	824.92	420.50
G-Sec 7.59% 2029	100	800.00	794.15	198.33	-
G-Sec 7.59% 2026	100	200.00	201.20	-	-
G-Sec 7.61% 2030	100	400.00	398.18	-	-
Bonds - NABARD (7.65%)			500.00	-	-
<b>SUB TOTAL</b>			<b>8,444.67</b>	<b>6,552.47</b>	<b>2,147.92</b>
<b>Un Quoted Investment (at cost)</b>					
Deposits with Financial Institution			1,400.00	1,600.00	-
Govt. of India 8% Savings bond			1,500.00	-	-
<b>SUB TOTAL</b>			<b>2,900.00</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>			<b>11,344.67</b>	<b>8,152.47</b>	<b>2,147.92</b>
<b>Market Value of Quoted Investment</b>					
Government Securities			8,301.82	6,611.28	2,179.36
Bonds - NABARD (7.65%)			503.05	-	-
<b>TOTAL</b>			<b>8,804.87</b>	<b>6,611.28</b>	<b>2,179.36</b>

### 2.8 Trade Receivable

(Amount ₹ in Lakh)

Trade receivables	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Unsecured considered good			
Receivables for Settlement Fees	60.67	-	-
<b>TOTAL</b>	<b>60.67</b>	<b>-</b>	<b>-</b>

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### 2.9 Other Financial Assets

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Security Deposit - Premises	310.83	308.47	245.16
Un-amortised Advance Rental	29.25	14.61	26.59
Interest Accrued on deposits ( NFS earmarked funds)	33.52	42.95	32.39
Interest Accrued on deposits (IMPS earmarked funds)	33.50	24.48	-
Advances to employees	0.97	2.29	1.01
Un-amortised Staff Cost	0.06	0.12	0.04
<b>SUB TOTAL</b>	<b>408.13</b>	<b>392.92</b>	<b>305.19</b>
<b>Term Deposits-Own Fund</b>			
<b>with maturity more than 12 months</b>			
Deposits with Banks	2,700.00	9,200.00	-
<b>SUB TOTAL</b>	<b>2,700.00</b>	<b>9,200.00</b>	<b>-</b>
<b>Earmarked Deposits</b>			
<b>with maturity more than 12 months</b>			
Deposits with Banks - (SGM - NFS Contribution)	4,417.23	1,732.45	1,607.69
Deposits with Banks - (SGM - IMPS Contribution)	1,963.45	3,165.75	1,843.25
Deposits with Banks - ( AePS - Collateral)	76.00	129.00	118.00
<b>SUB TOTAL</b>	<b>6,456.68</b>	<b>5,027.20</b>	<b>3,568.94</b>
<b>TOTAL</b>	<b>9,564.81</b>	<b>14,620.12</b>	<b>3,874.13</b>

Security deposit represents and relates principally to leased office premises and utilities like electricity supplies etc.

#### 2.10 Other non-current asset

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Capital Advance - (Land at Hyderabad)	-	2,485.00	-
<b>TOTAL</b>	<b>-</b>	<b>2,485.00</b>	<b>-</b>

The amount mentioned above is the consideration paid to acquire land at Hyderabad for integrated office cum data centre. The agreement executed with Telangana State Industrial Infrastructure Corporation (TSIIC) has been registered before the sub registrar on May 8, 2017.

#### Current Asset

##### 2.11 Current Investment

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Deposits with a Financial Institution	-	-	-
with maturity less than 12 months	1,400.00	500.00	2,000.00
<b>TOTAL</b>	<b>1,400.00</b>	<b>500.00</b>	<b>2,000.00</b>

##### 2.12 Trade Receivables

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
<b>Unsecured considered good</b>	<b>-</b>	<b>-</b>	<b>-</b>
Receivables for Settlement Fees	3,700.12	2,005.85	1,595.97
Receivables for Network recoveries	261.08	103.93	289.54
Receivables from International Alliances	1,862.60	-	-
Receivables for Others	59.40	47.34	0.85
<b>TOTAL</b>	<b>5,883.20</b>	<b>2,157.12</b>	<b>1,886.36</b>

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.13 Cash & Cash Equivalents

(Amount ₹ in Lakh)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
<b>Own Funds</b>			
<b>Balances with Banks</b>			
Balance in Current account with Reserve Bank of India	1.10	1.10	1.10
Current account (Own Fund)	260.12	333.19	133.94
Current account (Flexi facility)	7,542.02	35.00	1,192.90
Current account (International settlements)	2,104.55	55.03	20.12
Cash in hand	0.16	0.26	0.05
Deposits with Banks -with maturity less than 3 months	5,000.00	9,671.36	4,700.00
Deposits with Banks -with maturity more than 3 month but less than 12 months	26,700.00	14,394.83	12,048.00
<b>SUB TOTAL</b>	<b>41,607.95</b>	<b>24,490.77</b>	<b>18,096.11</b>
<b>Earmarked Funds</b>			
Current account (SGM Contribution)	198.68	72.93	3.74
Deposits with Banks -with maturity less than 3 months	986.25	235.20	139.81
Deposits with Banks -with maturity more than 3 month but less than 12 months	1,770.26	3,530.59	3,032.18
<b>SUB TOTAL</b>	<b>2,955.19</b>	<b>3,838.72</b>	<b>3,175.73</b>
<b>TOTAL</b>	<b>44,563.14</b>	<b>28,329.49</b>	<b>21,271.84</b>

For better cash management, the Company has arrangement with certain Banks where the funds exceeding the specified limit automatically transferred to flexi deposit account as short term deposit.

