

DIRECTORS' REPORT

The Board of Directors of the Bank have pleasure in presenting the Twenty-fourth Annual Report covering business and operations of the Bank, together with the Audited Financial Statements for the year ended March 31, 2018.

The financial performance for the year ended March 31, 2018 is summarized as under:

(₹ in crores)

Particulars	As on March 31, 2018	As on March 31, 2017
Deposits	151,639.17	126,572.22
Advances	144,953.66	113,080.51
Operating Profit (before Depreciation and Provisions and Contingencies)	6,867.75	5,641.71
Net Profit	3,605.99	2,867.89

During the year under review, despite the disruption in growth rate in the Indian economy and a persistently challenging macroeconomic environment, the Bank improved its business, with Deposits growing by 19.80% and Advances by 28.19% over the previous year.

The Bank continued to focus on increasing earnings from its core banking business, strengthening the fee income streams, and maintaining control on operating costs.

Operating Profit (before Depreciation and Provisions and Contingencies) rose by 21.73% to ₹ 6,867.75 crores, as compared to ₹ 5,641.71 crores in the previous year.

The Net Profit of the Bank, after considering all expenses and necessary Provisions and Contingencies, was higher by 25.74% at ₹ 3,605.99 crores, as against ₹ 2,867.89 crores in the previous year.

Appropriations

The Directors recommend appropriation of Profit as under:

(₹ in crores)

Operating Profit before Depreciation and Provisions and Contingencies	6,867.75
Less: Depreciation on Fixed Assets	211.64
Less: Provisions and Contingencies inclusive of Income Tax	3,050.12
Net Profit	3,605.99
Profit Brought Forward	7,118.38
Amount available for Appropriation	10,724.37
Transfer to Statutory Reserve	901.50
Transfer to Capital Reserve	7.62
Dividend (including Tax on Dividend) (23rd Annual General Meeting of members held on July 26, 2017 approved the payment of Dividend for the year 2016-17 for the Equity Shares outstanding as on that date.)	432.24
Deduction during the year	71.52
Total Appropriations	1,412.88
Balance carried over to Balance Sheet	9,311.49

Dividend

The Earning Per Share (EPS) of the Bank rose to ₹ 60.19 during the year 2017-18, from ₹ 48.06 in the previous year.

In view of the overall improvement in performance as well as the need to conserve Capital for continued growth, the Directors recommend Dividend of ₹ 7.50 per Equity Share of ₹ 10 each for the year ended March 31, 2018. (Dividend for the year 2016-17 was ₹ 6.00 per Equity Share of ₹ 10 each).

Considering the Equity Shares outstanding as at March 31, 2018, the total amount of dividend payable including Taxes to be borne by the Bank amounts to ₹ 542.70 crores. In accordance with the revised AS 4 – 'Contingencies and events occurring after the Balance Sheet Date', this amount is not accounted as liabilities as at March 31, 2018.

Financial Performance and State of Affairs of the Bank

The year under review was the first year of the new Triennial Planning Cycle of the Bank, (Planning Cycle 4, for Financial Years 2017-20) with the theme of "Digitize to Differentiate, Diversify and Create Domain Leadership (4D)" with a strategy to gain 'Market Share with Profitability'.

Backed by improved volumes, the Total Income of the Bank for the year under review grew by 18.59% to ₹ 22,030.85 crores from ₹ 18,577.16 crores.

The healthy rise in profitability was the result of growth in Net Interest Income (NII) as well as Non-Interest Income. Net Interest Income improved by 23.67% to ₹ 7,497.45 crores from ₹ 6,062.60 crores while Non-Interest Income rose to ₹ 4,750.10 crores from ₹ 4,171.49 crores, registering growth of 13.87%.

Core Fee Income such as commission, exchange, loan processing and account management fees, fees on Investment Banking and distribution of third-party products, and earnings from foreign exchange business grew by 19.73% to ₹ 4,176.75 crores from ₹ 3,488.59 crores earned during the previous year.

Yield on Advances dropped to 11.21% during the year, as against 11.71% in the previous year, while the Cost of Deposits fell to 5.98% from 6.41% in the previous year. The Bank was able to maintain its Net Interest Margin at the same level as of previous year at 3.99%.

The Bank expanded its branch network steadily to reach 1,400 branches, as against 1,200 branches at the beginning of the year. Revenue per employee during the year improved significantly to ₹ 48 lakhs.

The Net Non-Performing Assets ratio of the Bank stands at 0.51% in current year. The Provisioning Coverage Ratio (PCR) stands at 56.26% as compared to 58.39% in the previous year.

The year under review witnessed a number of significant events, some of which are listed below:

- On April 18, 2017, the Bank issued Basel III-compliant Additional Tier 1 Bonds (AT1/ PDI) for ₹ 1,000 crores, in addition to ₹ 1,000 crores mobilized during March 2017.
- On October 14, 2017, the Board of Directors of the Bank and the Board of Directors of Bharat Financial Inclusion Limited (BFIL) (formerly known as SKS Microfinance Limited) approved Amalgamation of BFIL with the Bank through a Composite Scheme of Arrangement. The Competition Commission of India has granted approval to the proposed Scheme, and the RBI has accorded their "No Objection" for the Amalgamation.

