

Annexure 3

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, 2018, the Statement of Income and Expenditure, including the statement of Other Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information for the year ended on that date.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, 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 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, 2018, its Statement of Income & Expenditure including other comprehensive income, its Statement of 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 and Expenditure including the Statement of Other Comprehensive Income, the Statement of Cash Flow 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 31st March, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 with reference to these Ind AS financial statements 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.
2. 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 material 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 31st March, 2018. Further pending disputes in respect of taxation matters are not considered as legal/arbitration cases in common parlance.
 - (f) No case of material waiver of fees/reversal of accounted fees which was due but not received/written off was observed.

For S C Mehra & Associates
 Chartered Accountants
 ICAI Firm Registration Number: 106156W

CA Suresh Mehra
 Partner
 Membership Number: 039730

Place of Signature: Mumbai
 Date: 17th May, 2018

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 Ind AS financial statements for the year ended 31st March, 2018

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

1. We have audited the internal financial controls over financial reporting of National Payments Corporation of India as of 31st March, 2018 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 unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of 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, to the best of our information and according to explanation given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, 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

ICAI Firm Registration Number: 106156W

CA Suresh Mehra

Partner

Membership Number: 039730

Place of Signature: Mumbai

Date: 17th May, 2018

Balance Sheet

as at March 31, 2018

(Amount ₹ in Lakh)			
Particulars	Notes	As at March 31, 2018	As at March 31, 2017
Assets			
Non-current assets			
a) Property, plant and equipment	2.1	17,690.09	14,632.70
i. Capital work-in-progress	2.2	439.83	787.80
ii. Intangible assets	2.3	7,005.97	5,463.19
iii. Intangible assets under development	2.4	1,183.09	1,572.62
b) Financial assets			
i. Investments	2.5	15,840.62	11,344.67
ii. Trade receivables	2.6	412.12	60.67
iii. Other financial assets	2.7	12,862.78	9,564.81
c) Other non-current assets	2.8	2,074.78	-
Total non-current asset		57,509.28	43,426.46
Current assets			
a) Financial Assets			
i. Investments	2.9	3,500.00	1,400.00
ii. Trade receivables	2.10	6,933.00	5,883.20
iii. Cash and cash equivalents	2.11	52,548.53	44,563.14
iv. Other financial assets	2.12	810.68	795.77
v. Current tax assets (net)	2.13	3,239.75	2,408.57
b) Other current assets	2.14	6,239.69	2,793.23
Total current asset		73,271.65	57,843.91
TOTAL ASSETS		130,780.93	101,270.37
Equity and Liabilities			
Equity			
a) Equity share capital	2.15	13,386.70	13,386.70
b) Other equity	2.16	84,117.63	61,608.56
Total Equity		97,504.33	74,995.26
Liabilities			
Non-current Liabilities			
a) Financial liabilities			
i. Others financial liabilities	2.17	15,559.06	13,384.92
b) Long-term provisions	2.18	127.93	222.18
c) Deferred tax liabilities (net)	2.19	2,488.00	2,531.70
d) Other non-current liabilities	2.20	37.11	70.59
Total non-current liabilities		18,212.10	16,209.39
Current liabilities			
a) Financial liabilities			
i. Trade payables	2.21	3,012.63	2,283.33
ii. Other financial liabilities	2.22	1,712.59	1,660.43
b) Other current liabilities			
c) Provisions	2.23	9,659.86	4,661.67
d) Current tax liabilities (net)	2.24	679.42	1,460.29
Total current liabilities		15,064.50	10,065.72
TOTAL EQUITY AND LIABILITIES		130,780.93	101,270.37
Significant Accounting Policies & Notes on Accounts	1 & 2		

As per our report attached

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

CA Suresh Mehra
Membership No. 039730
Partner

Place : Mumbai
Date : May 17, 2018

For and on behalf of Board of Directors

Biswamohan Mahapatra
Chairman

Dilip Asbe
Managing Director & CEO

Dr. Santanu Paul
Director

Sanjay Saxena
Chief Financial Officer

Statement of Income and Expenditure

for the year ended March 31, 2018

(Amount ₹ in Lakh)

Particulars	Notes	Year ended March 31, 2018	Year ended March 31, 2017
Income			
Revenue from operations	2.25	67,744.65	50,394.14
Other Income	2.26	5,121.02	4,478.65
Total Income		72,865.67	54,872.79
Expenses			
Operating expenses	2.27	7,018.76	5,987.98
Employee benefits expenses	2.28	12,396.56	9,360.65
Administrative and establishment expenses	2.29	2,946.14	2,518.18
Depreciation and amortisation expenses	2.30	6,788.52	4,769.36
Other expenses	2.31	8,530.35	7,009.46
Total expenses		37,680.33	29,645.63
Surplus before tax		35,185.34	25,227.16
Tax Expense			
Current Tax		12,400.00	8,000.00
Deferred Tax	2.19	(42.20)	881.83
Total tax expenses		12,357.80	8,881.83
Surplus for the year from continuing operations		22,827.54	16,345.33
Surplus for the year		22,827.54	16,345.33
Other comprehensive income			
(i) Items that will not be reclassified to Income and Expenditure		(3.95)	(27.67)
(ii) Income Tax relating to items that will not be reclassified to Income and Expenditure		1.51	9.57
Total		(2.44)	(18.10)
Total comprehensive income for the year		22,825.10	16,327.24
Earnings per equity share (for continuing operations)			
1 Basic earning per share (₹)	2.32	170.51	121.97
2 Diluted earnings per share (₹)		170.51	121.97

As per our report attached

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

CA Suresh Mehra
Membership No. 039730
Partner

Place : Mumbai
Date : May 17, 2018

For and on behalf of Board of Directors

Biswamohan Mahapatra
Chairman

Dr. Santanu Paul
Director

Dilip Asbe
Managing Director & CEO

Sanjay Saxena
Chief Financial Officer

Cash Flow Statement

for the year ended March 31, 2018

Particulars	(Amount ₹ in Lakh)	
	Year ended March 31, 2018	Year ended March 31, 2017
Cash flow from operation activities		
Net surplus before tax and extraordinary items	35,185.34	25,227.16
Adjustment to reconcile net profit to net cash by operating activities		
Depreciation	6,788.52	4,769.36
Provision for employee benefit	(94.25)	149.34
Fixed assets written off	10.67	57.71
Unrealised foreign exchange (gain) / loss (net)	(74.53)	62.06
Liabilities / provisions no longer required written back	(128.51)	(54.53)
Less : Interest income earned	(4,953.12)	(4,308.64)
Operating Surplus before working capital changes	36,734.12	25,902.46
Adjustment for:		
Trade and other receivable	(7,007.05)	(3,714.18)
Trade and other payable	7,730.35	6,506.81
Cash generated from operation	37,457.41	28,695.09
Cash flow before extraordinary items	37,457.41	28,695.09
Less : Adjustment for Income tax	(14,013.54)	(7,580.52)
Less : Tax paid on Regular Assessment	-	(135.50)
Net cash from operating activities after extra-ordinary items (A)	23,443.87	20,979.07
Cash flow from investing activities		
Expenditure on Fixed asset, CWIP and Intangible Asset	(10,661.84)	(10,032.37)
Investment earmarked fund	615.20	(1,429.48)
Investment earmarked fund (under cash and cash equivalent)	(9,999.00)	(1,770.25)
Investment own fund	(3,579.00)	(2,274.60)
Investment with financial institution	(2,100.00)	(900.00)
Investments in government securities (quoted)	504.06	(1,892.18)
Investments in Government of India bonds	(5,000.00)	(1,300.00)
Interest income	4,953.12	4,308.63
Net cash used in investing activities (B)	(25,267.46)	(15,290.26)
Cash flow from financing activities		
Net proceeds from issuance of equity shares	-	-
Net cash used in financial activities (C)	-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(1,823.59)	5,688.81
Cash and cash equivalents (opening)	16,092.88	10,404.07
Cash and cash equivalents (closing)	14,269.28	16,092.88

- The above cash flow statement has been prepared using the indirect method as per IND AS 7.
- Previous period figures have been regrouped, reclassified and rearranged to conform to current period presentation wherever necessary.

