

DIRECTORS' REPORT

To the Members of IIFL Wealth Management Limited,

Your Directors have pleasure in presenting the Twelfth Annual Report of IIFL Wealth Management Limited ("the Company") together with the Audited Financial Statements for the year ended March 31, 2019.

1. FINANCIAL RESULTS - THE HIGHLIGHTS OF THE FINANCIAL RESULTS FOR THE YEAR UNDER REVIEW ARE AS UNDER:

STANDALONE FINANCIAL RESULTS -

(₹ in million)

PARTICULARS	2018 - 2019	2017 - 2018
Gross Total Income	5,932.10	7,187.78
Less: Expenditure	3,959.75	5,109.18
Profit/(Loss) Before Taxation	1,972.35	2,078.60
Less: Taxation - Current	479.03	508.37
- Deferred	(24.51)	(12.85)
Net Profit / (Loss) After Tax	1,517.83	1,583.08
Other Comprehensive Income	(1.97)	(13.09)
Total comprehensive income for the year(Comprising profit and other comprehensive income for the year)	1,515.86	1,569.99

CONSOLIDATED FINANCIAL RESULTS -

(₹ in million)

PARTICULARS	2018 - 2019	2017 - 2018
Gross Total Income	15,771.88	17,148.10
Less: Expenditure	10,392.57	12,247.34
Profit/(Loss) Before Taxation	5,379.31	4,900.76
Less: Taxation - Current	1,642.20	1,134.04
- Deferred	(8.36)	(34.97)
Net Profit / (Loss) After Tax	3,745.47	3,801.69
Other Comprehensive Income	98.10	6.71
Total comprehensive income for the year(Comprising profit and other comprehensive income for the year)	3,843.57	3,808.40

2. REVIEW OF BUSINESS AND OPERATIONS:

Total Wealth Client Assets grew by 17.22% YoY and the Company now manages around ₹ 1,30,000 Crore in Client assets.

The Asset management business manages over ₹ 20,772.56 crore of Assets which comprises of ₹ 15,661.39 Crore in AIF Assets, Rs. 3624.82 crore in PMS assets and ₹ 1,486.35 crore in Mutual Fund Assets.

Amidst volatile market conditions, IIFL Wealth Finance Limited closed the FY 18-19 loan book of over INR 4,800 crore; while average loan assets increased by 5%, EOP loan assets declined by 28% over the previous year. The book is diverse with healthy flows from Loan Against Shares, IPO

financing and to a very small extent margin funding and Loan Against Property.

3. MACROECONOMIC OVERVIEW:

Equity:

2019 - the year of lower growth and interest rates:

The year 2019 is expected to be a year of slowing growth, low inflation, weakening commodity prices and steep decline in interest rates. Credit markets are clearly pointing towards worsening macro environment and higher odds of recession. The difference between the yield on three-month Treasury bills and the benchmark 10-year bond, which has turned negative or "inverted" before almost every US recession over the past 50

years, widened to a level last seen before 2008 crisis. About \$15 trillion of government bonds worldwide, or 25% of the market, now trade at negative yields. This number has nearly tripled since October 2018. In Germany, 30-year government bond went negative for the first time ever recently. Central banks across the board are likely to surprise markets with the extent of interest rate cuts. While aggressive rate cuts in emerging markets make a case for stronger dollar, US Fed too may eventually increase the pace of easing to keep dollar under check. Ongoing delays to trade talks may also lead to lower trade volumes and GDP growth

India - dimming macro indicators, bottoming capex and earnings: Indian markets reversed the election supported gains in May and has since been weighed on by increasing signs of slowdown, lagging indicators and the unmet expectations from the budget presented last month. Weak macros and tight liquidity conditions are taking a toll on India corporate earnings. It's a known fact now that the economic growth has faltered in India as both the drivers of growth – consumption & investment are slowing down. We have seen weakness in consumer demand and that is visible in the weak earnings growth across segments such as auto & auto-ancillaries, FMCG, Consumer Durables, Capital Goods. The slump in the auto sector, which accounts for nearly half of India's manufacturing output, has been a major factor behind the slide in economic growth to a five-year low earlier this year. Last and not the least, the aggravation of all sectors is borne by the banking sector, which had to battle through liquidity crisis and stifling demand amid lost confidence and crisis in the NBFC space. Demand slowdown across sectors is also because the household savings rate has been declining on the back of low income growth.