In this regard, as on date of this report:

- The Scheme has 'no adverse remarks' in the Observation Letters from the Securities and Exchange Board of India (SEBI) / National Stock Exchange of India Limited vide letter dated June 1, 2018 and BSE Limited vide letter dated June 4, 2018.
- RBI vide letter dated June 8, 2018 conveyed their approval for incorporating of the Wholly-Owned-Subsidiary to act as Business Correspondent of the Bank as part of Bank's Amalgamation with BFIL.
- The Scheme is awaiting, approval from the respective Shareholders and Creditors of the Bank and BFIL, the National Company Law Tribunal (NCLT), and is subject to compliance with the conditions specified by RBI.
- Equity Shares of the Bank have been included in the bellwether 30 Member BSE Sensex Index. They have been part of Nifty 50, the bellwether index of NSE since April 2013.
- RBI have granted approval on April 3, 2018 for the proposed acquisition of IL&FS Securities Services Limited, the securities services arm of IL&FS, as a Wholly-Owned Subsidiary of the Bank. This transaction is conditional on definitive agreements and other regulatory approvals.

Performance of Subsidiary and Associate Company

The Bank does not have a subsidiary.

IndusInd Marketing and Financial Services Private Limited (IMFS) is an Associate Company of the Bank and is engaged in the business of providing manpower services. Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014, the Bank has drawn up a Consolidated Financial Statement including the Financial Statement of its Associate Company, which also forms a part of this Annual Report.

During FY 2017-18, IMFS earned Revenue of ₹ 243.09 crores as against Revenue of ₹ 217.21 crores in the previous year. IMFS earned Profit of ₹ 0.44 crores in FY 2017-18.

Statement containing the salient features of the financial position of the Associate Company in Form AOC-1 is enclosed as 'Annexure' to the Financial Statements.

Share Capital

The Paid-Up Equity Capital of the Bank as at March 31, 2018 consisted of 60,02,23,187 Equity Shares of ₹ 10/- each.

During the year under review, the Bank allotted 20,74,482 Equity Shares of ₹ 10/- each pursuant to Exercise of Options under its Employees Stock Option Scheme, 2007.

The Bank has not issued any Equity Shares with Differential Voting Rights.

Debentures

On April 18, 2017, the Bank allotted, on Private Placement basis, 10,000 Rated, Listed, Non-Convertible, Perpetual, Subordinated & Unsecured Basel III-compliant Additional Tier I Bonds ("AT1") in the nature of Debentures of Face Value of ₹ 10,00,000 (Rupees Ten lakhs each) for cash at par amounting to ₹ 1,000 crores.

In compliance with Regulation 53 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the names of the Debenture Trustees with their contact details are given below:

Trustee I:

Name of Debenture Trustees : Catalyst Trusteeship Limited (formerly GDA Trusteeship Ltd.)
 Address : GDA House, Plot No. 85, Bhusari Colony (Right), Kothrud, Pune – 411 038, Maharashtra, India.
 Website : www.catalysttrustee.com
 E-mail : dt@ctltrustee.com

Trustee II:

Name of Debenture Trustees : Beacon Trusteeship Limited
 Address : Prabhat Kunj, Prabhat Colony 3, Santracruz (East), Mumbai – 400 055
 Website : www.beacontrustee.co.in
 E-mail : info@beacontrustee.co.in

Tier II Capital

The Bank did not issue any Tier II Capital instruments during the year. As on March 31, 2018, the value of outstanding Tier II Capital instruments is Nil.

Deposits

The Bank is a banking company governed by the Banking Regulation Act, 1949, and as such, the provisions in the Companies Act relating to acceptance of Public Deposits are not applicable.

Capital Adequacy

The Bank continues to be adequately capitalized. The Capital Adequacy Ratio of the Bank, calculated under the Basel III Capital Regulations mandated by RBI, is set out below:

Particulars	March 31, 2018	March 31, 2017
i) Capital Adequacy Ratio (CRAR)	15.03%	15.31%
ii) CRAR- Common Equity Tier 1 Capital	13.42%	14.02%
iii) CRAR- Tier 1 Capital	14.58%	14.72%
iv) CRAR- Tier 2 Capital	0.45%	0.59%

Credit Ratings

Instruments	Rating	Rating Agency
Infra Bond program	AA+	CRISIL
Additional Tier I Bond program	AA	CRISIL
Certificates of Deposit	A1+	CRISIL
Senior Bonds program	AA+	India Ratings and Research
Additional Tier I Bond program	AA	India Ratings and Research
Short Term Debt instruments	A1+	India Ratings and Research

Directors

The Bank's Board comprised eight Directors as on March 31, 2018, viz., Mr. R. Seshasayee, Non-Executive Part-time Chairman, five Independent Directors, Mr. Yashodhan M. Kale, Non-Executive Non-Independent Director, and Mr. Romesh Sobti, Managing Director & CEO.