As per our report attached

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

CA Suresh Mehra
Membership No. 039730
Partner

Place : Mumbai
Date : May 17, 2018

For and on behalf of Board of Directors

Biswamohan Mahapatra **Dr. Santanu Paul**
Chairman Director

Dilip Asbe **Sanjay Saxena**
Managing Director & CEO Chief Financial Officer

Statement of Changes in Equity

for the year ended March 31, 2018

A. Equity Share Capital

Particulars	(Amount ₹ in Lakh)	
	Year ended	March 31, 2017
Balance as at April 1, 2017	13,386.70	13,386.70
Changes in equity share capital during the period	-	-
Balance as at March 31, 2018	13,386.70	13,386.70
Balance as at April 1, 2016	13,386.70	13,386.70
Changes in equity share capital during the period	-	-
Balance as at March 31, 2017	13,386.70	13,386.70

B. Other Equity

Particulars	(Amount ₹ in Lakh)					Total
	Securities Premium Reserve	Technology Reserve	NFS SGM Reserve	Risk Cover Reserve	Retained Earnings	
Balance as at April 1, 2017	8,534.48	7,500.00	1,000.00	750.00	43,848.41	(24.33)
Total Comprehensive Income for the year ended	-	-	-	-	22,827.54	(2.44)
Transfer to Risk Cover Reserve	-	-	-	1,080.00	(1,080.00)	-
Transfer to Technology Reserve	-	2,500.00	-	-	(2,500.00)	-
Transfer to SGM Contribution – NFS	-	-	-	-	(158.25)	-
Transfer to SGM Contribution – IMPS	-	-	-	-	(157.79)	-
Balance as at March 31, 2018	8,534.48	10,000.00	1,000.00	1,830.00	62,779.91	(26.77)
Balance as at April 1, 2016	8,534.48	5,000.00	-	-	32,157.58	(6.23)
Restated balance as at April 1, 2016	8,534.48	5,000.00	-	-	32,157.58	(6.23)
Total Comprehensive Income for the year	-	-	-	-	16,345.31	(18.09)
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 – NFS	-	-	-	-	(197.37)	-
Transfer to SGM Contribution – IMPS	-	-	-	-	(207.11)	-
Balance as at March 31, 2017	8,534.48	7,500.00	1,000.00	750.00	43,848.41	(24.33)

Note: Remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through Income and Expenditure 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 and on behalf of Board of Directors

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

Biswamohan Mahapatra
Chairman

Dr. Santanu Paul
Director

CA Suresh Mehra
Membership No. 039730
Partner

Dilip Asbe
Managing Director & CEO

Sanjay Saxena
Chief Financial Officer

Place : Mumbai
Date : May 17, 2018

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 Nation-wide 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), Aadhaar Enabled Payment System (AePS), Unified Payments Interface (UPI), National Electronic Toll Collection (NeTC), Bharat Interface for Money (BHIM) etc. During the year Company has taken further steps to operationalise the mandate from RBI for Bharat Bill Payment Services (BBPS). 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 China Union Pay International to provide the Global acceptance.

Apart from retail payment activities which comprise its core activities, the Company has undertaken a lot of other initiatives too. It has set up innovation council comprising of industry leaders from payment industry for activities related to innovation in payment systems.

The Company has also conducted more than 100 workshops at various locations and imparted trainings by connecting with large footprint institutions to undertake cascade style

trainings. Apart from the above, the Company has created the Financial Literacy and Advisory Services (FLAS) group within the Company to undertake the mission for providing digital financial literacy.

The Company has engaged with institutional staff to undertake not only trainings but download and usage of products, trainings and workshops for different organisations to promote digital financial literacy.

The Company has conducted training outreach campaigns with the Northern eastern state governments and other state governments to promote digital financial literacy. FLAS has also launched the financial literacy campaign for visually challenged people, NDLM (National Digital Literacy Mission) campaign, RBI Financial literacy Camps, etc.

Also, the Government of India, as a part of Digital Payment awareness programme, has provided incentive to end users for the BHIM app which is run by NPCI.

1. Statement of Significant Accounting Policies

1.1. Basis of Preparation of financial statements

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) notified under Section 133 of the Companies Act, 2013 (the Act) and other relevant provision of the Act. These financial statements have been prepared under the historical cost convention except certain financial assets and liabilities, which have been measured at fair value. The details of accounting policy provides information on such, financial assets and liabilities measured at fair value. The Company follows the accrual basis of accounting.

These financial statements include the balance sheet, the statement of changes in equity, the statement of income and expenditure, the statement of cash flows and notes, comprising a summary of significant accounting policies and other explanatory information and comparative information in respect of the preceding period.

Effective April 1, 2016, the Company has adopted all the Ind-AS standards and the adoption was carried out in accordance with Ind-AS 101 'First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date'.

1.2. Presentation of financial statements

The Balance Sheet and the Statement of Income and

Significant Accounting Policies

and Notes on Accounts

Expenditure are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 ('the Act'). The statement of Cash Flow 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.

The financial statements are presented in Indian Rupees in Lakh and all values are rounded off to the nearest lakh as permitted by Schedule III of the Companies Act, 2013. Earnings per share data are presented in Indian Rupees up to two decimal places.

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 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 Systems in India. The Company operates various retail payment systems for member banks through its services

like NFS, CTS, IMPS, RuPay Card, NACH, AePS, UPI, NeTC, BBPS, 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 recognised 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 recognised as per terms under percentage completion method.

The committee of independent directors from time to time decided on the fee structure including waiver if any.

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

Significant Accounting Policies

and Notes on Accounts

1.5.2. Other Income

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

Interest income is recognised 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.

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 on pro rata basis.

Subsequent expenditures relating to PPE is capitalised 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 charged 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'.

Significant Accounting Policies

and Notes on Accounts

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

Amortisation 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.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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 recognised 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.

Significant Accounting Policies

and Notes on Accounts

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.

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.

Significant Accounting Policies

and Notes on Accounts

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 statement of Cash Flow. 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, and Government of India Bonds, sovereign in nature. Hence, impairment is not required.

A financial asset is de-recognised 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 de-recognition.

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 recognised 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 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 expense (tax income) is the aggregate amount included in the determination of surplus or deficit for the period in respect 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

Significant Accounting Policies

and Notes on Accounts

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 recognised 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 temporary 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 temporary differences. Deferred tax assets are recognised 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 realised.

1.15.5. Transaction or event which is recognised outside the statement of Income and Expenditure, either in other comprehensive income or in equity, if any is recorded along with the tax as applicable.

1.16. Provisions

A provision is recognised 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.
- 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;

Significant Accounting Policies

and Notes on Accounts

- 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. Statement of Cash flow

Statement of Cash flow 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.