The Budget and India: The government's approach to adopt a prudent fiscal approach does deserve some credit. There were some notable positives with tax cuts for small businesses and a further injection of funds into state owned banks as well. However, announcements such as super rich tax surcharge (incl FPIs), tax on buybacks, likely

reduction in free float of listed stocks and lack of stimulus have hurt investor sentiments. Post budget, we have seen around \$ 2.5 bn of FII outflows, one of the steepest in recent years. The intention to increase the minimum public shareholding (from 25% to 35%) could lead to around \$ 50 bn of fresh supply of equity. In the long term, the policy could have a far-reaching impact on India's representation in offshore indices and higher resulting flows. We expect the government to gradually implement few of these decisions to help equities maintain its appeal as a long-term asset class.

Outlook: Currently, corporate profitability to GDP is at its lowest levels (~2-2.2%), and offers a large scope for recovery. On the other hand, monetary policy continues to be in the easing mode with continued rate cuts and large infusion of liquidity which should aid improvement in earnings. Indian economy is still expected to be the fastest growing major economy in the world (~7%). In the trade war period, India is the only Asian economy with a positive change in share of exports. Equity valuations seems to be pricing in the near-term concerns and offer good risk-reward over a long-term horizon. India's Bond Yield-Earnings Yield (BY-EY) gap has dropped sharply to levels last seen during demonetization (Dec' 2016) and market lows in Aug 2013. Historically, equities deliver good returns for the next two years from such levels. Market cap to GDP is ~76%, lower than long term averages (78% for the last 12 years). We believe that it is extremely difficult to time the exact bottom of the market and the current valuations are starting to get reasonable. Investors should start investing in equity in staggered manner over the next 6 - 12 months.

Fixed Income:

Debt markets have witnessed heightened volatility in the recent months. The recent bond rally of ~100 bps over the past 10 weeks is one of the best rallies across the globe. Most

of this was on the accounts of better fiscal prudence, benign core inflation, steady GDP growth expectations, range bound crude and surplus liquidity in the banking system which would keep OMOs at the back stage.

Post the rate cut in bi-monthly policy meet of RBI on Aug 7, 2019 amid low inflation and slowing growth, further rate actions looks to be more data dependent. The RBI softening stance is accommodative of more rate cuts, but the urgency and pace of the cuts shall depend on domestic as well as global economic data. Developments surrounding the government's planned sovereign bond issue will also be closely tracked as the discussion on the same is yet to start. As the monsoon seems to be correcting its course and mitigating initial deficits, market participants will closely watch it from rural demand perspective.

RBI is committed to maintain liquidity in the market, currently we are in a huge surplus of about INR 90,000 Cr. Liquidity surplus situation is expected to remain the same in near future. With the budgeted capital infusion for PSU Banks, partial credit guarantee to PSBs for NBFCs creating INR 1.34 Lakh crores of incremental capital for banks to lend to NBFCs, stable credit growth of 12-14% and some visible risk aversion in lending, banks may remain healthy in at least the short run. The healthy spread of ~130-140 bps being offered by quality AAA rated credit over similar maturity G-secs, appears to be a good opportunity for returns. Subsequent yield compression which may extend from AAA/PSU to lower rated debt instruments may fuel another leg of gains from fixed income. In this scenario of changing market conditions, we continue our view of positioning at the front-end of the curve with a defensive outlook as rate trajectory is likely to be volatile.

Future business outlook:

- The focus of the year has been on strategy and transformation. The firm worked with Boston Consulting Group (BCG) and McKinsey and Co. for defining a clear strategic growth path for the next 10 years in the AMC and the Wealth businesses. On the AMC side, the vision is to be the premier investment

provider for Alternates in India, especially on the unlisted and listed equity space, special private debt, and selective real estate asset classes.