(Amount in ₹)

Particulars	SBN's*	Other denomination Notes	Total
Closing cash in hand as on 08-Nov-16	26,500.00	5,446.00	31,946.00
(+) Permitted receipts	-	1,65,188.00	1,65,188.00
(-) Permitted Payments	-	(1,90,358.00)	(1,90,358.00)
(-) Amount deposited in Banks	(26,500.00)	-	-
Closing cash in hand as on 30-Dec-16	-	-	6,776.00

\*Specified Bank Notes

### 2.14 Other Financial Asset

(Amount ₹ in Lakh)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Advances to Employees	24.58	46.85	5.80
Security Deposit – Goregaon premises	42.00	-	-
Unamortised Advance Rental	34.11	13.42	18.94
Unamortised Staff cost	0.70	2.88	0.24
Interest Accrued on deposits (other than earmarked funds)	694.38	488.70	477.21
<b>TOTAL</b>	<b>795.77</b>	<b>551.85</b>	<b>502.19</b>



## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### 2.15 Current Tax Assets (Net)

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Advance Income Tax - FY 2015-16 (Net)	1,189.15	823.71	-
Advance Income Tax - FY 2014-15 (Net)	746.88	755.21	729.50
Advance Income Tax - FY 2013-14 (Net)	34.48	39.77	39.79
Advance Income Tax - FY 2012-13 (Net)	129.77	74.27	74.27
Advance Income Tax - FY 2011-12 (Net)	308.29	287.28	287.29
<b>TOTAL</b>	<b>2,408.57</b>	<b>1,980.26</b>	<b>1,130.85</b>

#### 2.16 Other Current Assets

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Prepaid Expenses	507.16	182.94	170.38
Prepaid - Insurance - RuPay card	-	1,299.28	588.95
Deposit With Insurance Companies	9.42	8.12	3.81
Cenvat Credit	203.75	541.41	274.06
Income Accrued - RuPay Platinum Card fees	479.93	110.22	-
Insurance Claim Receivable	-	17.90	-
LIC Gratuity /Leave encashment Receivable	44.93	3.28	-
Advances to Vendors	1,548.04	532.93	20.48
Advances to Business partners	-	491.46	-
<b>TOTAL</b>	<b>2,793.23</b>	<b>3,187.54</b>	<b>1,057.68</b>

The RuPay card as a feature provides accidental coverage to all eligible RuPay card holders. The prepaid expenses consist of un-expired portion of annual maintenance expenses, Insurance premium, subscription, etc.

#### Financial Instruments

##### Financial Instrument by category

The carrying value and fair value of financial instruments by categories as of March 31, 2017 were as follows:

#### Financial Assets

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
<b>Measured at amortised cost</b>			
Trade receivable	5,943.88	2,157.12	1,886.36
Cash & cash equivalents	44,563.14	28,329.49	21,271.84
Investments	12,744.67	8,652.47	4,147.92
Other financial assets	10,360.58	15,171.98	4,376.32
<b>TOTAL FINANCIAL ASSETS</b>	<b>73,612.27</b>	<b>54,311.06</b>	<b>31,682.44</b>

#### Financial Liabilities

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
<b>Measured at amortised cost</b>			
Trade payables	2,283.33	2,494.62	892.98
Other financial liabilities	15,045.34	10,148.84	7,477.06
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>17,328.67</b>	<b>12,643.46</b>	<b>8,370.04</b>

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### Fair Value hierarchy

Level 1 - Quotes prices in active market for identical assets and liabilities

Level 2 - Inputs other than quoted process included within level 1 that are observable for the asset or liability either directly or indirectly

Level 3 - Inputs for the assets or liabilities that are not based on observable market data.

(Amount ₹ in Lakh)

Investments	Level 1		
	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Government securities	8,301.82	6,611.28	2,179.36
Bonds – NABARD (7.65%)	503.05	-	-
<b>TOTAL</b>	<b>8,804.87</b>	<b>6,611.28</b>	<b>2,179.36</b>

Note: The fair value pertaining to assets or liabilities which are measured at cost or amortised cost on a non-recurring basis has not been disclosed for level 3 hierarchy.

### Financial Risk Management

#### Financial Risk factors

The Company's activities expose it to a variety of financial risks, settlement risk, market risk, credit risk and liquidity risk. The Company's focus is to foresee the unpredictability of liquidity risks emanating from defaulting of the member(s) during settlement and seek to minimize potential adverse effects on its financial performance. The Company uses members' contribution and line of credit to mitigate risk associated with defaulting of member(s) during settlement.

#### Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. Since the Company has exposure to regulated entities, the credit risk is limited. It is mitigated by timely monitoring of receivables. The Company has robust accounts receivable collection mechanism which has ensured near zero level of credit risk since inception.

The investment of the Company is in high grade investment categories reducing the credit risk exposure to near minimal.

The following table gives details in respect of % of revenue generated from top customer and top 5 customers:

Particulars	For the year ended	For the year ended
	March 31, 2017	March 31, 2016
Revenue from top customer	17%	32%
Revenue from top 5 customers	39%	55%

The Company provides certain mandated services like Cheque Truncation System (CTS) and National Automated Clearing House (NACH) and accordingly are sole provider of such kind of services. The client mentioned above are likely to depend on these services till they are solely handled by the company.

#### Credit risk exposure

There is no requirement for providing for expected credit loss as the Company has robust collection mechanism and has not written off any amount due to client credit risk exposure.

#### Market Risk

Under the current changing dynamics of the market, there is always a business or market risk for the Company. As company venture towards a more cashless society, products like IMPS, UPI, NeTC, AePS will be the major revenue generator. More innovation and RnDs for new products, will be made so as to maintain its competitiveness. Value addition on the existing products will be carried out so as to maintain its leadership in the market. As per our existing risk management framework, NPCI evaluates its Strategic, Compliance, Financial, Operational risks so as to maintain its effectiveness in delivery.

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### Foreign Currency Risk Exposures

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
	USD	USD	USD
<b>Financial Assets</b>			
Trade Receivables	1,862.61	-	-
<b>Financial Liabilities</b>			
Trade payables	5.80	-	-

#### 2.17 Share Capital

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
<b>Authorised</b>			
3,00,00,000 Equity Shares of ₹ 100 each	30,000.00	30,000.00	30,000.00
<b>Issued, Subscribed and Paid Up :</b>			
<b>Issued Share Capital</b>			
1,38,76,600 Equity Shares of ₹ 100 each	13,876.60	13,876.60	10,000.00
<b>Subscribed and Paid up Capital</b>			
<b>Opening Balance</b>			
1,33,86,700 Equity Shares of ₹ 100 each Fully paid up (previous year -1,00,00,000 Equity Shares of ₹ 100 each Fully paid up)	13,386.00	10,000.00	10,000.00
<b>Addition during the year</b>			
(previous year 33,86,700 Equity Shares of ₹ 100 each Fully paid up issued)	-	3,386.70	-
<b>CLOSING BALANCE AT THE END OF THE YEAR</b>	<b>13,386.70</b>	<b>13,386.70</b>	<b>10,000.00</b>

During the previous financial year i.e. 2015-16, the company has issued 3,386,700 numbers of equity shares of face value of ₹ 100 each at a premium of ₹ 252 per equity share through private placement to 46 new banks.