1.22. Recent accounting pronouncements

Ind AS-115 – Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs ('MCA') has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer

of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits two possible methods of transition:

- i. Retrospective approach – Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8-Accounting Policies, Changes in Accounting Estimates and Errors
- ii. Cumulative catch – up approach. Under this approach the standard will be applied retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application.

The effective date for adoption of Ind AS-115 is financial periods beginning on or after April 1, 2018. The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Significant Accounting Policies

and Notes on Accounts

2. Notes to Accounts Assets

Non-Current Assets:

2.1. Property, Plant and Equipment

Following are the changes in the carrying value of the property, plant and equipment for the year ended March 31, 2018:

Asset Group	Gross block				Depreciation				Net block		
	Cost as at 01-Apr-17	Addition	Deletion	Cost as at 31-Mar-18	As at 01-Apr-17	For the period	Deletion/ Adjustments	As at 31-Mar-18	As at 31-Mar-17	As at 31-Mar-18	
Land	2,485.00	99.61	-	2,584.61	-	-	-	-	-	2,584.61	2,485.00
Building	4,022.39	-	-	4,022.39	135.63	67.72	-	203.35	-	3,819.04	3,886.76
Computers	815.92	487.24	14.65	1,288.51	357.31	308.93	8.34	657.90	-	630.61	458.61
Network Equipment	3,123.84	2,548.22	-	5,672.06	995.09	787.20	-	1,782.29	-	3,889.77	2,128.75
Switching Eq / Central Processors	8,295.00	2,862.11	-	11,157.11	2,969.53	1,777.77	-	4,747.30	-	6,409.81	5,325.47
Furniture and Fixture	212.53	10.55	-	223.08	39.45	21.97	-	61.42	-	161.66	173.08
Electrical Installation	30.83	10.07	-	40.90	12.23	6.59	-	18.82	-	22.08	18.60
Telephone	32.81	16.49	3.91	45.39	10.80	7.84	1.78	16.86	-	28.53	22.01
Office Equipment	250.40	60.15	-	310.55	121.28	50.49	-	171.77	-	138.78	129.12
Vehicle	4.54	-	4.54	-	1.96	0.35	2.31	-	-	-	2.58
Lease hold improvement	5.51	5.67	-	11.18	2.79	3.19	-	5.98	-	5.20	2.72
As at 31-Mar-18	19,278.77	6,100.11	23.10	25,355.78	4,646.07	3,032.05	12.43	7,665.69	17,690.09	14,632.70	

Following are the changes in the carrying value of the property, plant and equipment for the year ended March 31, 2017:

Asset Group	Gross block				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	
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	357.32	-	458.60	306.69
Network Equipment	1,858.06	1,267.65	1.88	3,123.83	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 and Fixture	218.66	12.83	18.96	212.53	20.37	22.86	3.79	39.44	-	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
Office Equipment	254.61	14.59	18.80	250.40	65.24	67.67	11.63	121.28	-	129.11	189.37
Vehicle	4.54	-	-	4.54	0.98	0.98	-	1.96	-	2.58	3.56
Lease hold improvement	52.05	0.21	46.75	5.51	25.58	8.46	31.25	2.79	-	2.72	26.47
As at 31-Mar-17	12,971.24	6,461.00	153.47	19,278.77	2,484.65	2,257.18	95.76	4,646.07	14,632.70	10,486.60	

Significant Accounting Policies

and Notes on Accounts

2.2. Capital work-in-progress

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

Particulars	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Capital WIP		
Capital WIP – IT	411.68	786.30
Capital WIP – Non-IT	28.15	1.50
Total	439.83	787.80

2.3. Intangible Assets

Following are the changes in the carrying value of Intangibles acquired for the year ended March 31, 2018:

Asset Group	Gross block			Depreciation		Net block	
	Cost as at 01-Apr-17	Addition	Deletion	Cost as at 31-Mar-18	As at 01-Apr-17	For the period	As at 31-Mar-18
Software	10,397.06	5,299.25	0.01	15,696.30	4,933.87	3,756.47	7,005.97
As at 31-Mar-18	10,397.06	5,299.25	0.01	15,696.30	4,933.87	3,756.47	7,005.97
							5,463.19
							7,005.97
							5,463.19

Following are the changes in the carrying value of Intangibles acquired for the year ended March 31, 2017:

Asset Group	Gross block			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	As at 31-Mar-17
Software	5,926.77	4,470.29	-	10,397.06	2,421.69	2,512.18	5,463.19
As at 31-Mar-17	5,926.77	4,470.29	-	10,397.06	2,421.69	2,512.18	5,463.19
							3,505.08
							3,505.08

2.4. Intangible Assets under development

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

Particulars	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Intangible assets under development	828.81	380.05
Intangible assets under development (Software)	354.28	1,192.57
Total	1,183.09	1,572.62

There is no Research and development expense recognised in net surplus in the statement of income and expenditure for the year ended March 31, 2018.

Significant Accounting Policies

and Notes on Accounts

Financial Assets (non-current)

2.5 Investments:

(Amount in ₹ lakh)

Particulars	Face Value per unit	Face Value	As at March 31, 2018	As at March 31, 2017
Quoted Investment				
G-Sec 8.19% 2020	100	100.00	99.94	99.91
G-Sec 8.27% 2020	100	1200.00	1,206.48	1,209.10
G-Sec 7.68% 2023	100	1200.00	1,195.45	1,194.84
G-Sec 7.35% 2024	100	400.00	392.73	391.85
G-Sec 8.40% 2024	100	400.00	407.58	408.47
G-Sec 7.72% 2025	100	400.00	400.74	400.84
G-Sec 8.15% 2026	100	600.00	609.13	609.84
G-Sec 8.60% 2028	100	400.00	416.80	417.84
G-Sec 7.88% 2030	100	800.00	796.55	796.38
G-Sec 7.95% 2032	100	200.00	197.91	197.84
G-Sec 8.24% 2033	100	800.00	823.48	824.23
G-Sec 7.59% 2029	100	800.00	794.46	794.15
G-Sec 7.59% 2026	100	200.00	201.10	201.20
G-Sec 7.61% 2030	100	400.00	398.27	398.18
Bonds - NABARD (7.65%)			-	500.00
Sub-total			7,940.62	8,444.67
Unquoted investment (at cost)				
Deposits with Financial Institution			1,400	1,400.00
Govt. of India 8% Savings bond			6,500	1,500.00
Sub-total			7,900.00	2,900.00
Total			15,840.62	11,344.67
Market value of quoted investment				
Government Securities			8,071.76	8,301.82
Bonds – NABARD (7.65%)			-	503.05
Total			8,071.76	8,804.87

2.6 Trade Receivable

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured considered good		
Receivables for Settlement Fees	412.12	60.67
Total	412.12	60.67

Significant Accounting Policies

and Notes on Accounts

2.7 Other Financial Assets

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Security deposit – premises	437.54	310.82
Unammortised advance rental	38.57	29.25
Interest accrued on deposits (NFS earmarked funds)	35.66	33.52
Interest accrued on deposits (IMPS earmarked funds)	40.02	33.51
Advances to employees	0.51	0.97
Unammortised staff cost	-	0.06
Sub-total	552.30	408.13
Term deposits – own funds		
with maturity more than 12 months		
Term deposits with banks	6,469.00	2,700.00
Sub-total	6,469.00	2,700.00
Earmarked deposits		
with maturity more than 12 months		
Term deposits with banks – (SGM – NFS contribution)	4,232.23	4,417.23
Term deposits with banks – (SGM – IMPS contribution)	1,533.25	1,963.45
Term deposits with banks – (AEPS – collateral)	76.00	76.00
Sub-total	5,841.48	6,456.68
Total	12,862.78	9,564.81

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

2.8 Other non-current asset

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Capital advance*	2,074.78	-
Total	2,074.78	-

* Capital advance includes ₹ 2,072.78 lakh for purchase of land at Chennai, paid to State Industries Promotion Corporation of Tamilnadu (SIPCOT), for which registration is pending.