- On the Wealth Management front, the path is to transform to a steadier and predictable income stream from train/fee income with minimum reliance on upfront/transactional income, and the firm will determinedly move to that model over the next few years. We acquired Wealth Advisors India Pvt Ltd, a premier Chennai based advisory firm with majority of trail/fee income as a step in the right direction.
- The business closed with assets of Rs. 167,745.56 Crore and 300+ sales staff.
- The analytics platform of the Company got enhanced with the addition of Altiore and Caliber technology platforms. Altiore provides latest analytics for client portfolios including their held away assets; Caliber strengthens our control on our core transaction and reporting system by removing vendor dependency and delinquency. The firm also engaged with Nihilent Tech in Pune to build a data warehouse and MIS dashboard system for accurate real time information to management to enable agile decision making .
- With a closing loan book of over Rs. 4,798.29 Crore, the NBFC subsidiary continues to enable our HNI clients to invest in our Wealth ideas, with help of leverage if they so desire.

IIFL Holdings and its subsidiaries decided to reorganize their corporate structure, through a composite scheme of arrangement, resulting in three separate entities; each proposed to be listed on stock exchanges in India, i.e. one for each branch of the business currently being undertaken by IIFL Holdings, i.e., 1. Loans and Mortgages; 2. Wealth and Asset Management; and 3. Capital Markets. The draft Information Memorandum along with the listing

application have been filed with the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") on July 6, 2019 post receipt of the approval of the National Company Law Tribunal, Mumbai Bench ("NCLT") on the NCLT order for the implementation of the composite scheme of arrangement.

4. **DIVIDEND:**

During the period under review, your Company has declared an interim dividend of Rs. 5/- each on October 31, 2018 and January 29, 2019, per equity share with face value Rs.2/- each, involving a total outlay of Rs. 84,79,06,100/- (including dividend distribution tax). Your Directors recommend that said interim dividend be considered as final dividend on Equity shares of the Company.

5. **SHARE CAPITAL:**

During the financial year 2018-19, the Authorised Share Capital of the Company was altered and increased from Rs. 17,00,00,000 to Rs. 20,00,00,000 divided into 10,00,00,000 shares of Rs. 2/- each.

During the year, your Company allotted 2,78,361 equity shares arising out of the exercise of Employee Stock Options and 44,89,500 preferential allotment(s). Post allotment of equity shares the paid-up share capital of the Company has increased from Rs. 15,95,06,926 to Rs. 16,90,42,648/- (divided into 8,45,21,324 equity shares of Rs. 2/-each).

6. **TRANSFER TO RESERVES:**

During the FY 2018-19, the Company has not transferred any amount to General Reserve.

7. **DEPOSITS:**

During the period under review, your Company has not accepted/ renewed any deposit within the meaning of Section 73 of the Companies Act, 2013 read with applicable rules thereto.

8. **DETAILS OF SUBSIDIARIES:**

In accordance with Section 129(3) of the Companies Act, 2013, the consolidated financial statements of the Company and all its subsidiaries, which form part of the Annual Report, have been prepared and are available on the website of the Company. You may refer to the Annexure to the

consolidated financial statements of the Company, which contains the statement containing the salient features of the financial statement of the subsidiaries in the prescribed format AOC-1.

During the year under review, the Company incorporated, a wholly owned subsidiary namely IIFL Wealth Securities IFSC Limited on June 22, 2018. The Company acquired two companies named Altioire Advisors Private Limited and Wealth Advisors (India) Private Limited on November 05, 2018 and November 22, 2018 respectively.

During the year, IIFL Private Wealth (Suisse) S.A. ceased to be the subsidiary of the Company.