#### Reconciliation of Shares Outstanding at the Beginning and End of the year ended March 31, 2017.

(Amount ₹ in Lakh)

Particulars	Equity Shares					
	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Number	Amount	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	13,386,700	13,386.70	10,000,000	10,000.00	10,000,000	10,000.00
Shares outstanding at the end of the reporting period	13,386,700	13,386.70	13,386,700	13,386.70	10,000,000	10,000.00

#### Terms / Rights Attached to Equity Shares:

The Company has only one Class of Equity Share having a Par Value of ₹ 100 each. Each Equity share represents one vote in case of poll.

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### Details of Shareholders holding more than 5% share in the Company

Name of Shareholder	Equity Shares					
	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	No. of Shares held	% of holding	No. of Shares held	% of holding	No. of Shares held	% of Holding
State Bank of India	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Union Bank of India	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Bank of India	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Bank of Baroda	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Punjab National Bank	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Canara Bank	1,000,000	7.47	1,000,000	7.47	1,000,000	10
ICICI Bank Limited	1,000,000	7.47	1,000,000	7.47	1,000,000	10
HDFC Bank Limited	1,000,000	7.47	1,000,000	7.47	1,000,000	10
HSBC Limited	1,000,000	7.47	1,000,000	7.47	1,000,000	10
Citibank N.A	1,000,000	7.47	1,000,000	7.47	1,000,000	10

### 2.18 Other Equity (SOCE)

#### Statement of Changes in Equity for the year ended March 31, 2017

(Amount ₹ in Lakh)

Particulars	Reserves and Surplus					Other items of Other Comprehensive Income	Total
	Securities Premium Reserve	Technology Reserve	NFS SGM Reserve	Risk Cover Reserve	Retained Earnings		
Balance as at March 31, 2016	8,534.48	5,000.00			32,157.58	(6.23)	45,685.83
Restated balance as at April 1, 2016	8,534.48	5,000.00			32,157.58	(6.23)	45,685.83
Total Comprehensive Income for the year					16,345.31	(18.09)	16,327.22
Transfer to NFS SGM Reserve			1,000.00		(1,000.00)		
Transfer to Risk Cover Reserve				750.00	(750.00)		
Transfer to Technology Reserve		2,500.00			(2,500.00)		
Transfer to SGM Contribution					(404.49)		(404.49)
Balance as at March 31, 2017	8,534.48	7,500.00	1,000.00	750.00	43,848.40	(24.33)	61,608.56

## SIGNIFICANT ACCOUNTING POLICIES

and Notes on Accounts

### Statement of Changes in Equity for the year ended March 31, 2016

(Amount ₹ in Lakh)

Particulars	Reserves and Surplus					Retained Earnings	Other items of Other Comprehensive Income	Total
	Securities Premium Reserve	Technology Reserve	NFS Reserve	SGM Reserve	Risk Cover Reserve			
Balance as at April 1, 2015		2,500.00				23,061.90	-	25,561.90
Restated balance as at April 1, 2015		2,500.00				23,061.90	-	25,561.90
Total Comprehensive Income for the year			-			11,945.00	(6.23)	11,938.77
Receipt from fresh issue of shares	8,534.48		-			-	-	8,534.48
Transfer to Technology Reserve		2,500.00				(2,500.00)	-	-
Transfer to SGM Contribution			-			(349.33)	-	(349.33)
Balance as at March 31, 2016	8,534.48	5,000.00				32,157.58	(6.23)	45,685.83

### Statement of Changes in Equity for the year ended March 31, 2015

(Amount ₹ in Lakh)

Particulars	Reserves and Surplus					Retained Earnings	Other items of Other Comprehensive Income	Total
	Securities Premium Reserve	Technology Reserve	NFS Reserve	SGM Reserve	Risk Cover Reserve			
Balance as at April 1, 2014						23,457.91		23,457.91
Changes in accounting policy or prior period errors						(396.00)		(396.00)
Restated balance as at April 1, 2014						23,061.90		23,061.90
Total Comprehensive Income for the year								
Transfer to retained earnings								
Receipt from fresh issue of shares								
Transfer to Technology Reserve		2,500.00						2,500.00
Transfer to SGM Contribution								
Balance as at March 31, 2015		2,500.00				23,061.90		25,561.90

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### Other Liabilities (Non-Current)

#### 2.19 Other financial liabilities

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
SGM Contribution – NFS	4,675.53	4,467.15	4,264.55
SGM Contribution – IMPS	4,595.65	4,279.55	2,372.50
Deposit- Collateral AePS	276.00	197.00	128.00
Deposit - Collateral RuPay International Alliance	3,780.74	475.99	27.10
Earnest Money Deposit	57.00	29.50	19.50
Retention Monies	-	14.17	4.85
<b>TOTAL</b>	<b>13,384.92</b>	<b>9,463.36</b>	<b>6,816.50</b>

#### SGM Contribution – NFS ATM Switching

RBI vide letter DPSS.CO.PD.No.1883/06.07.005/2011-12 dated April 11, 2012 had given consent for the Settlement Guarantee Mechanism Guidelines proposed by the Company. In line with the guidelines, the Company has collected from banks availing NFS services as deposits towards the Settlement Guarantee Mechanism (SGM). The amount of SGM contribution including the interest (net of expenses) earned on the said balance, as on March 31, 2017 is ₹ 4,675.53 lakh. The SGM Contribution is placed as earmarked Fixed deposits. The surplus income earned on these earmarked Investments (net off SGM expenses and the Income tax expenses) is transferred to SGM contribution as per the guidelines. The SGM – NFS contribution as on March 31, 2017 is as follows:

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
SGM- NFS Balance at the beginning	4,467.15	4,264.55	4,034.23
SGM- NFS contribution received during the year	11.00	6.00	7.00
<b>SUB TOTAL (A)</b>	<b>4,478.15</b>	<b>4,270.55</b>	<b>4,041.23</b>
Interest received on SGM- NFS Investments	339.62	318.07	364.48
Less: SGM Expenses (Bank charges)	(19.78)	-	(0.50)
Less: Salary expense of SGM adjusted against income	(18.01)	(17.43)	(25.67)
Less: Income Tax	(104.45)	(104.05)	(114.99)
<b>SUB TOTAL (B)</b>	<b>197.37</b>	<b>196.60</b>	<b>223.32</b>
<b>SGM NFS BALANCE AT THE END (A+B)</b>	<b>4,675.53</b>	<b>4,467.15</b>	<b>4,264.55</b>