Current asset

2.9 Current investment

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Deposits with a financial institution		
with maturity less than 12 months	3,500.00	1,400.00
Total	3,500.00	1,400.00

Significant Accounting Policies

and Notes on Accounts

2.10 Trade receivables

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured considered good		
Receivables for settlement fees	3,172.72	3,700.12
Receivables for network recoveries	737.27	261.07
Receivables from International alliances	2,705.57	1,862.61
Receivables for certification / others	317.44	59.40
Total	6,933.00	5,883.20

2.11 Cash & cash equivalents

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Own funds		
Balances with banks		
Balance in current account with Reserve Bank of India	1.10	1.10
Current account (own fund)	139.84	260.12
Current account (flexi facility)	3,121.97	7,542.02
Current account (International settlement)	2,819.42	2,104.55
Cash in hand	0.29	0.16
Term deposit with banks		
Term deposit with maturity less than 3 months	4,283.00	5,000.00
Term deposit with maturity more than 3 months but less than 12 months	26,510.00	26,700.00
Sub-total	36,875.62	41,607.95
Earmarked funds		
Balances with banks		
Current account (SGM Contribution)	428.46	198.68
Term deposit with banks		
with maturity less than 3 months		
Term deposits with banks – (SGM – NFS contribution)	175.00	124.76
Term deposits with banks – (SGM – IMPS contribution)	1,390.20	820.50
Term deposits with banks – (AEPS – collateral)	15.00	41.00
Term deposits with banks – (technology reserve)	1,400.00	-
Term deposits with banks – (risk cover)	495.00	-
with maturity more than 3 months but less than 12 months		
Term deposits with banks – (SGM – NFS contribution)	453.00	-
Term deposits with banks – (SGM – IMPS contribution)	1,799.25	1,656.25
Term deposits with banks – (AEPS – collateral)	275.00	114.00
Term deposits with banks – (NETC – collateral)	57.00	-
Term deposits with banks – (technology reserve)	8,600.00	-
Term deposits with banks – (risk cover)	700.00	-
Sub-total	15,672.91	2,955.19
Total	52,548.53	44,563.14

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.

Significant Accounting Policies

and Notes on Accounts

2.12 Other financial assets

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Advances to employees	20.17	24.58
Security deposit – Goregaon premises (due)	-	42.00
Unamortised advance rental	34.32	34.11
Unamortised staff cost	-	0.70
Interest accrued on deposits (other than earmarked funds)	756.19	694.38
Total	810.68	795.77

2.13 Current tax assets (net)

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Advance income tax – FY 2017-18 (net)	743.59	-
Advance income tax – FY 2016-17 (net)	82.56	-
Advance income tax – FY 2015-16 (net)	1,193.94	1,189.15
Advance income tax – FY 2014-15 (net)	747.06	746.88
Advance income tax – FY 2013-14 (net)	34.54	34.48
Advance income tax – FY 2012-13 (net)	129.77	129.77
Advance income tax – FY 2011-12 (net)	308.29	308.29
Total	3,239.75	2,408.57

2.14 Other current assets

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Prepaid expenses	816.57	507.16
Prepaid – insurance – RuPay card	1,615.79	-
Deposit with insurance companies	7.02	9.42
GST / Cenvat credit	737.06	203.75
Income accrued – RuPay platinum card fees	-	479.93
LIC gratuity / leave encashment receivable	78.93	44.93
Advances to vendors	2,984.32	1,548.04
Total	6,239.69	2,793.23

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. Advance to vendors also represents Settlement account with International alliances.

Significant Accounting Policies

and Notes on Accounts

Financial Instruments

Financial instrument by category

The carrying value and fair value of financial instruments by categories as of March 31, 2018 were as follows:

Financial assets

Particulars	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Measured at amortised cost		
Trade receivable	7,345.12	5,943.87
Cash & cash equivalents	52,548.53	44,563.14
Investments	19,340.62	12,744.67
Other financial assets	13,673.46	10,360.57
Total financial assets	92,907.73	73,612.25

Financial liabilities

Particulars	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Measured at amortised cost		
Trade payables	3,012.63	2,283.33
Other financial liabilities	17,271.65	15,045.35
Total financial liabilities	20,284.28	17,328.68

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.

Investments (Level 1)	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Government securities	8,071.76	8,301.82
Bonds – NABARD (7.65%)	-	503.05
Total	8,071.76	8,804.87

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 minimise 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.

Significant Accounting Policies

and Notes on Accounts

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

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Revenue from top client	18%	17%
Revenue from top 5 clients	41%	39%

The Company provides certain mandated services like Cheque Truncation System (CTS) and National Automated Clearing House (NACH), Bharat Bill Payment System, 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, services like UPI, NeTC, AePS, BBPS etc., will be the major revenue generator. More innovation and R&D's 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.

Foreign currency risk Exposures

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Financial assets		
Trade Receivables	1,343.16	1,862.61
Financial liabilities		
Trade payables	-	5.80

Equity and Liabilities

2.15 Equity Share capital

(Amount ₹ in Lakh)

Share capital	As at March 31, 2018	As at March 31, 2017
Authorised		
3,00,00,000 equity shares of ₹ 100 each	30,000.00	30,000.00
Issued, subscribed and paid-up :		
Issued share capital		
1,38,76,600 equity shares of ₹ 100 each	13,876.60	13,876.60
Subscribed and paid-up capital		
Opening balance		
1,33,86,700 equity shares of ₹ 100 each Fully paid up	13,386.70	13,386.70
Addition during the year		
	-	-
Total	13,386.70	13,386.70

Significant Accounting Policies

and Notes on Accounts

Reconciliation of shares outstanding at the beginning and end of the year ended March 31, 2018.

(Amount ₹ in Lakh)

Particulars	Equity Shares			
	As at March 31, 2018		As at March 31, 2017	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	13,386,700	13,386.70	13,386,700	13,386.70
Shares outstanding at the end of the reporting period	13,386,700	13,386.70	13,386,700	13,386.70

Terms / Rights attached to equity shares:

The Company has only one class of equity share having par value of ₹ 100 each. Each equity share represents one vote in case of poll.

In the period of five years immediately preceding March 31, 2018:

- The Company has not allotted any bonus shares.
- The Company has not allotted any equity shares as fully paid up without payment being received in cash.