(a) Non-Executive Independent Directors

All Independent Directors have given Declarations that they meet the criteria of independence as laid down under sub-section (6) of Section 149 of the Companies Act, 2013. In compliance with Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Declarations were placed before the Board of Directors in their meeting held on April 19, 2018, and based on the Declarations, the following Non-Executive Directors continue to be identified as Independent Directors as on March 31, 2018:

- (i) Mrs. Kanchan Chitale
- (ii) Mr. T. Anantha Narayanan
- (iii) Mr. Ranbir Singh Butola
- (iv) Mr. Shanker Annaswamy
- (v) Dr. T. T. Ram Mohan

(b) Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, specified companies are required to have at least one Woman Director in their Board.

Mrs. Kanchan Chitale (DIN: 00007267), who joined the Board on October 18, 2011, is an Independent Woman Director in the Board, and Chairs some important Committees.

(c) Chairman of the Board

Mr. R. Seshasayee, (DIN: 00047985) has been Non-Executive Part-time Chairman of the Bank since July 24, 2007.

Shareholders of the Bank had, in the 23rd AGM held on July 26, 2017, approved the re-appointment of Mr. R. Seshasayee as Non-Executive Part-time Chairman for a period of 2 years.

RBI have conveyed approval for the re-appointment of Mr. R. Seshasayee as a Non-Executive Part-time Chairman for a period of 2 years, i.e., up to July 24, 2019.

(d) Managing Director & CEO

Mr. Romesh Sobti, (DIN: 00031034) has been Managing Director & CEO of the Bank since February 1, 2008.

Shareholders of the Bank had, in the 21st AGM held on August 17, 2015, approved the re-appointment of Mr. Romesh Sobti as the Managing Director & CEO for a period of three years with effect from February 1, 2015.

Reserve Bank of India have conveyed their approval for re-appointment of Mr. Romesh Sobti up to March 23, 2020.

(e) Details of Directors seeking Appointment / Re-appointment / Directors retiring by rotation at the forthcoming AGM**Appointment**

Mr. Yashodhan M. Kale (DIN: 00013782), completed his tenure in the Board on November 3, 2017. Reserve Bank of India have, vide their letter dated December 20, 2017, conveyed approval for continuance of Mr. Yashodhan M. Kale in the Board upto April 15, 2019.

The Board of Directors had, in their meeting held on January 11, 2018, accordingly approved the appointment of Mr. Yashodhan M. Kale as 'Additional Director' in the category of 'Non-Executive Non-Independent Director' in the Board.

Approval of the shareholders is being requested for the appointment of Mr. Yashodhan M. Kale as Director in the Board of the Bank.

Re-appointment

Mr. Romesh Sobti (DIN: 00031034) has been the Managing Director & CEO of the Bank since February 1, 2008.

Shareholders of the Bank had, in the 21st AGM held on August 17, 2015, approved the re-appointment of Mr. Romesh Sobti as the Managing Director & CEO for a period of three years with effect from February 1, 2015.

The Nomination & Remuneration Committee of the Board had recommended to the Board of Directors the re-appointment of Mr. Romesh Sobti as Managing Director & CEO with effect from February 1, 2018.

Reserve Bank of India have, vide their letter dated January 16, 2018, conveyed their approval for the re-appointment of Mr. Romesh Sobti as 'Managing Director & CEO' from February 1, 2018 until March 23, 2020.

Approval of the shareholders is being requested for re-appointment of Mr. Romesh Sobti as Managing Director & CEO of the Bank upto March 23, 2020.

Retirement by Rotation

Section 152 (6) of the Companies Act, 2013 provides that not less than two-thirds of the total number of directors of a public company shall be liable to retire by rotation, and that one-third of such directors as are liable to retire by rotation shall retire from office at every Annual General Meeting (AGM) of the company.

In accordance with the provisions of the Companies Act, 2013, out of the Non-Independent Directors, **Mr. R. Seshasayee (DIN: 00047985), Non-Executive Part-time Chairman** of the Bank, being longest in Office, retires by rotation, and being eligible, offers himself for re-appointment at the AGM.

Approval of the shareholders is being requested for re-appointment of Mr. R. Seshasayee as Non-Executive Part-time Chairman of the Bank.

As required under Regulation 36(3) of the Listing Regulations, particulars of the Directors seeking appointment, re-appointment, and retirement by rotation are given in the Explanatory Statement and attached to the Notice of the forthcoming AGM.

None of the Directors have been disqualified from being appointed as 'Director', pursuant to Section 164 of the Companies Act, 2013.