As at March 31, 2019, your Company has seventeen (17) subsidiaries as listed below:

Domestic Subsidiaries:

- i. IIFL Wealth Finance Limited,
- ii. IIFL Distribution Services Limited,
- iii. IIFL Asset Management Limited,
- iv. IIFL Investment Adviser and Trustee Services Limited,
- v. IIFL Alternate Asset Advisors Limited,
- vi. IIFL Trustee Limited,
- vii. IIFL Wealth Securities IFSC Limited,
- viii. IIFL Altioire Advisors Limited (formerly known as Altioire Advisors Private Limited),
- ix. IIFL Wealth Advisors (India) Limited (formerly known as Wealth Advisors (India) Private Limited),

International Subsidiaries:

- i. IIFL Asset Management (Mauritius) Limited,
- ii. IIFL Private Wealth Management (Dubai) Limited,
- iii. IIFL (Asia) Pte. Limited,
- iv. IIFL Private Wealth Hong Kong Limited**,
- v. IIFL Inc.,
- vi. IIFL Capital (Canada) Limited,

- vii. IIFL Capital Pte. Limited, **(step down subsidiary);**
- viii. IIFL Securities Pte. Limited **(step down subsidiary)**

**The company is in process of winding up.

The Annual Report which consists of the financial statements of your Company on standalone basis as well as consolidated financial statements of the group for the year ended 31st March 2019, is being sent to all the members of your Company.

Web link of the Annual Report is sent to all members whose email IDs are registered with the Company/Depository Participant(s). For members who have not registered their email IDs, physical copies of the Annual Report are sent. It does not contain Annual Reports of your Company's subsidiary companies. Your Company will make available the Annual Report either in a hard or soft copy depending upon request by any member of your Company. These Annual Reports will be available on your Company's website viz. URL: www.iiflwealth.com and will also be available for inspection by any member at the Registered Office of your Company during working hours.

9. CORPORATE GOVERNANCE:

Pursuant to Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations), a separate section entitled 'Report on Corporate Governance' has been included in this Annual Report. The Report of Corporate Governance also contains certain disclosures required under the Companies Act, 2013.

10. ANNUAL RETURN:

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company as on March 31, 2019 once prepared shall be disclosed on your Company's website www.iiflwealth.com. An extract of the Annual Return as on March 31, 2019 in Form MGT-9 is annexed as **Annexure - IV** to this Report.

11. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

a. Directors:

The Board consists of Mr. Karan Bhagat, Mr. Yatin Shah being Executive Directors of the Company, Mr. Nilesh Vikamsey, Ms. Geeta Mathur, Dr. S. Narayan* being the Independent Directors of the Company, Mr. Nirmal Jain, Mr. R. Venkataraman being Non-Executive Directors of the Company and Mr. Sandeep Naik and Mr. Shantanu Rastogi being Nominee Directors (nominated by General Atlantic Singapore Fund Pte Ltd) of the Company.

Mr. Nilesh Vikamsey, Dr. S. Narayan* and Ms. Geeta Mathur have submitted their declaration under section 149(6) of the Companies Act, 2013 and are Independent Directors of the Board.

Directors retiring by rotation

Mr. Sandeep Naik and Mr. Shantanu Rastogi retires by rotation at the Twelfth Annual General Meeting (AGM) of the Company and are eligible for reappointment.

Appointment / Re-appointment:

Mr. Nilesh Vikamsey has been appointed as a Chairman of the Board w.e.f. June 25, 2019.

*The Board of Directors of the Company, at its meeting held on June 25, 2019, based on the recommendation of the Nomination and Remuneration Committee (NRC) appointed Mr. Subbaraman Narayan (DIN: 00094081), as the Independent Director of the Company for a term of 5 years commencing from June 25, 2019 to June 24, 2024 subject to approval of shareholders of the Company.

The Board of Directors of the Company, at its meeting held on August 21, 2019, based on the recommendation of the Nomination and Remuneration

Committee (NRC) and the results of the performance evaluation, re-appointed:

- a) Mr. Nilesh Vikamsey (DIN: 00031213), as an Independent Director for a second term of 5 (five) years from August 25, 2019 to August 24, 2024,
 - b) Mr. Karan Bhagat (DIN: 03247753), as Managing Director for a term of 5 (five) years from July 27, 2020 to July 26, 2025;
 - c) Mr. Yatin Shah (DIN: 03231090), as Whole-time Director for a term of 5 (five) years from July 27, 2020 to July 26, 2025;
- subject to the approval of the shareholders of the Company.