Details of shareholders holding more than 5% share in the Company

Name of shareholder	Equity Shares			
	As at March 31, 2018		As at March 31, 2017	
	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
Union Bank of India	1,000,000	7.47	1,000,000	7.47
Bank of India	1,000,000	7.47	1,000,000	7.47
Bank of Baroda	1,000,000	7.47	1,000,000	7.47
Punjab National Bank	1,000,000	7.47	1,000,000	7.47
Canara Bank	1,000,000	7.47	1,000,000	7.47
ICICI Bank Limited	1,000,000	7.47	1,000,000	7.47
HDFC Bank Limited	1,000,000	7.47	1,000,000	7.47
HSBC	1,000,000	7.47	1,000,000	7.47
Citibank N.A	1,000,000	7.47	1,000,000	7.47

Significant Accounting Policies

and Notes on Accounts

2.16 Other Equity

Statement of change in equity

(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 1st April, 2017	8,534.48	7,500.00	1,000.00	750.00	43,848.41	(24.33)	61,608.56
Total comprehensive income for the year	-	-	-	-	22,827.54	(2.44)	22,825.10
Transfer to risk cover reserve	-	-	-	1,080.00	(1,080.00)	-	-
Transfer to technology reserve	-	2,500.00	-	-	(2,500.00)	-	-
Transfer to SGM contribution - NFS	-	-	-	-	(158.25)	-	(158.25)
Transfer to SGM contribution - IMPS	-	-	-	-	(157.79)	-	(157.79)
Balance as at March 31, 2018	8,534.48	10,000.00	1,000.00	1,830.00	62,779.91	(26.77)	84,117.63
Balance as at April 1, 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 – NFS	-	-	-	-	(197.37)	-	(197.37)
Transfer to SGM contribution – IMPS	-	-	-	-	(207.11)	-	(207.11)
Balance as at March 31, 2017	8,534.48	7,500.00	1,000.00	750.00	43,848.41	(24.33)	61,608.56

The Company has created three reserves namely NFS SGM reserve, Risk Cover Reserve and Technology Reserve over period of years by way of appropriation from the Surplus after Tax as per the mechanism approved by the Board.

During the year an amount of ₹ 2,500 lakh has been appropriated towards the Technology reserve and ₹ 1,080 lakh has been appropriated towards the Risk Cover Reserve.

Significant Accounting Policies

and Notes on Accounts

Financial liabilities (non-current)

2.17 Other financial liabilities

(Amount ₹ in Lakh)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
SGM contribution – NFS	5,138.22	4,675.53
SGM contribution – IMPS	4,991.12	4,595.65
Deposit – collateral AEPS/NeTC	423.00	276.00
Deposit – collateral RuPay International alliance	4,858.72	3,780.74
Earnest money deposit	148.00	57.00
Total	15,559.06	13,384.92

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, 2018 is ₹ 5,138.24 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, 2018 is as follows:

(Amount ₹ in Lakh)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
SGM – NFS balance at the beginning	4,675.53	4,467.15
SGM – NFS contribution received during the year	304.46	11.00
Subtotal (A)	4,979.99	4,478.15
Interest received on SGM – NFS investments	354.21	339.62
Less: SGM expenses (bank charges)	(97.02)	(19.78)
Less: Salary expense of SGM adjusted against income	(15.19)	(18.01)
Less: Income tax	(83.75)	(104.45)
Subtotal (B)	158.25	197.37
SGM NFS balance at the end (A+B)	5,138.24	4,675.53

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, 2018 is ₹ 4,991.12 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, 2018 is as follows:

(Amount ₹ in Lakh)

Particulars	As at	As at
	March 31, 2018	March 31, 2017
SGM- IMPS balance at the beginning	4,595.65	4,279.54
SGM- IMPS contribution received during the year	237.67	109.00
Sub-total (A)	4,833.32	4,388.54
Interest received on SGM- IMPS investments	329.17	349.29
Less: SGM Expenses (bank charges)	(72.67)	(14.55)
Less: Salary expense of SGM adjusted against income	(15.19)	(18.01)
Less: Income tax	(83.51)	(109.62)
Sub-total (B)	157.79	207.11
SGM IMPS balance at the end (A+B)	4,991.12	4,595.65

Significant Accounting Policies

and Notes on Accounts

2.18 Long-term provision

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for gratuity	86.07	53.13
Provision for leave encashment	41.86	169.05
Total	127.93	222.18

2.19 Deferred tax liabilities (net)

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred tax liabilities		
Fixed assets	2,537.70	2,599.80
Future minimum lease obligations	(27.64)	(51.42)
Deferred tax asset		
Share issue expenses	(7.68)	(3.80)
Income tax on OCI	(14.38)	(12.88)
Total	2,488.00	2,531.70

2.20 Other non-current liabilities

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Security deposit	1.00	1.00
Future minimum lease obligations	36.11	69.59
Total	37.11	70.59

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 March 31, 2018	As at March 31, 2017
Not later than 1 year	42.99	83.62
Later than 1 year and not later than 5 years	36.11	69.59
Later than 5 years	-	-
Total	79.10	153.21

Current liabilities

Financial liabilities (current)

2.21 Trade payables

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Sundry creditors	3,012.63	2,283.33
Total	3,012.63	2,283.33

Significant Accounting Policies

and Notes on Accounts

2.22 Others financial liabilities

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Statutory liabilities#	1,588.54	1,557.77
Advance for centralised promotion of IMPS (net)*	7.90	7.90
Service charges (network) received in advance	-	2.56
Security deposit	3.26	3.35
Other payables	25.39	4.85
Earnest money deposit	87.50	84.00
Total	1,712.59	1,660.43

#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, 2018 is as follows:

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Opening balance	7.90	53.92
Less : Expenses towards centralised promotion of IMPS	-	(46.02)
Closing Balance	7.90	7.90

2.23 Provisions

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for expenses	9,616.87	4,543.70
Provision - Leave encashment	-	34.35
Future minimum lease obligations	42.99	83.62
Total	9,659.86	4,661.67

The movement in the provision for expenses is as follows:

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Balance at the beginning of the year	4,543.70	2,247.67
Provision during the year	8,705.28	4,352.66
Less : Provision utilised / reversed	(3,632.11)	(2,056.63)
Balance at the end of the year	9,616.87	4,543.70

2.24 Current tax liabilities (Net)

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for tax – FY 2009-10 (net)	113.51	113.51
Provision for tax – FY 2010-11 (net)	565.91	565.92
Provision for tax – FY 2016-17 (net)	-	780.86
Total	679.42	1,460.29

Significant Accounting Policies

and Notes on Accounts

Income Taxes

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

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Current taxes	12,400.00	8,000.00
Deferred taxes	(42.20)	881.83
Income tax expenses	12,357.80	8,881.83

A Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31, 2018:

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Surplus before tax	35,185.34	25,227.14
Applicable tax rate	34.61	34.61
Computed expected tax expense	12,177.65	8,730.61
Items of Income not to offer for tax	(8.80)	(9.93)
Interest income on security deposits (FV)	(10.20)	(8.22)
Interest income on staff advances (FV)	-	(1.01)
Increase in Interest on G Sec-EIR	1.40	(0.70)
Items of expense not deductible for tax purposes:	166.19	61.16
Provision for straight lining of leases reversed	(25.65)	(24.30)
Staff cost	0.10	1.19
Rental expenses (security deposits)	10.48	8.68
CSR expenses	22.26	40.98
Other disallowance – gratuity and leave encashment provisions and others	159.00	34.61
Items of expense deductible for tax purposes:	64.85	(868.58)
Excess depreciation as per Income tax	68.65	(864.78)
1/5th amortisation of share issue expenses	(3.80)	(3.80)
Total	12,399.89	7,913.26
Tax loss on which DTA is not recognised	-	-
Tax expense recognised during the year	12,399.89	7,913.26
Rounded off	12,400.00	8,000.00

The applicable Indian Statutory tax rate for Fiscal 2018 is 34.61%.