(f) Cessation of Director

Mr. Vijay Vaid, (DIN: 00219709), who had been a member of the Board as 'Non-Executive Independent Director' since October 18, 2011, ceased to hold office with effect from February 3, 2018.

The Directors wish to place on record their appreciation for the valuable contributions made by Mr. Vijay Vaid towards the deliberations in the Board Meetings during his tenure as Director of the Bank.

Board and Committee Meetings

During the year, ten meetings of the Board and ten meetings of the Audit Committee were held, the details of which are given in the Corporate Governance Report, which forms an integral part of this Report.

The Board has constituted the Audit Committee with Mr. T. Anantha Narayanan as Chairman and Mrs. Kanchan Chitale, Mr. Ranbir Singh Butola, Mr. Shanker Annaswamy and Mr. Yashodhan M. Kale as Members. There have not been any instances during the year when recommendations of the Audit Committee were not accepted by the Board.

Details of the composition of the Board and all its Committees and of the Meetings held and attendance of the Directors at such Meetings are provided in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

Performance Evaluation of the Board

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Nomination & Remuneration Committee of the Board had laid down the criteria for Performance Evaluation of the Board as a whole, Committees of the Board, Directors individually, and of the Chairman, as well as the process of evaluation.

The Bank has aligned its Board Evaluation Framework in line with the Guidance Note on Board Evaluation issued by SEBI, under their Circular dated January 5, 2017.

The Board of Directors have carried out the annual evaluation of the performance of the Board as a whole, Individual Directors including Independent Directors, Non-Independent Directors, the Managing Director & CEO and the Chairman and the Committees of the Board.

The performance of the Board as a whole, Committees of the Board, Directors individually, and of the Chairman has been evaluated / reviewed by the Nomination & Remuneration Committee, Committee of Independent Directors and by the Board of Directors in their meetings held on May 8, 2018.

The Statement indicating the manner in which the evaluation exercise was conducted is included in the Report on Corporate Governance, which forms an integral part of this Annual Report.

System for Internal Financial Controls and its Adequacy

The Bank operates in a fully computerised environment, with a Core Banking Solution, supported by diverse application platforms for handling special businesses, such as, Treasury, Trade Finance, Credit Cards, Retail Loans, etc. The process of recording of transactions in each of the application platforms is subject to various forms of controls such as in-built system checks, Maker – Checker authorisations, independent post-transaction reviews, etc. The Financial Statements are prepared based on computer system outputs. The responsibility of preparation of Financial Statements is entrusted to a dedicated unit which is completely independent of business, risk, audit or other functions. This unit does not originate accounting entries except for limited matters such as Share Capital, Taxes and Transfers to Reserves. The Bank has implemented adequate procedures and internal controls which provide reasonable assurance regarding reliability of financial reporting and preparation of Financial Statements, and that such internal financial controls were adequate and were operating effectively during the year.

Conservation of energy and technology absorption and foreign exchange earnings and outgo**Conservation of Energy:**

Considering the nature of its activities as an entity in the Financial Services sector, the Bank has voluntarily taken steps towards conservation of energy and details of which are furnished in Principle 6 of Section E of the Business Responsibility Report.

Technology Absorption:

The Bank has made optimum use of Information Technology in its operations. Details pertaining to Technology Absorption have been explained in the Management and Discussion Analysis Report, which forms an integral part of the Annual Report.

Foreign Exchange Earnings and Outgo:

The provisions relating to 134(3)(m) of the Companies Act, 2013, on particulars relating to Foreign Exchange Earnings and Outgo are not applicable to a Banking company, and as such no Disclosure is being made in this regard.

Risk Management

The Bank has an Enterprise-wide Risk Management (ERM) framework in place. The Risk Management Department covers Credit Risk, Market Risk, Assets-Liabilities Management (ALM), Operational Risk and Information Security Risk across all verticals, independent of business functions.

Risk Management functions in the Bank have been aligned with best industry practices, supported by advanced risk measurement and analytical systems which enable proactive risk management and monitoring. Risk Management is continually enhanced in line with changes in operating environment and regulations.

The Bank has a comprehensive framework of Risk Management Policies which specify the risk appetite, risk measurement methodologies, and monitoring and control measures for the respective business segments. The policies have been designed keeping risk appetite as the central objective, and business strategies have been aligned to risk policies.

The Bank has set up a Board-level Committee, viz., 'Risk Management Committee' to examine risk policies and procedures developed by the Bank and monitor adherence to risk parameters and prudential limits set for different portfolios / products / segments.

Details of Risk Management Models and Frameworks implemented by the Bank are mentioned under 'Management Discussion and Analysis'.

Vigil Mechanism / Whistle Blower Policy

The Bank has in place the "Whistle Blower Policy" since 2009.

The said Policy is in compliance with RBI Guidelines, provisions of the Companies Act, 2013, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Vigil Mechanism at the Bank requires submission of Quarterly Reviews before the Audit Committee of the Board, and placing of Annual Reviews before the Audit Committee and the Board of Directors.