#### SGM Contribution – IMPS

RBI vide letter DPSS/CO/OD/1997/06.07.005/2014-15 dated April 23, 2015 had given consent for the Settlement Guarantee Mechanism Guidelines for IMPS proposed by the Company. In line with the guidelines, the Company has collected from banks availing IMPS services as deposits towards the Settlement Guarantee Mechanism (SGM). The amount of SGM contribution including interest (net of expense) earned on the said balance, as on March 31, 2017 is ₹ 4,595.65 lakh. The SGM contribution is placed as earmarked Fixed Deposits. The surplus income earned on these earmarked investments (net of SGM expenses and Income Tax expenses) is transferred to SGM contribution as per the guidelines. The SGM- IMPS contribution as on March 31, 2017 is as follows:

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
SGM- IMPS Balance at the beginning	4,279.54	-	-
SGM- IMPS contribution received during the year	109.00	4,126.82	-
<b>SUB TOTAL (A)</b>	<b>4,388.54</b>	<b>4,126.82</b>	-
Interest received on SGM- IMPS Investments	349.29	250.99	-
Less: SGM Expenses (Bank charges)	(14.55)	-	-
Less: Salary expense of SGM adjusted against income	(18.01)	(17.43)	-
Less: Income Tax	(109.62)	(80.84)	-
<b>SUB TOTAL (B)</b>	<b>207.11</b>	<b>152.72</b>	-
<b>SGM IMPS BALANCE AT THE END (A+B)</b>	<b>4,595.65</b>	<b>4,279.54</b>	-

### 2.20 Provisions for Employee Benefit

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Provision for Gratuity	53.13	27.45	0.87
Provision for Leave Encashment	169.05	45.39	-
<b>TOTAL</b>	<b>222.18</b>	<b>72.84</b>	<b>0.87</b>

### 2.21 Deferred Tax

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
<b>Deferred Tax Liability</b>			
Fixed Assets	2,599.80	1,755.22	1,611.00
<b>Deferred Tax Asset</b>			
Future minimum lease obligation	(51.42)	(77.26)	(87.91)
Share Issue Expenses	(3.80)	(15.21)	-
Income tax on OCI	(12.88)	(3.30)	-
<b>TOTAL</b>	<b>2,531.70</b>	<b>1,659.45</b>	<b>1,523.09</b>

### 2.22 Other Non-Current Liabilities

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2017	March 31, 2017
Security Deposit	1.00	1.00	1.00
Future Minimum lease obligations	153.21	227.85	258.62
<b>TOTAL</b>	<b>154.21</b>	<b>228.85</b>	<b>259.62</b>

### Obligations on long-term, non-cancellable operating leases

The obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

(Amount ₹ in Lakh)

Future minimum lease obligation	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Not later than 1 year	83.62	63.21	39.40
Later than 1 year and not later than 5 years	69.59	164.64	197.38
Later than 5 years	-	-	21.84
<b>TOTAL</b>	<b>153.21</b>	<b>227.85</b>	<b>258.62</b>



# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### Financial Liabilities (Current)

#### 2.23 Trade Payables

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2017	March 31, 2017
Sundry Creditors	2,283.33	2,494.62	892.99
<b>TOTAL</b>	<b>2,283.33</b>	<b>2,494.62</b>	<b>892.99</b>

#### 2.24 Others Financial Liabilities

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Statutory Liabilities	1,557.77	496.60	356.59
Advance for Centralised Promotion of IMPS (Net)	7.90	53.92	86.83
Service Charges (Network) received in advance	2.56	5.13	7.69
Security Deposit	3.35	1.95	1.95
Other Payables	4.85	1.07	3.42
Earnest Money Deposit	84.00	123.50	80.30
Retention Monies	-	3.31	123.78
<b>TOTAL</b>	<b>1,660.43</b>	<b>685.48</b>	<b>660.56</b>

**Statutory Liabilities** : It consists of amount payable towards TDS, Provident Fund, Profession tax, etc.

#### Advance for Centralised Promotion of IMPS (Net)

The Company had received advance amount from Banks for Centralised Promotion of IMPS. The balance amount as at March 31, 2017 is as follows:

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Opening Balance	53.92	86.83	94.58
Less : Expenses towards Centralised Promotion of IMPS	46.02	32.91	7.75
<b>CLOSING BALANCE</b>	<b>7.90</b>	<b>53.92</b>	<b>86.83</b>

#### 2.25 Provisions

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Provision for Expenses	4,543.69	2,247.68	1,404.09
Provision for leave encashment	34.36	-	35.49
Provision for Prior Period Expenses	-	66.63	220.26
<b>TOTAL</b>	<b>4,578.05</b>	<b>2,314.31</b>	<b>1,659.84</b>

The movement in the provision for expenses is as follows:

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	March 31, 2015
Balance at the beginning of the year	2,247.67	1,404.09	1,717.41
Provision during the year	4,352.66	2,141.92	1,242.38
Less : Provision utilised / (reversed)	2,056.64	1,298.33	1,555.72
Balance at the end of the year	<b>4,543.69</b>	<b>2,247.68</b>	<b>1,404.09</b>

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### 2.26 Current tax liabilities (Net)

(Amount ₹ in Lakh)

Particulars	As at	As at	As at
	March 31, 2017	March 31, 2016	April 01, 2015
Provision for Tax - FY 2009-10 (Net)	113.51	172.51	172.51
Provision for Tax - FY 2010-11 (Net)	565.92	565.92	565.92
Provision for Tax - FY 2016-17 (Net)	780.86	-	-
<b>TOTAL</b>	<b>1,460.29</b>	<b>738.43</b>	<b>738.43</b>

#### Income Taxes

Income Tax expense in the statement of Income and expenditure comprises:

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Current taxes	8,000.00	6,400.00
Deferred taxes	881.83	136.35
Income tax expenses	8,881.83	6,536.35

A Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31-Mar-17 and 31-Mar-16:

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Surplus before tax	25,227.14	18,484.65
Applicable tax rate	34.61	34.61
SBT	8,730.61	6,397.17
<b>Items of Income not to offer for tax from tax</b>	<b>(9.93)</b>	<b>(9.43)</b>
Interest income on Security Deposits(FV)	(8.22)	(7.46)
Interest income on Staff Advances(FV)	(1.01)	(0.84)
Increase in Interest on G Sec-EIR	(0.70)	(1.13)
<b>Items of expense not deductible for tax purposes:</b>	<b>61.16</b>	<b>63.59</b>
Provision for Straight lining of Leases Reversed	(24.30)	(9.12)
Staff Cost	1.19	0.58
Rental Expenses (Security Deposits)	8.68	7.92
CSR Expenses	40.98	3.81
Other Disallowance - Gratuity and Leave Encashment Provisions and others	34.61	60.40
<b>Items of expense deductible for tax purposes:</b>	<b>(868.58)</b>	<b>(134.71)</b>
Excess Depreciation as per Income Tax	(864.78)	(138.52)
1/5th Amortisation of Share issue expenses	(3.80)	(3.80)
<b>TOTAL</b>	<b>7,913.26</b>	<b>6,316.61</b>
Tax Loss on which DTA is not recognised		
<b>TAX EXPENSE RECOGNISED DURING THE YEAR</b>	<b>7,913.26</b>	<b>6,316.61</b>
<b>ROUNDED OFF</b>	<b>8,000.00</b>	<b>6,400.00</b>

The applicable Indian Statutory tax rate for Fiscal 2017 and fiscal 2016 is 34.61%.

The tax effects of significance temporary differences that resulted in deferred income tax assets and liabilities are as follows:

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

(Amount ₹ in Lakh)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
<b>Deferred Tax Liability</b>			
Fixed Assets	2,599.80	1,755.22	1,611.00
<b>Deferred Tax Asset</b>			
Future minimum lease obligation	(51.42)	(77.26)	(87.91)
Share Issue Expenses	(3.80)	(15.21)	-
Income tax on OCI	(12.88)	(3.30)	-
<b>TOTAL</b>	<b>2,531.70</b>	<b>1659.45</b>	<b>1,523.09</b>

### 2.27 Other Income

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest Income on deposits	2,872.39	2,197.63
Interest Income on G- Sec	606.73	390.94
Interest Income on Bonds	140.60	-
Interest Income on earmarked fund (NFS ) SGM	339.62	318.07
Interest Income on earmarked fund (IMPS) SGM	349.29	250.99
Reversal of Provision for Expenses	54.53	25.19
Liquidated damages recovered	48.20	27.60
Interest Income on Advances to employees	2.92	2.43
Interest Income on security deposit	0.18	-
Other Miscellaneous Income	64.36	11.50
<b>TOTAL</b>	<b>4,478.83</b>	<b>3,224.35</b>

### 2.28 Operating Expenses

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Annual Maintenance Charges - IT Equipment	2,070.04	1,608.43
Network Expenses	1,126.19	1,005.24
Testing & Certification Charges	874.51	522.78
Hosting Charges	559.81	495.00
Power & Fuel	357.20	213.30
Shifting Charges	15.81	12.82
Trademark Registration Charges	4.17	14.83
<b>TOTAL</b>	<b>5,007.73</b>	<b>3,872.40</b>

### 2.29 Employee Benefits Cost

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Salary & Allowances	7,943.94	5,620.82
Outsourcing - IT Manpower	656.96	470.32
Contribution towards Employee Benefits	452.04	307.96
Staff Welfare	208.95	122.13
<b>TOTAL</b>	<b>9,261.89</b>	<b>6,521.23</b>

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### 2.29.1 Gratuity and Leave Encashment

The Gratuity and Leave Encashment Scheme of the Company are funded with LIC of India in the form of qualifying insurance policy. The disclosure is based on Actuarial Valuation details provided by LIC of India.

The summarized position of post-employment benefits is recognized in the Income and expenditure account and Balance Sheet are as under:

(Amount ₹ in Lakh)

<b>Net Asset / (Liability) recognised in the Balance Sheet</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Present value of obligation	(294.26)	(194.65)
Fair value of plan assets	241.14	167.20
Net funded Obligation	(53.13)	(27.45)
<b>NET ASSET / (LIABILITY) RECOGNISED IN THE BALANCE SHEET</b>	<b>(53.13)</b>	<b>(27.45)</b>

(Amount ₹ in Lakh)

<b>Amount recognised in the statement of Income and Expenditure Account</b>	<b>Year ended March 31, 2017</b>	<b>Year ended March 31, 2016</b>
Current Service Cost	70.85	48.67
Interest Cost	13.88	10.09
Net Actuarial (gain) / loss recognised during the year	-	9.53
Expected return on Plan Asset	(12.71)	(11.11)
<b>TOTAL EXPENSE / (INCOME) CHARGED TO INCOME AND EXPENDITURE ACCOUNT</b>	<b>72.03</b>	<b>57.17</b>

(Amount ₹ in Lakh)

<b>Reconciliation of Net defined benefit Liability / (Asset)</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Opening net defined benefit Liability / (Asset)	27.45	4.16
Total expense (Income) recognised in Income and Expenditure	72.03	57.17
Actual employer contribution	(74.02)	(33.88)
Total re measurements recognised in Other Comprehensive Income / (Loss)	27.67	-
<b>LIABILITY / (ASSET) RECOGNISED IN THE BALANCE SHEET</b>	<b>53.13</b>	<b>27.45</b>

(Amount ₹ in Lakh)

<b>Change in Present value of Obligation during the year</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Present value of obligation at the beginning of the year	194.65	125.45
Current Service Cost	70.85	48.67
Interest Cost	13.88	10.09
Actuarial (gain) / loss on obligation	30.66	10.44
Benefits Paid	(15.79)	-
<b>PRESENT VALUE OF OBLIGATION AT THE END OF THE YEAR</b>	<b>294.26</b>	<b>194.65</b>

(Amount ₹ in Lakh)

<b>Change in Assets during the year</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Fair value of plan assets at the beginning of the year	167.20	121.30
Expected return on plan assets	12.71	11.11
Contributions made	74.02	33.88
Benefits Paid	(15.79)	-
Actuarial gain / (loss) on plan assets	3.00	0.91
<b>FAIR VALUE OF PLAN ASSETS AT THE END OF THE YEAR</b>	<b>241.14</b>	<b>167.20</b>

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

(Amount ₹ in Lakh)