Resignation / Cessation of Directors:

Mr. Amit Shah (DIN - 06765300), Non-Executive Director, resigned from the Board of the Company with effect from January 24, 2019.

i. Meetings of the Board of Directors -

The Board met nine (9) times during the period under review to discuss and approve various matters including financials, appointment of auditor, declaration of interim dividend, review of audit reports and other board businesses.

ii. Committees of the Board -

In accordance with the Companies Act, 2013, the Board has constituted following Committees as per the applicable provision of the Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

- (i) Audit Committee.
- (ii) Nomination and Remuneration Committee.
- (iii) Corporate Social Responsibility Committee.
- (iv) Stakeholders' Relationship Committee.

- (v) Risk Management Committee.

(i) Audit Committee:

The Audit Committee comprises of Mr. Nilesh Vikamsey, Ms. Geeta Mathur and Mr. Shantanu Rastogi. Ms. Geeta Mathur is the Chairperson of the Committee. The role, terms of reference and powers of the Audit Committee are in conformity with the requirements of the Companies Act 2013, the SEBI (LODR) Regulations, 2015 and the internal policies. The Committee met 5 (five) times during the year under review and discussed on financials, audit issues and appointment of auditors. During the period under review, all the recommendations of the Audit Committee were accepted by the Board of Directors of the Company.

The details including the meetings, role, terms of reference, etc. of the Audit Committee are provided in the Corporate Governance Report.

(ii) Nomination and Remuneration Committee:

The Nomination and Remuneration Committee ("NRC") comprises of Mr. Nilesh Vikamsey, Ms. Geeta Mathur, Mr. Nirmal

Jain and Mr. Sandeep Naik. As per the provisions of Section 178 of the Companies Act, 2013, the NRC had formulated a nomination and remuneration policy. The same is annexed as an **Annexure I** to this Report.

The details including the meetings, role, terms of reference, etc. of the Nomination and Remuneration Committee are provided in the Corporate Governance Report.

(iii) Corporate Social

Responsibility Committee:

The Corporate Social Responsibility Committee (“CSR Committee”) comprises of Mr. Nilesh Vikamsey, Independent Director, Mr. Nirmal Jain, Non-Executive Director, Mr. Karan Bhagat, Executive Director and Mr. Sandeep Naik, Non-Executive Director. The CSR Committee has approved CSR Policy of the Company. IIFL group has set-up India Infoline Foundation (referred as “IIFL Foundation”) a Section 8 Company under the Companies Act, 2013, which acts as the principal arm to undertake CSR initiatives on behalf of the IIFL Group.

The details of the CSR Committee are provided in the Corporate Governance Report.

(iv) Stakeholders’ Relationship Committee

Stakeholders’ Relationship Committee comprises of Mr. Venkataraman Rajamani,

Non-Executive Director, Ms. Geeta Mathur, Independent Director, and Mr. Yatin Shah, Executive Director.

The details including the meetings, role, terms of reference, etc. of the Stakeholders’ Relationship Committee are provided in the Corporate Governance Report.

(v) Risk Management Committee:

Risk Management Committee comprises of Mr. Venkataraman Rajamani, Non-Executive Director, Ms. Geeta Mathur, Independent Director, Mr. Karan Bhagat, Executive Director, Mr. Shantanu Rastogi, Non-Executive Director and Mr. Nilesh Vikamsey, Independent Director.

The objective of the Risk Management Committee is to oversee the Risk management governance structure, define and review the framework for identification, assessment, monitoring, mitigation and reporting of risk.

The details including the role, objectives/ terms of reference of the Risk Management Committee are provided in the Corporate Governance Report.

iii. Separate meeting of Independent Directors:

In compliance with provisions of the Companies Act, 2013, a separate meeting of Independent Directors was held on March 22, 2019 inter alia, to discuss the following:

- a) to review the performance of non-independent directors and the Board as a whole;
- b) review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
- c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Upon conclusion of the meeting, the Independent Directors expressed their satisfaction over the performance of the other Directors and Board as a whole. They also expressed their satisfaction over the quality, quantity and flow of information between the Company management and the Board/ Committees of the Board from time to time.

iv. Annual Evaluation of the Board-

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees.