The Policy also incorporates suggestions of the Protected Disclosure Scheme for Private Sector and Foreign Banks, instituted by Reserve Bank of India.

The Board of Directors of the Bank have constituted a Board-level Committee, viz., the Vigilance Committee, which conducts overview of cases of vigilance nature arising out of actions of the employees of the Bank. The Committee meets at least twice a year.

The Bank has been awarded the 'Certificate of Commitment' by Central Vigilance Commission.

The Bank's Whistle Blower Policy is in synchrony with all statutory and regulatory guidelines on Vigil Mechanism.

Further details about the Vigil Mechanism are furnished in the Report on Corporate Governance, and the current Whistle Blower Policy of the Bank is available on the Bank's website at the under-mentioned link:

<http://www.indusind.com/important-links/other-useful-information.html>

Statutory Auditors

M/s Price Waterhouse Chartered Accountants LLP, (PW), Mumbai (Firm Registration No. 012754N / N500016), Statutory Auditors of the Bank have Audited the accounts of the Bank for the Financial Year 2017-18 and will retire at the conclusion of this Annual General Meeting.

M/s Price Waterhouse Chartered Accountants LLP have been associated with the Bank as Statutory Auditors for the past three years.

Independent Auditors' Report

M/s Price Waterhouse Chartered Accountants LLP, Statutory Auditors of the Bank, have audited the accounts of the Bank for the year 2017-18 and their Report is annexed. Pursuant to Section 143(3)(i) of the Companies Act, 2013, the Statutory Auditors have also reported on the adequacy and operating effectiveness of internal financial controls system over financial reporting, which has been enclosed as 'Annexure A' to the Independent Auditors' Report.

Significant Audit observations, if any, and corrective actions taken by the Management are presented to the Audit Committee of the Board from time to time.

There are no qualifications, reservations or adverse remarks or disclaimers made in the Auditors' Report.

Secretarial Audit

In terms of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank has appointed M/s Bhandari & Associates, Company Secretaries in Practice, to undertake Secretarial Audit of the Bank for the FY 2017-18. The Secretarial Audit Report submitted by M/s Bhandari & Associates is furnished at **Annexure I**, and forms an integral part of this Report.

The Secretarial Audit Report submitted by Bhandari & Associates for FY 2017-18 does not contain any qualification, reservation or adverse remark.

Statutory Disclosures

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Companies Act, 2013 read with the Rule 8(3) of the Companies (Accounts) Rules, 2014, is given in the Management Discussion and Analysis Report. Also, the other Statutory Information / Disclosures required to be given under the Banking Regulation Act, 1949 and the Companies Act, 2013, as applicable to the Bank, have been laid out in the Schedules / Notes attached and form part of the Balance Sheet and the Profit and Loss Account.

Details pursuant to remuneration of Directors and Employees in terms of Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, are given at **Annexure II** and form an integral part of this Report.

The information relating to employees required to be furnished under the Companies Act, 2013 and the Rules made thereunder is given under the head 'Particulars of Employees' later in this Report.

Employees Stock Option Scheme

The Bank had instituted the Employee Stock Option Scheme (ESOS-2007) to enable its employees, including Whole-time Directors, to participate in the future growth of the Bank. Under the Scheme, Options can be granted, which upon exercise from time to time could give rise to the issuance of a number of shares up to 7% of the issued Equity Capital of the Bank. The eligibility and number of Options to be granted to an employee is determined on the basis of criteria laid down in the Scheme and is approved by the Compensation Committee of the Board of Directors.

An aggregate of 4,16,33,300 Options, comprising 6.94% of the Bank's Equity Capital, have been granted under the Scheme. Statutory disclosures as required by SEBI (Share Based Employee Benefits) Regulations, 2014 are given at **Annexure III**, and form an integral part of this Report.

The Annual Certificate on compliance with SEBI (Share Based Employee Benefits) Regulations, 2014, issued by Statutory Auditors of the Bank is being placed before Members in the ensuing AGM.

The Employees Stock Option Plan is administered by the Compensation Committee of the Board.

Disclosure on compliance with Secretarial Standards

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, the Directors make the following statement in terms of Section 134(3)(c) and 134(5) of the Companies Act, 2013:

- (a) that in the preparation of the Annual Accounts for the Financial Year ended March 31, 2018, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- (b) that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and that judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2018 and of the profit of the Bank for the year ended on that date;
- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities;
- (d) that the Annual Financial Statements have been prepared on a 'going concern' basis;
- (e) that proper internal financial controls were in place and that the financial controls were adequate and operating effectively; and
- (f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9, as required under Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, are included in this Report as **Annexure IV** and form an integral part of the Annual Report.

Particulars of Employees

The Bank had 25,284 employees on its rolls as on March 31, 2018.

59 employees who had been employed throughout the year were in receipt of remuneration of ₹ 1.02 crores per annum or more, and only 1 employee employed for part of the year was in receipt of remuneration of ₹ 8.50 lakhs per month or more.