	Year ended March 31, 2017	Year ended March 31, 2016
<b>Amount recognised in Other Comprehensive Income</b>		
<b>Amount recognised in OCI</b>		
Effect of change in financial assumption	9.96	-
Effect of experience adjustments	20.70	-
Actuarial (Gain) / Loses	30.66	-
Return on plan assets (excluding interest)	3.00	-
<b>Amount recognised in OCI at the end of the period</b>	27.67	-
<b>Actuarial Assumptions</b>		
Discount rate	7.00%	7.60%
Expected rate of return on assets	7.00%	7.60%
Employee Attrition Rate	13.00%	13.00%
Future salary increases consider inflation, seniority promotion	6.00%	6.00%

### 2.30 Administrative & Establishment Expenses

(Amount ₹ in Lakh)

	Year ended March 31, 2017	Year ended March 31, 2016
<b>Particulars</b>		
Rent Rates & Taxes	860.39	764.46
Travelling & Conveyance Expenses	497.78	422.28
Travel Expenses - Overseas	71.20	63.78
Travel Expenses - Directors	57.44	38.75
Telephone & Communication Expenses	232.27	177.74
Meeting Expenses	145.46	170.02
Power & Fuel	123.93	82.85
Internal Audit Fees	13.06	8.64
Sitting Fees to Directors	82.81	67.00
Insurance – Assets and Others	69.76	28.50
Postage & courier	15.45	26.33
Housekeeping	120.37	65.24
Office Maintenance	79.20	61.17
Printing & Stationery	40.30	77.96
Hire & Rental Equipment	10.97	5.81
Computer Consumables	108.39	51.26
Staff Relocation Expenses	15.98	5.74
Repair & Maintenance Charges	57.82	22.30
Internet Expenses - Directors	1.67	0.95
Employer - Profession Tax	0.07	0.03
Bank Charges	2.39	2.03
Security Charges	64.69	54.01
<b>TOTAL</b>	<b>2,671.40</b>	<b>2,196.85</b>

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### 2.31 Other Operating Expenses

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Advertisement Expenses	521.37	1,114.78
Recruitment Expenses	124.13	90.63
Marketing Expenses	1033.08	463.56
POS Enablement – International Alliance	1,432.60	75.00
Insurance - RuPay	1,613.93	883.52
Professional Fees	1,851.44	1,098.03
Software & IT Expenses	63.65	26.55
Training and Seminar	171.64	166.91
Conference / Seminar /Study Visit - International	84.06	80.37
Membership Fees / Subscription	97.93	44.85
Foreign Exchange Loss	66.31	1.07
Write off of Assets/Others	60.40	25.25
Paper to Follow - CTS Charges	590.14	417.99
Corporate Communication	7.50	6.95
RFP Expenses	0.10	20.76
Escrow Agency fees	10.19	11.97
Audit remuneration*	4.20	2.08
RuPay EMV Cards Testing Charges	0.85	-
RuPay Issuer Incentive	-	144.38
Bin Propagation	-	150.00
Tax Audit fees	0.95	0.72
Equipment Shifting Charges	-	16.00
Share Issue Expenses	-	54.92
Miscellaneous Expenses	82.54	69.59
Contribution to CSR activities	118.41	11.00
<b>TOTAL</b>	<b>7,935.43</b>	<b>4,976.87</b>

Insurance – RuPay card consist of premium paid for providing accidental insurance coverage for RuPay card holder.

#### Contribution to CSR activities:

The Company is required to contribute 2% of the Net surplus after tax to Corporate Social Responsibility activities as per provisions of the Companies Act, 2013. During the year, the Company has expended ₹ 118.41 lakh for the said activities. The balance amount not expended will be carried forward and utilised in future years.

\* Audit remuneration

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Statutory Audit Fees	2.50	1.00
Audit fees for Limited Review	1.50	1.05
Out of pocket expense	0.20	0.03
<b>TOTAL</b>	<b>4.20</b>	<b>2.08</b>

#### 2.32 Earnings per share

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Net Surplus as per Income & Expenditure account	16,327.23	11,938.78
Weighted average number of equity shares	133.86	106.47
<b>EPS :</b>		
(1) Basic EPS (Face value ₹ 100 per equity share)	121.97	112.13
(2) Diluted EPS (Face value ₹ 100 per equity share)	121.97	112.13

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.33 Related Party disclosures

List of related parties and KMP:

Name of KMP / Related Parties	Particulars
<b>Key Managerial Person</b>	
Shri Balachandran M.	Key Managerial Person
Smt Deena Mehta	Key Managerial Person
Shri B Sambamurthy	Key Managerial Person
Smt Rama Bijapurkar	Key Managerial Person
Shri Satish Pradhan	Key Managerial Person
Shri G Sivakumar (appointed w.e.f. June 21, 2016)	Key Managerial Person
Dr. Santanu Paul (appointed w.e.f. November 9, 2016)	Key Managerial Person
Shri Bhavesh Zaveri	Key Managerial Person
Shri S Sadagopan	Key Managerial Person
Shri Deepak B Phatak	Key Managerial Person
Shri. B.P. Sharma (resigned w.e.f. July 5, 2016)	Key Managerial Person
Smt Manju Agarwal (appointed w.e.f. December 15, 2015)	Key Managerial Person
Shri Sunil Srivastava (resigned w.e.f. December 3, 2015)	Key Managerial Person
Shri Mayank Mehta (appointed w.e.f. August 31, 2016)	Key Managerial Person
Shri. K Subrahmanyam (resigned w.e.f. July 31, 2015)	Key Managerial Person
Shri Rakesh Kumar (appointed w.e.f. November 4, 2015)	Key Managerial Person
Shr. Debajyoti Gupta (appointed w.e.f. November 4, 2015 and resigned w.e.f. December 31, 2016)	Key Managerial Person
Shr. K Venkateshwarlu (appointed w.e.f. November 4, 2015 and resigned w.e.f. May 03, 2016)	Key Managerial Person
Shri B. Madhivanan (appointed w.e.f. November 9, 2016)	Key Managerial Person
Shri. R.P. Marathe (appointed w.e.f. December 15, 2015 and resigned w.e.f. September 26, 2016)	Key Managerial Person
Shri. Harideesh Kumar B. (appointed w.e.f. June 29, 2015 and resigned w.e.f. November 22, 2016)	Key Managerial Person
Smt. Debopama Sen	Key Managerial Person
Shri. V.S. Krishnakumar (resigned w.e.f. April 30, 2015)	Key Managerial Person
Shr. Rakesh Kumar (appointed w.e.f. November 4, 2015)	Key Managerial Person
Shri. S K Mohanty (resigned w.e.f. October 27, 2015)	Key Managerial Person
Shri. Divyesh Dalal (appointed w.e.f. January 22, 2015 and resigned w.e.f. January 17, 2017)	Key Managerial Person
Shri Rajiv Anand (appointed w.e.f. November 9, 2016)	Key Managerial Person
Shr. Maninder Singh Juneja (resigned w.e.f. October 14, 2016)	Key Managerial Person
Shri S M Sandhane (appointed w.e.f. November 9, 2016)	Key Managerial Person
Shri Shaji K V (appointed w.e.f. December 14, 2016)	Key Managerial Person
Shri A S Rajeev (appointed w.e.f. March 16, 2017)	Key Managerial Person
<b>Management Personnel</b>	
Shri Abhay Prasad Hota	Key Managerial Person
Shri Sanjay Saxena	Key Managerial Person
Smt Anjalee Javeri	Key Managerial Person
<b>Related Party</b>	
Aditya Asit Mehta	Related Party
Dhan Foundation	Related Party
Pentation Analytics Pvt Ltd.	Related Party concern
Locuz Enterprises Solutions	Related Party concern
Institute for development and Research in Banking Technology	Related Party concern