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

(Amount ₹ in Lakh)

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred Tax liability		
Fixed Assets	2,537.70	2,599.80
Deferred tax asset		
Future minimum lease obligation	(27.64)	(51.42)
Share issue expenses	(7.68)	(3.80)
Income tax on OCI	(14.38)	(12.85)
Total	2,488.00	2,531.70

Significant Accounting Policies

and Notes on Accounts

2.25 Revenue from operation

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Income from payment services	59,191.08	44,029.48
Certification income	1,623.98	610.25
Network income	2,742.35	2,255.73
Other operating income*	4,187.24	3,498.68
Total	67,744.65	50,394.14

*includes Compliance fees, Membership fees, Income from International alliances, Hologram charges, card fees, etc.

2.26 Other Income

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Interest income on deposits	3,207.77	2,872.39
Interest income on G-Sec	623.91	606.74
Interest income on bonds	438.06	140.60
Interest income on earmarked fund (NFS) SGM	354.21	339.62
Interest income on earmarked fund (IMPS) SGM	329.17	349.29
Reversal of provision for expenses	128.51	54.53
Liquidated damages	19.92	48.20
Interest income on advances to employees	-	2.92
Other miscellaneous income	19.47	64.36
Total	5,121.02	4,478.65

2.27 Operating expenses

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Annual maintenance charges – IT equipment	3,076.00	2,070.05
Network expenses	2,012.96	1,196.26
Testing and certification charges	908.12	1,800.49
Data centre rentals	585.77	559.81
Power and fuel	427.81	357.20
Trademark registration charges	8.10	4.17
Total	7,018.76	5,987.98

2.28 Employee benefits expenses

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Salary and allowances	10,440.84	8,042.69
Outsourcing – IT manpower	1,038.13	656.96
Contribution to employee benefits	615.05	452.05
Staff welfare	302.54	208.95
Total	12,396.56	9,360.65

Significant Accounting Policies

and Notes on Accounts

2.28.1 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 summarised position of post-employment benefits is recognised in the Income and expenditure account and Balance Sheet are as under:

Gratuity Plan

(Amount ₹ in Lakh)

Net asset / (liability) recognised in the Balance Sheet	As at March 31, 2018	As at March 31, 2017
Present value of obligation	(402.41)	(294.26)
Fair value of plan assets	316.34	241.14
Funded status – (surplus) /deficit	(86.07)	(53.13)
Net asset / (liability) recognised in the Balance Sheet	(86.07)	(53.13)

(Amount ₹ in Lakh)

Amount recognised in the statement of Income and Expenditure account	Year ended March 31, 2018	Year ended March 31, 2017
Current service cost	101.85	70.85
Interest cost	19.21	13.88
Expected return on plan asset	(16.70)	(12.71)
Past service cost	19.53	-
Total expense / (income) charged to Income and Expenditure account	123.89	72.02

(Amount ₹ in Lakh)

Reconciliation of amounts in Balance Sheet	As at March 31, 2018	As at March 31, 2017
Opening net defined benefit liability / (asset)	53.13	27.45
Total expense (income) recognised in Income and Expenditure	123.90	72.03
Actual employer contribution	(94.90)	(74.02)
Total re-measurements recognised in other comprehensive income/(loss)	3.95	27.67
Liability / (Asset) recognised in the Balance sheet	86.08	53.13

(Amount ₹ in Lakh)

Change in present value of obligation during the period	As at March 31, 2018	As at March 31, 2017
Present value of obligation at the beginning of the year	294.26	194.65
Current service cost	101.85	70.85
Interest cost	19.21	13.88
Actuarial (gain) / loss on obligation	(5.52)	30.66
Benefits paid	(26.92)	(15.79)
Past service cost	19.53	-
Present value of obligation at the end of the year	402.41	294.25

Significant Accounting Policies

and Notes on Accounts

	(Amount ₹ in Lakh)	
	As at	As at
Change in fair value of Plan Assets during the period	March 31, 2018	March 31, 2017
Fair value of plan assets at the beginning of the year	241.14	167.20
Expected return on plan assets	16.70	12.71
Contributions made	94.90	74.02
Benefits paid	(26.92)	(15.79)
Actuarial gain / (loss) on plan assets	(9.47)	3.00
Fair value of plan assets at the end of the ear	316.35	241.14

	(Amount ₹ in Lakh)	
	As at	As at
Amount recognised in other comprehensive income	March 31, 2018	March 31, 2017
Opening amount recognised in OCI	27.67	-
Re-measurements due to :		
Effect of change in financial assumption	(12.71)	9.96
Effect of experience adjustments	7.19	20.70
Adjustment due to migration from IGAAP to IND-AS	9.53	0.00
Actuarial (gain) / loses	(5.52)	30.66
Return on plan assets (excluding interest)	(9.47)	3.00
Total re-measurements recognised in OCI	3.95	0.00
Amount recognised in OCI at the end of the period	41.15	27.67
Actuarial assumptions		
Discount rate	7.50%	7.00%
Expected rate of return on assets	7.00%	7.00%
Employee Attrition Rate	13.00%	13.00%
Future salary increases consider inflation, seniority promotion	6.00%	6.00%

Leave Encashment Plan

	(Amount ₹ in Lakh)	
	As at	As at
Net Asset / (Liability) recognised in the Balance Sheet	March 31, 2018	March 31, 2017
Present value of obligation	247.79	246.49
Fair value of plan assets	(205.93)	(43.08)
Net funded obligation	41.86	203.41
Net asset / (liability) recognised in the Balance Sheet	41.86	203.41

	(Amount ₹ in Lakh)	
	Year ended	Year ended
Amount recognised in the statement of Income and Expenditure account	March 31, 2018	March 31, 2017
Current service cost	74.66	42.30
Interest cost	14.41	8.02
Net actuarial (gain) / loss recognised during the year	(9.01)	112.70
Expected return on plan asset	(8.33)	(4.58)
Total expense / (income) charged to Income and Expenditure account	71.73	158.44

Significant Accounting Policies

and Notes on Accounts

(Amount ₹ in Lakh)

	As at March 31, 2018	As at March 31, 2017
Reconciliation of net defined benefit liability / (asset)		
Opening net defined benefit liability / (asset)	203.41	45.39
Total expense (income) recognised in Income and Expenditure account	71.73	158.44
Actual employer contribution	(233.28)	(0.41)
Liability / (asset) recognised in the Balance sheet	41.86	203.41

(Amount ₹ in Lakh)

	As at March 31, 2018	As at March 31, 2017
Change in present value of obligation during the year		
Present value of obligation at the beginning of the year	246.49	127.72
Current service cost	74.66	42.30
Interest cost	14.41	8.02
Actuarial (gain) / loss on obligation	(6.41)	112.94
Benefits paid	(81.35)	(44.48)
Present value of obligation at the end of the year	247.80	246.50

(Amount ₹ in Lakh)

	As at March 31, 2018	As at March 31, 2017
Change in assets during the year		
Fair value of plan assets at the beginning of the year	43.08	82.33
Expected return on plan assets	8.33	4.58
Contributions made	233.28	0.41
Benefits paid	(81.35)	(44.48)
Actuarial gain / (loss) on plan assets	2.59	0.24
Fair value of plan assets at the end of the ear	205.93	43.08
Actuarial assumptions		
Discount rate	7.50%	7.00%
Expected rate of return on assets	7.50%	7.00%
Employee attrition rate	13.00%	13.00%
Future salary increases consider inflation, seniority promotion	6.00%	6.00%
Retirement age	60 years	60 years