The information containing particulars of employees pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. However, the above Annexure is not being sent along with this Annual Report to the Members of the Bank in line with the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining the particulars may please write to the Company Secretary at the Secretarial and Investor Services Office of the Bank. The aforesaid Annexure is also available for inspection by Members at the Registered Office of the Bank up to the date of this Annual General Meeting during business hours on working days.

None of the employees hold (by himself or along with his spouse and dependent children) more than two percent of the Equity Shares of the Bank.

Policy on Remuneration to Non-Executive Directors

Until the Financial Year 2015-16, all Non-Executive Directors, including the Non-Executive Part-time Chairman, received remuneration only by way of Sitting Fees for attending the meetings of the Board and of various Board Committees.

In line with the guidelines contained in RBI Circular dated June 1, 2015 on compensation of Non-Executive Directors of Private Sector Banks, the Board of Directors, on the basis of the recommendations of the Human Resource & Remuneration Committee (since re-named as 'Nomination & Remuneration Committee'), in their meeting held on May 12, 2016, approved the payment of remuneration of ₹ 25 lakhs per annum with effect from April 1, 2016 to Mr. R. Seshasayee, Non-Executive Part-time Chairman (subject to approval of Reserve Bank of India, which has since been received) and to the Non-Executive Directors (other than the Non-Executive Part-time Chairman) in the form of Profit-related Commission of ₹ 10 lakhs per annum for each Director, in such manner as may be decided by the Board of Directors.

Shareholders had, in the 22nd Annual General Meeting of the Bank held on July 1, 2016, accorded their approval for payment of the above-mentioned remuneration in the form of Profit-related Commission to the Non-Executive Directors, including to the Non-Executive Part-time Chairman, for FY 2016-17. The Non-Executive Directors, including the Non-Executive Part-time Chairman, accordingly received remuneration in the form of Profit-related Commission, in addition to Sitting Fees for attending meetings of the Board and of various Board Committees.

No Stock Options were granted to the Non-Executive Directors.

During FY 2016-17, the Board of Directors have, on the recommendations of the HR & Remuneration Committee (since re-named as 'Nomination and Remuneration Committee') formulated the 'Policy on Remuneration to Non-Executive Directors', including the Non-Executive Part-time Chairman.

During the Financial Year 2017-18, the Board reviewed the 'Policy on Remuneration to Non-Executive Directors'. The Policy is hosted on the Bank's website at the link given below:

<http://www.indusind.com/important-links/other-useful-information.html>

The Board of Directors have also formulated a Policy in relation to Key Management Personnel and Senior Management personnel of the Bank. The said Policy is given under 'Disclosure on Remuneration' at Note No. 12.6 of the Notes in Schedule 18 to the Financial Statements, which forms an integral part of this Annual Report.

Details on compensation to Whole-time Directors are given under the Report on Corporate Governance, that forms an integral part of this Report.

Particulars of Loans, Guarantees or Investments outstanding

Section 186(11) of the Companies Act, 2013 mandates that the provisions of Section 186 of the Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The particulars of loans made, guarantees given and investments made by the Bank are disclosed in the Financial Statements as per the applicable provisions of the Banking Regulation Act, 1949.

Particulars of Contracts or Arrangements with Related Parties

All transactions entered with 'Related Parties' during the year under review were on 'arm's length basis' and in the 'ordinary course of business' and therefore do not attract the provisions of Section 188 of the Companies Act, 2013.

Further, there are no materially significant Related Party Transactions during the year with any of the Related Parties, viz., Promoters, Directors and Key Management Personnel and other related entities including IMFS, an Associate Company, which may have potential conflict with the interest of the Bank at large.

In view of the above, the disclosure under Form AOC-2 is not applicable to the Bank.

The Policy on Related Party Transactions as approved by the Board of Directors is hosted on the Bank's website at the below given link:

<http://www.indusind.com/content/home/important-links/other-useful-information.html>

Consolidated Financial Statements

In accordance with Section 129(3) of the Act, Consolidated Financial Statement of IndusInd Bank Limited ('the Bank') and IndusInd Marketing and Financial Services Private Limited ("the Associate") has been prepared and is included in the Annual Report.

In terms of AS 23, the Bank has prepared the Consolidated Financial Statements for the year ended March 31, 2018, wherein the Standalone Financial Statements of the Bank as of that date are consolidated with that of IMFS, an associate in which the Bank has a 30% stake, by adopting 'Equity Method'.

Indian Accounting Standards (Ind AS)

The Reserve Bank of India (RBI) issued Circular No. DBR.BP.BC.No.76/21.07.001/2015-16 on February 11, 2016, requiring scheduled commercial banks to comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending on or after March 31, 2018.