The details of amounts due to or due from related parties as at March 31, 2017, March 31, 2016 and April 1, 2015:

Name of KMP / Related Parties	(Amount ₹ in Lakh)		
	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
Shri G Sivakumar	0.18	-	0.09
Aditya Asit Mehta	-	0.18	-

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

The details of related party transactions entered into by the Company for the year ended March 31, 2017, March 31, 2016 and March 31, 2015 (Payment For the Period of relationship with Reporting entity):

(Amount ₹ in Lakh)

Particulars	For the year ended		
	31-Mar-17	31-Mar-16	31-Mar-15
<b>KMP</b>			
Shri Balachandran M.	19.20	18.70	8.40
Mrs. Deena Mehta	17.20	18.20	6.90
Shri B. Sambamurthy	18.50	17.50	6.70
Smt. Rama Bijapurkar	8.10	3.30	0.90
Shri Satish Pradhan	9.00	8.40	1.00
Shri G Sivakumar	11.40	4.30	0.90
Dr. Santana Paul	7.60	-	-
Bhavesh Zaveri	-	0.90	4.00
S Sadagopan	-	-	0.60
Deepak B Phatak	-	0.00	1.10
<b>Related Parties</b>			
Aditya Asit Mehta	2.40	1.60	0.00
Indian Institute of Banking and Finance	10.16	5.00	2.67
Locuz Enterprises Solutions	4.45	0.00	-
Pentation Analytics Pvt Ltd	-	10.00	-
Institute for Development and Research in Banking Technology	73.02	33.64	11.42
Dhan Foundation	0.00	10.80	-

#### Key Management Personnel:

1. A. P. Hota, Managing Director and CEO
2. Sanjay Saxena, Chief Financial Officer
3. Anjalee Javeri, Company Secretary

#### Compensation to KMP:

(Amount ₹ in Lakh)

Particulars	For the year ended		
	31-Mar-17	31-Mar-16	01-Apr-15
Salary & Allowances	155.35	143.46	131.73
Performance Incentive	28.65	20.75	18.45
<b>TOTAL</b>	<b>184.00</b>	<b>164.21</b>	<b>150.18</b>

#### 2.34 Segment Reporting

Operating segment/s are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker (CODM) is the Managing Director and Chief Executive Officer. The Company has only one identified business segments (industry practice) namely "Payments Systems".

The Financial Statements itself may be considered to be the segment result as per disclosure requirement of Indian Accounting Standard 108 issued by The Institute of Chartered Accountant of India.



# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.35 Contingent Liabilities & Commitments

(Amount ₹ in Lakh)

<b>Contingent liabilities and commitments (to the extent not provided for)</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b>(i) Commitments</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	17,725.78	14,936.47
(b) Revenue commitments	7,036.54	6,755.93
<b>SUB TOTAL</b>	<b>24,762.32</b>	<b>21,692.41</b>
<b>(ii) Contingent Liabilities on Account of Tax demand</b>		
Income Tax demand for AY 2010-2011	301.28	321.35
Income Tax demand for AY 2011-2012	183.27	183.27
Income Tax demand for AY 2012-2013	551.72	551.72
Income Tax demand for AY 2013-2014	444.80	444.80
<b>SUB TOTAL</b>	<b>1,481.07</b>	<b>1,501.13</b>
<b>(iii) Contingent Liabilities – Other matters</b>	2,597.00	-
<b>SUB TOTAL</b>	2,597.00	-
<b>TOTAL</b>	<b>28,840.39</b>	<b>23,193.54</b>

#### Contingent Liability for Income Tax:

As per the Tax Consultant and as advised, the Company will be eligible to claim exemption u/s 11 and 12 of the Income Tax Act, 1961 and hence the Management has not provided for additional demand raised by Income tax authorities during assessment / penalty proceedings although it is providing for Income tax on a conservative basis.

There are tax demand arising due to Assessment order u/s 143 (3), disallowing the claim of exemption u/s 11 and 12 and section 13(1) (c) (ii) of the Income Tax Act, 1961 and/or due to penalty proceedings u/s 271(1) (C). The Company is in appeal at various appellate authorities such as Commissioner of Income Tax (Appeals)/Income Tax Appellate Tribunal which is discussed in details here. The Contingent liability is calculated for A.Y. 2010-2011 to AY 2013-14. For AY 2014-2015 the tax provisions in Books of Accounts are more than demand raised as per Assessment Order u/s 143(3) of Income Tax Act 1961, hence no Contingent liability is shown in the Books for A.Y. 2014-2015

#### Assessment Year 2010-11:

The Contingent liability for A.Y. 2010-11 amounts to ₹ 301.28 lakh is on account of difference between the demand for tax of ₹ 332.02 lakh and demand for penalty as per order u/s 271(1)(c) of ₹ 309.26 lakh by the revenue authority against provision in the Books of Accounts of ₹ 340.00 lakh. While passing assessment order, the Assessing Officer has disallowed the claim for exemption u/s.11 and 12 on the grounds that the objects of the company are commercial in nature and is hit by the provisions of section 2(15) and section 13(1) (c) (ii) of the Income Tax Act, 1961, Moreover the Assessing Officer while computing the Total Income has not allowed the deductions otherwise available to the Company. The Commissioner of Income Tax (Appeals) has disposed off the appeal against the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the CIT (A) order. The hearing for the said appeal has commenced and the decision is expected in due course of time. Penalty proceedings u/s 271(1) (c) initiated and demand notice u/s156 amounting to ₹ 309.26 lakh along with penalty order dated March 28, 2016 have been received on March 31, 2016. The Company has filed an appeal against the said order with the Commissioner of Income Tax (Appeals), Mumbai.