Significant Accounting Policies

and Notes on Accounts

2.29 Administrative and establishment expenses

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Rent rates and taxes	1,134.67	860.19
Travelling and conveyance expenses	563.49	497.77
Computer consumables	89.89	54.13
Housekeeping charges	170.64	120.36
Travel expenses – overseas	136.23	71.21
Power and fuel	131.55	123.94
Meeting expenses	105.59	145.46
Telephone and communication expenses	94.05	138.42
Security charges	88.08	64.69
Office maintenances	86.11	74.31
Sitting fees to Directors	82.47	82.81
Travel expenses – Directors	43.00	57.42
Internet expenses – Directors	2.10	1.67
Insurance – cyber, asset and others	75.09	69.76
Repair and maintenance charges	37.45	57.82
Printing and stationery	33.97	40.30
Hire and rental equipment	25.63	10.97
Internal audit fees	19.01	13.06
Postage and courier	11.84	15.45
Staff relocation expenses	11.67	15.98
Bank charges	3.57	2.39
Employer – Profession tax	0.04	0.07
Total	2,946.14	2,518.18

2.30 Depreciation and amortisation expenses

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation on tangible assets (note 2.1)	3,032.05	2257.18
Depreciation on intangible assets (note 2.3)	3,756.47	2512.18
Total	6,788.52	4,769.36

Significant Accounting Policies

and Notes on Accounts

2.31 Other expenses

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
Professional fees	1,448.77	925.48
Insurance – RuPay card	1,366.08	1,613.93
Marketing expenses	1,291.79	1,033.08
POS enablement – International alliance	1,203.08	1,432.60
Advertisement expenses	1,064.41	521.37
Paper to follow – CTS charges	780.34	590.14
Training and seminar	203.90	171.64
Software and IT expenses	196.30	63.65
Membership fees / subscription fees	186.24	97.93
Processing fees – line of credit	169.69	34.33
Recruitment expenses	117.31	124.13
AEPS transaction expenses – UIDAI	111.36	-
Foreign exchange loss	74.53	66.31
Contribution to CSR activities#	64.32	118.41
Escrow agency fees	23.36	10.19
Conference / seminar / study visit – International	20.05	84.06
Assets written off	21.36	58.07
Other write offs	(1.39)	2.33
Corporate communication expenses	11.23	7.50
Auditor's remuneration*	6.86	4.20
Tax audit fees	1.00	0.95
Miscellaneous expenses	169.76	49.16
Total	8,530.35	7,009.46

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

Contribution to CSR activities:

The Company adopt to contribute 2% of the Net surplus after tax to Corporate Social Responsibility (CSR) activities as per provisions of the Companies Act, 2013. During the year, the Company has expended ₹ 64.32 lakh for the Corporate Social Responsibility (CSR) activities based on the approvals received from the Corporate Social Responsibility (CSR) Committee. The balance amount would be spent in a phased manner based on completion of certain milestones and identification of projects or activities. CSR amount pertaining to previous financial years are also not fully utilised. CSR Committee is identifying and assessing suitable projects or activities for the said unspent amount.

* Auditor's remuneration

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
Statutory audit fees	4.50	2.50
Audit fees for limited review	2.02	1.50
Out of pocket expense	0.34	0.20
Total	6.86	4.20

Statutory audit fees includes ₹ 1 lakh pertain to FY 16-17.

Significant Accounting Policies

and Notes on Accounts

2.32 Earnings per share

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
Net surplus as per statement of Income and Expenditure	22,825.10	16,327.24
Weighted average number of equity shares	133.86	133.86
EPS :		
(1) Basic EPS (face value ₹ 100 per equity share)	170.51	121.97
(2) Diluted EPS (face value ₹ 100 per equity share)	170.51	121.97

2.33 Related party disclosures

Name of KMP / Related parties:

Key managerial personnel	Particulars	Date of appointment	Date of retirement / cessation
Shri Muthusamy Balachandran	Chairman	07-May-09	20-Sep-17
Shri Biswamohan Mahapatra	Chairman	08-Feb-18	-
Shri Boggarapu Sambamurthy	Nominee Director from Reserve Bank of India	05-Dec-13	19-Feb-18
Shri Sudarshan Sen	Nominee Director from Reserve Bank of India	20-Mar-18	-
Smt. Deena Mehta	Independent Director	22-Aug-11	20-Sep-17
Ms. Rama Bijapurkar	Independent Director	22-Jan-15	-
Shri Satish Pradhan	Independent Director	04-Mar-15	-
Prof. G. Sivakumar	Independent Director	21-Jun-16	-
Dr. Santanu Paul	Independent Director	09-Nov-16	-
Ms. Padmaja Chunduru	Nominee Director from State Bank of India	08-Jan-18	-
Smt. Manju Agarwal	Nominee Director from State Bank of India	15-Dec-15	31-Dec-17
Shri Mayank Mehta	Nominee Director from Bank of Baroda	31-Aug-16	-
Shri Raj Kamal Verma	Nominee Director from Union Bank of India	28-Jun-17	-
Shri Rakesh Kumar	Nominee Director from Punjab National Bank	04-Nov-15	31-Oct-17
Shri Ambrish Kumar Mishra	Nominee Director from Punjab National Bank	08-Jan-18	-
Shri Ajay Kumar Kapoor	Nominee Director from HDFC Bank	20-Mar-18	-
Shri Bhavesh Zaveri	Nominee Director from HDFC Bank	24-Mar-09	20-Mar-18
Shri B. Madhivanan	Nominee Director from ICICI Bank	09-Nov-16	-
Smt. Debopama Sen	Nominee Director from Citibank N.A.	25-Jul-13	-
Shri Rajiv Anand	Nominee Director from Axis Bank	09-Nov-16	-
Smt. S.M.Sandhane	Nominee Director from Saraswat Coop Bank	09-Nov-16	-
Shri Shaji K.V.	Nominee Director from Kerala Gramin Bank	14-Dec-16	23-May-17
Shri Ravikrishnan MK	Nominee Director from Kerala Gramin Bank	28-Jun-17	-
Shri A.S. Rajeev	Nominee Director from Indian Bank	16-Mar-17	-

Key management personnel of the Company	Designation	Date of appointment	Date of retirement / cessation
Shri Abhay Prasad Hota	Managing Director & CEO	23-Aug-10	10-Aug-17
Shri Dilip Asbe*	Managing Director & CEO	08-Jan-18	-
Shri Sanjay Saxena	Chief financial officer	01-Apr-14	-
Ms. Anjalee Javeri	Company Secretary	01-Apr-14	15-Jan-18

* CEO-in-charge during the period from 11-Aug-17 to 07-Jan-18.