RBI, on April 5, 2018, through announcement in its first Monetary Policy Statement for FY 2018-19, deferred Ind AS implementation for the scheduled commercial banks (excluding RRBs) by one year such that the implementation of Ind AS would begin from April 1, 2019 onwards, with comparatives for the year beginning April 1, 2018.

Pursuant to the RBI Circular dated February 11, 2016, the Bank formed a Steering Committee, comprising members from cross-functional areas, for the purpose of reviewing and monitoring the progress of implementation. The Bank set up a Working Group under the guidance of the Steering Committee to conduct Gap Assessment to identify the differences between the current accounting framework and Ind AS, including the identification of the accounting policy options provided under Ind AS 101, First Time Adoption. Besides augmenting skilled resources within the Financial Reporting team, the Bank also engaged the services of leading professionals with international experience to assist in the project. Training programs were organized for the team members in the Business, Credit and Finance Teams. The Bank is in the process of identifying the changes required to be made to its systems and processes and is evaluating technology solutions.

The Audit Committee of the Bank's Board of Directors oversees the progress of the Ind AS implementation process.

Some of the areas of significant accounting impact pursuant to the application of Ind AS are summarized below:

- (a) Accounting impact on account of application of Ind AS at the date of transition, i.e. April 1, 2018 will be recognized in equity or other components of equity.
- (b) The classification and measurement of financial assets will be driven by the Bank's business model for managing those assets and the characteristics of the contractual cash flows of the assets. All financial assets will be classified as subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).
- (c) Financial Instruments would be derecognised on transfer of significant risks and rewards, and not based on the legal form of the arrangement.
- (d) Interest will be recognised in the Income Statement using the effective interest method and any directly attributable fees and costs would be considered to be an adjustment to the effective interest rate.
- (e) All Derivatives would be required to be fair-valued and recognised on the Bank's Balance Sheet.
- (f) Expense for Stock Options will be recognised in the Statement of Profit and Loss based on the Fair Value of the Options.
- (g) Impairment requirements for financial assets carried at amortised cost or at fair value through other comprehensive income, including certain off Balance Sheet items are based on an Expected Credit Loss (ECL) model. The Bank will be required to recognise either a 12-months' or lifetime ECL, depending on whether there has been a significant increase in Credit Risk since initial recognition. This will be significantly different from the current methodology for calculating the provision for Standard Assets and Non-Performing Assets (NPAs). The Bank has developed models for computation of ECL and is testing the same.

In addition to the above, as per Reserve Bank of India directions, the Bank submitted Standalone proforma Ind AS financial statements along with other computations to the RBI for the half-year ended September 30, 2016 in FY 2016-17 and for the quarter ended June 30, 2017 in FY 2017-18, as required.

Corporate Social Responsibility

In line with its CSR focus areas, the Bank has committed to various long term community development projects that have a large positive impact. Consistent with the requirements of Section 135 of the Companies Act, 2013 and CSR Rules 2014, the Bank has set up a Board-level CSR Committee to review the CSR initiatives. The Committee is headed by Mrs. Kanchan Chitale as the Chairperson, Mr. Yashodhan M. Kale (inducted in the Committee on March 26, 2018) and Mr. Romesh Sobti as Members. Mr. Vijay Vaid ceased to be a Member, on his retirement from the Board on February 3, 2018.

The composition of the CSR Committee is in accordance with Section 135 of the Companies Act, 2013.

The Bank's CSR Policy and strategy direct and govern the Bank's activities in focus areas, namely, Environmental Sustainability, Rural Development and Inclusiveness, Preventive Healthcare and other areas of special interest that include Education, Sports and Heritage.

In FY 2017-18, in line with the agenda on digitization, the Bank pledged support to the PM's initiative of digitizing Rural India by reaching out to 2 lakh candidates across 275 districts in 11 Indian states of Haryana, Punjab, Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Jharkhand, Chhattisgarh, West Bengal, Odisha and Uttar Pradesh. The Bank has also initiated a flagship solid waste segregation and management programme in partnership with the Government of Uttarakhand. Adding on to the two on-going flagship sports projects namely the Para-Champions and the Blind Cricket Programme, the Bank introduced the IndusInd Girl Power Programme in FY 2017-18 that supports woman athletes across Judo, Boxing and Wrestling to represent India in reputed sports tournaments.

During the year under review, the Bank has also introduced a unique project involving the rehabilitation and skill development of women rescued from trafficking in Bihar.

The CSR Initiatives / Projects undertaken by the Bank are in accordance with Schedule VII of the Companies Act, 2013.

Companies, on the basis of criteria prescribed under Section 135 of the Act, are required to spend at least Two per cent of their Average Net Profits made during the three immediately preceding financial years, in pursuance of their Corporate Social Responsibility Policy. Accordingly, the Bank spent ₹ 20.47 crores towards various CSR activities specified in Schedule VII of the Companies Act, 2013. The programmes are of large scale and hence the absorption of funds is milestone-linked for larger impact.