#### Assessment Year 2011-12:

The Contingent liability for A.Y. 2011-12 amounts to ₹ 183.26 lakh is on account of difference between the tax demand by the revenue authority of ₹ 1,623.26 lakh against provision in the books of accounts of ₹ 1,440.00 lakh. The Assessing Officer has disallowed the claim for exemption u/s. 11 and 12 on the grounds that the objects of the company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1) (c) (ii) of the Income Tax Act, 1961, However, the Assessing Officer did not consider depreciation as per Income Tax Act and other deductions. The Company has filed an appeal against the order to Commissioner of Income Tax (Appeals), Mumbai. The hearing for the same has not commenced.

## SIGNIFICANT ACCOUNTING POLICIES

### and Notes on Accounts

#### Assessment Year 2012-13:

The Contingent liability for A.Y. 2012-13 amounts to ₹ 551.71 lakh is on account of difference between the tax demand by the Revenue Authority of ₹ 1,331.71 lakh against provision in the books of accounts of ₹ 780.00 lakh. The Assessing Officer has disallowed the claim for exemption u/s. 11 and 12 on the grounds that the objects of the company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1) (c) (ii) of the Income Tax Act, 1961, However, the Assessing Officer did not consider depreciation as per Income Tax Act and Minimum Alternate Tax (MAT). The Company has filed an appeal against the said order with the Commissioner of Income Tax (Appeals), Mumbai. The Commissioner of Income Tax (Appeals) has disposed off the appeal against the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the CIT (A) order. The hearing for the said appeal has commenced and the decision is expected in due course of time.

#### Assessment Year 2013-14:

The Contingent liability for A.Y. 2013-14 amounts to ₹ 444.79 lakh is on account of difference between the tax demand by the Revenue Authority of ₹ 1,670.19 lakh against provision in the books of accounts of ₹ 1,225.40 lakh. The Assessing Officer has disallowed the claim for exemption u/s.11 and 12 on the grounds that the objects of the company are commercial in nature and are hit by the provisions of section 2(15) and section 13(1) (c) (ii) of the Income Tax Act, 1961, However, the Assessing Officer did not consider depreciation as per Income Tax Act and MAT credit. Assessment order received dated March 26, 2016 along demand notice u/s 156 amounting to ₹ 367.30 lakh dated March 28. The Company has filed an appeal against the order to Commissioner of Income Tax (Appeals), Mumbai.

#### Contingent Liabilities – Other matters

One of the customers namely Bank of Maharashtra using a payment service namely Unified Payments Interface (UPI) has faced a fraud of ₹ 2,597 lakh due to a technical glitch in the software developed by third party which has been subsequently rectified by the Bank. The said Bank has taken various step for recovery of the amount from fraudulent customers. In some of the correspondence with the Company the bank has asked for sharing the fraud amount on a pro-rata basis if not wholly. The Company through its various correspondence has made it clear that the loss to the bank was account of technical glitch at the bank and the third party vendor end. The Company has no liability whatsoever for the loss suffered by the bank and hence is not required to make any provision in books of account and the management is confident that no claim will arise on the company.

As a matter of conservative reporting the Company has stated an amount of ₹ 2,597 lakh as contingent liability above.

### 2.36 Expenditure in Foreign Currency

#### 2.36.1 Value of Import of Services

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Software License	241.49	277.68
<b>TOTAL</b>	<b>241.49</b>	<b>277.68</b>

# SIGNIFICANT ACCOUNTING POLICIES

## and Notes on Accounts

### 2.36.2 Revenue Expenditure in Foreign Currency

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Foreign Travel Expenses	38.39	28.47
AMC Software	73.50	37.58
Books & Periodicals	1.06	0.33
Conference/Seminar/Study visit	2.74	15.26
Email Hosting Charges	69.47	43.18
Escrow agent fees / Professional fees	266.02	11.23
Marketing Expense - RuPay	-	0.29
Subscription and Membership Fees	28.14	23.58
Prepaid- AMC software & IT expense	19.92	4.51
RuPay Hologram Expense	-	2.53
Trade Mark Registration	-	0.43
Foreign Exchange Fluctuation - (Gain) / Loss	66.31	1.07
<b>TOTAL</b>	<b>565.55</b>	<b>168.46</b>

#### Accounting for Foreign Currency Transaction:

Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate at the time of transaction. Exchange rate differences consequent to settlement are recognised as Income / Expenditure.

### 2.37 Details of Dues to Micro, Small and Medium Enterprises as defined in MSMED Act, 2006.

Information related to Micro, Small and Medium Enterprises Development Act, 2006 (the Act) is disclosed hereunder. The information given below has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars	As at	As at
	March 31, 2017	March 31, 2016
a (i) Principal amount remaining unpaid to any supplier / service provider at the end of the accounting year	-	-
(ii) Interest due on above	-	-
Total	-	-
b Amount of Interest paid by the buyer in terms of Section 15 of the Act, along with amount of payment made beyond the appointed date during the year.	-	-
c Amount of interest accrued and remaining unpaid at the end of the financial year.	-	-
d Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) buy without adding the interest specified under the Act.	-	-
e Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

### 2.38 Provision for Tax

The Company was incorporated as a 'Not for Profit Company' under Section 25 of the Companies Act, 1956 and was granted registration under Section 12AA of the Income Tax Act 1961 by the Office of Director of Income Tax (Exemptions). The Company was granted license by RBI under Payment and Settlement Systems Act, 2007 to operate the Retail Payment System in India.

As per Memorandum and Articles of Association of the Company, no objects shall be carried out on a commercial basis. The Management is of the view that the income received while implementing the Retail Payment System is only incidental as the Company has not carried out the same on commercial basis. However, as a matter of prudence, the Management had decided to pay Income tax and claim refund of the tax paid. In view of the same, the Management had decided to make a provision towards tax liability. Accordingly, an amount of ₹ 8,000.00 lakh has been provided for the year ended March 31, 2017, being the amount of Income Tax computed under the provisions of the Income Tax Act 1961 and recognised deferred tax expense of ₹ 881.83 lakh as per the provision of Accounting Standard.