Significant Accounting Policies

and Notes on Accounts

Name of related parties	Relationship
Axis Bank Limited	Entity with common director
Bandhan Bank	Entity with common director
Bank of Baroda	Entity with common director
Kerala Gramin Bank	Entity with common director
Mahindra & Mahindra Financial Services Limited	Entity with common director
RBL Bank Limited	Entity with common director
Ujjivan Small Finance Bank Limited	Entity with common director
Union Bank of India	Entity with common director
Aditya Asit Mehta	Related party concern
Indian Institute of Banking & Finance	Entity with common director
Institute for Development and Research in Banking Technology	Entity with common director
National Securities Depository Limited	Entity with common director
Locuz Enterprises Solutions	Entity with common director
Pentation Analytics Pvt Ltd	Related party concern
Jio Payment Bank Ltd.	Entity with common director
NSDL Payments Bank Limited	Entity with common director

Transactions with related parties

The details of related party transactions entered into by the Company for the year ended March 31, 2018 (payment for the period of relationship with reporting entity):

(Amount ₹ in Lakh)

Name of related party	Nature of transaction	Year ended March 31, 2018	Year ended March 31, 2017
Axis Bank Limited	Rendering of services	3,847.54	-
Axis Bank Limited	Receiving of services	15.00	-
Bandhan Bank	Rendering of services	222.16	-
Bank of Baroda	Rendering of services	2,367.07	-
Kerala Gramin Bank	Rendering of services	15.67	-
Mahindra & Mahindra Financial Services Limited	Rendering of services	2.77	-
RBL Bank Limited	Rendering of services	468.11	-
Ujjivan Small Finance Bank Limited	Rendering of services	9.63	-
Union Bank of India	Rendering of services	1,697.58	-
Union Bank of India	Receiving of services	23.50	-
Jio Payment Bank	Rendering of services	21.00	-
Aditya Asit Mehta	Receiving of services	1.20	2.40
Indian Institute of Banking & Finance	Receiving of services	2.00	10.16
Institute for Development and Research in Banking Technology	Receiving of services	83.14	73.02
National Securities Depository Limited	Receiving of services	0.38	-
Locuz Enterprises Solutions	Receiving of services	-	4.45
Pentation Analytics Pvt Ltd	Receiving of services	60.10	-
Pentation Analytics Pvt Ltd	Rendering of services	0.12	-
NSDL Payments Bank Limited	Rendering of services	8.06	-
		8,845.03	90.03

Significant Accounting Policies

and Notes on Accounts

Details of amounts due to or due from related parties as at March 31, 2018.

Amount payable to related parties:

(Amount ₹ in Lakh)

Name of related party	Nature of Balances	Year ended March 31, 2018	Year ended March 31, 2017
Indian Institute of Banking and Finance	Trade payable	0.35	-
Axis Bank	Deposit	975.62	-
Bandhan Bank	Deposit	11.00	-
Bank of Baroda	Deposit	115.54	-
Kerala Gramin Bank	Deposit	5.00	-
Mahindra & Mahindra Financial Services	Deposit	1.00	-
RBL Bank Ltd	Deposit	1,035.61	-
Ujjivan small Finance Bank Ltd	Deposit	24.88	-
Union Bank of India	Deposit	36.51	-
Jio Payments Bank	Deposit	5.00	-
Total		2,210.51	-

Amount receivable from related parties

(Amount ₹ in Lakh)

Name of related party	Nature of Balances	Year ended March 31, 2018	Year ended March 31, 2017
Axis Bank Limited	Trade receivable	28.91	-
Bandhan Bank	Trade receivable	0.13	-
Bank of Baroda	Trade receivable	79.49	-
Kerala Gramin Bank	Trade receivable	2.56	-
Mahindra & Mahindra Financial Services Limited	Trade receivable	0.89	-
RBL Bank Limited	Trade receivable	8.15	-
Ujjivan Small Finance Bank Limited	Trade receivable	0.04	-
Union Bank of India	Trade receivable	15.09	-
Jio Payment Bank	Trade receivable	29.09	-
NSDL Payments Bank Limited	Trade receivable	0.59	-
Total		164.94	-

Transactions with key managerial personnel

(Amount ₹ in Lakh)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Sitting fees	82.47	82.40
Honorarium fees	8.90	8.60
Total	91.20	91.00

Significant Accounting Policies

and Notes on Accounts

The details of amounts due to key managerial personnel as at March 31, 2018:

Name of key managerial personnel	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
Prof. G. Sivakumar	0.20	0.18

Compensation to key management personnel of the Company:

Particulars	(Amount ₹ in Lakh)	
	Year ended March 31, 2018	Year ended March 31, 2017
Short-term employee benefits	234.13	184.01
Post-employment benefits*	24.89	-
Other long term benefits	50.00	-
Total	309.02	184.01

* The above Post-employment benefit excludes gratuity provision which cannot be separately identified from the composite amount advised by actuary.

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.

2.35 Contingent liabilities and commitments

Contingent liabilities and commitments (to the extent not provided for)	(Amount ₹ in Lakh)	
	As at March 31, 2018	As at March 31, 2017
(i) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	26,583.88	17,725.78
(b) Revenue commitments	7,092.96	7,036.54
Sub-total	33,676.84	24,762.32
(ii) Contingent liabilities on account of tax demand		
Income tax demand for AY 2010-2011	301.28	301.28
Income tax demand for AY 2011-2012	183.26	183.26
Income tax demand for AY 2012-2013	551.71	551.71
Income tax demand for AY 2013-2014	444.79	444.79
Income tax demand for AY 2015-2016	1,806.87	-
Sub-total	3,287.91	1,481.04
(iii) Contingent liabilities – other matters	2,597.00	2,597.00
Sub-total	2,597.00	2,597.00
Total	39,561.75	28,840.36

Significant Accounting Policies

and Notes on Accounts

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 2015-16. 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 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 of 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) initiate 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 ₹ 162.32 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 said Appeal is yet to commence.

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 The Company has filed an appeal against the order to Commissioner of Income Tax (Appeals), Mumbai.

Assessment year 2015-16:

The Contingent liability for A.Y. 2015-16 amounts to ₹ 1,806.87 lakh is on account of difference between the tax demand by the Revenue Authority of ₹ 7,106.87 lakh against provision in the books of accounts of ₹ 5,300.00 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

Significant Accounting Policies

and Notes on Accounts

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. Assessment order received dated December 18, 2017 along demand notice u/s 156 amounting to ₹ 5,368.13 lakh. 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 Payment 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, 2018	March 31, 2017
Software license	715.22	241.49
Total	715.22	241.49

2.36.2 Revenue expenditure in foreign currency

(Amount ₹ in Lakh)

Particulars	Year ended	Year ended
	March 31, 2018	March 31, 2017
Foreign travel expenses (diem allowance)	54.07	38.39
AMC – software	58.04	93.42
Books and periodicals	0.30	1.06
Conference / seminar / study visit	-	2.74
Email hosting charges	11.54	69.47
Escrow agent fees / professional fees	82.82	266.02
Subscription and membership fees	48.59	28.14
Training and seminar	4.16	-
Foreign exchange Loss	4.64	66.31
Total	264.16	565.55

Accounting for foreign currency transaction:

Expenditure 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.

Significant Accounting Policies

and Notes on Accounts

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 March 31, 2018	As at March 31, 2017
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 ₹ 12,400.00 lakh has been provided for the year ended March 31, 2018, being the amount of Income Tax computed under the provisions of the Income Tax Act, 1961 and recognised deferred tax income of ₹ 42.20 lakh as per the provision of Accounting Standard.

As per our report attached

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

CA Suresh Mehra
Membership No. 039730
Partner

Place : Mumbai
Date : May 17, 2018

For and on behalf of Board of Directors

Biswamohan Mahapatra
Chairman

Dilip Asbe
Managing Director & CEO

Dr. Santanu Paul
Director

Sanjay Saxena
Chief Financial Officer