The Bank also recognises and addresses environmental issues like climate change and global warming and measures its carbon footprint. The Bank currently features in the 'A' list of the CDP, a platform that is widely referred by global Investors. The Bank is also a front-runner, investing in on-site solar energy solutions and LEED-Certified green buildings. While these investments have not been considered as part of our reported spend this year, it has had substantial impact on the environment, in line with global targets of the UN Sustainable Development Goals.

The Report on CSR activities undertaken by the Bank is set out at **Annexure V** and forms an integral part of this Report.

Details of the CSR Policy and initiatives adopted by the Bank on CSR are available on Bank's website at the link given below:

<http://www.indusind.com/content/csr-home/our-approach/csr-policy.html>

Business Responsibility Report (BRR)

The Securities & Exchange Board of India have, vide their Circular dated December 22, 2015, mandated Top 500 Listed entities to include the 'Business Responsibility Report' (BRR) as part of the Annual Report, describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by SEBI.

In view of the above and in compliance with Regulation 34(2) of the Listing Regulations, BRR of the Bank has been furnished at **Annexure VI** and forms an integral part of this Report.

Corporate Governance

Corporate Governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures.

The Bank has adopted the industry best practices of Corporate Governance and aims to continue banking on the highest principles of governance and ethics. At IndusInd, Corporate Governance is more than just adherence to the statutory and regulatory requirements. It is equally about focusing on voluntary practices that underlie the highest levels of transparency.

The Governance framework is driven by the objective of enhancing long-term stakeholder value, without compromising on Ethical Standards and Corporate Social Responsibilities.

The Bank's guiding principles are also articulated through its Code of Business Conduct and various initiatives taken to maintain transparency by communicating with the Shareholders on developments in the Bank. The Bank has also set up various sub-Committees of the Board to bring in more efficacy and transparency in its working.

The Bank continues to focus on better, complete and timely disclosures to the Stock Exchanges for dissemination to the Stakeholders.

Further complete disclosures regarding Corporate Governance are provided in the Corporate Governance Report, which forms an integral part of this Annual Report.

Certificate from M/s Bhandari & Associates, Practising Company Secretaries confirming compliance with the conditions of Corporate Governance stipulated under Schedule V of the Listing Regulations is attached as **Annexure VII** and forms part of this Annual Report.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report, as prescribed under Regulation 34(2) of the Listing Regulations, forms part of the Annual Report.

Significant and Material Orders passed by the Regulators or Courts

There are no significant and material Orders passed by the Regulators / Courts that would impact the 'going concern' status of the Bank and its futures operations.

Awards and Accolades

During the year under review, the Bank has received many awards and accolades for excellence in managing IT Risk, Marketing and Communications, CSR Initiatives, Safety and Security, Best Data Quality and Information Technology and for Innovations, etc.

Mr. Romesh Sobti, Managing Director & CEO, was awarded as the 'Best Banker' at the BW Businessworld Magna Awards 2017. He was also bestowed with the prestigious Business Today's 'Best CEO Award'.

Brief details of various awards are covered in the initial pages and in the Management Discussion and Analysis Report which forms an integral part of this Annual Report.

Cautionary Statement

Certain statements in the 'Directors' Report' and in the 'Management Discussion and Analysis' describing the Bank's objectives, estimates and expectations may be 'forward-looking statements' within the meaning of applicable Securities Laws and Regulations. Actual results could differ substantially from those expressed or implied. Important factors that could make a difference include economic conditions in the domestic and overseas markets, changes in Laws / Regulations, and other incidental factors.

Material events that have happened after the Balance Sheet date

No material changes and commitments affecting the financial position of the Bank have occurred between the end of the financial year of the company to which the Financial Statements relate and the date of this Report.

Policy on Prevention, Prohibition and Redressal of Sexual Harassment at Workplace

The Bank has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder.

The Policy aims to provide protection to women employees at the workplace and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, with the objective of providing a safe working environment.

The Bank has also constituted Internal Complaints Committees, to enquire into the complaints of sexual harassment and recommend appropriate action.

The Bank has received 7 complaints alleging sexual harassment at workplace during the financial year 2017-18. The status of the same is as under.

No. of cases received during the year	No. of cases closed during the year	No. of cases pending for investigation at the end of the year
7	7	NIL

Acknowledgements

The Directors are grateful to the shareholders for the trust and confidence reposed by them in the Bank.

The Directors are also grateful to the Reserve Bank of India, the Ministry of Corporate Affairs, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, and the Stock Exchanges for the guidance and support extended by them to the Bank.

The Board expresses its deep sense of appreciation to all employees for their excellent performance, strong work ethic, and untiring commitment, which qualities have contributed to the Bank's continued progress in a challenging environment.

The Board thanks its valued customers for their patronage, and looks forward to the growing of this mutually supportive relationship in future.

For and on behalf of the Board of Directors

Place: Mumbai
Date : June 22, 2018

R. Seshasayee
Chairman
(DIN: 00047985)