v. Declaration by Independent Directors -

The Company has received necessary declaration from each independent director under section 149(7) of the Companies Act, 2013 that he/ she meets the criteria of independent laid down in section 149(6) of the Companies Act, 2013.

b. Key Managerial Personnel:

The following officials of the Company continue to be the "Key Managerial Personnel" pursuant to the provisions of Section 203 of the Companies Act, 2013 and the applicable provisions of the SEBI (LODR) Regulations, 2015:

- Mr. Karan Bhagat, Managing Director,
- Mr. Yatin Shah, Whole Time Director,
- Mr. Mihir Nanavati, Chief Financial Officer and
- Mr. Ashutosh Naik, Company Secretary and Compliance Officer.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR):

During the financial year, your Company deployed 2% of its average net profits (computed as per the relevant provisions of the Companies Act, 2013) of the preceding three years on CSR projects, refer Annexure II for Annual Report on CSR activities annexed with this report.

All CSR efforts have been directed towards identifying and undertaking projects that hold the potential to create long-term social impact, to empower marginalized communities and enhance their quality of life. In alignment with this objective, in FY18-19, the Company undertook a number of projects in the core areas of woman empowerment, sanitation, ensuring environmental sustainability, healthcare and education.

To ensure that CSR projects undertaken are implemented and monitored in a systematic manner, during the year, efforts were focused on establishing systems and processes for the same. Going forward, your Company seeks to broaden the scope of CSR projects and employ more funds towards a larger number of projects.

The Annual Report on CSR activities by the Company is annexed as **Annexure - II**.

13. PARTICULARS OF EMPLOYEES:

The information required 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 in respect of employees of the Company for the financial year 2018-19 is available for inspection at the registered office of the Company. Any shareholder interested

The details of options granted, vested, exercised, etc. are as follows:

A	Options granted during the year	1,70,028
B	Exercise Price (per share)	2260 @ Rs. 19/- 2130 @ Rs. 16/- 110477 @ Rs. 282/- 131868 @ Rs. 339/- 31626 @ Rs. 417/-
C	Options Vested during the year	9,22,484
D	Options Exercised during the year	2,78,361
E	Total no. of shares arising as result of exercise of Options	2,78,361
F	Options lapsed (Reallocable)	1,65,368
G	Variation in terms of Options	NIL
H	Money realised by exercise of Options (In Rs.)	8,91,22,828
I	Total number of options in force	34,91,631
J	Employee wise details of options granted to:	
	- Key Managerial Personnel	
	Name	Options
	Mihir Nanavati, Chief Financial Officer	None
	Ashutosh Naik, Company Secretary	None
	Karan Bhagat, Managing Director	None
	Yatin Shah, Whole-time Director	None
	- any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	
	Name	Options
	Pramod Kumar A	95,590
	Abhay Amrite	37,633
	Vivek Banka	15,051
	Srikumar R	9,623
	- identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the company at the time of grant	
	Name	Options
	-	-

in obtaining a copy of the said information may write to the Company Secretary at the registered office of your Company.

Further, Disclosures pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as an **Annexure III**

14. EMPLOYEE STOCK OPTION/ PURCHASE SCHEME:

The stock options granted to the employees of the Company and its subsidiaries currently operate under the following Schemes:

- IIFL Wealth Employee Stock Option Scheme - 2012
- IIFL Wealth Employee Stock Option Scheme - 2015

The disclosure requirements under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, for the aforesaid ESOP Schemes, in respect of the year ended March 31, 2019, are disclosed on the Company's website www.iiflwealth.com

15. RISK MANAGEMENT POLICY AND INTERNAL CONTROL ADEQUACY:

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuous basis. These are discussed at the meetings of the Audit Committee and the Board of Directors of the Company.

The Company has in place adequate internal controls with reference to financial statements and operations and the same are operating effectively. The Internal Auditors tested the design and effectiveness of the key controls and no material weaknesses were observed in their examination. Further, Statutory Auditors verified the Design and Implementation (D&I) of controls and testing of operating effectiveness of controls for material class of transactions, account balances and disclosures and have confirmed that they do not have any significant or material observations in relation of deficiencies in design and controls.

16. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS OF THE COMPANY AND THE COMPANY'S FUTURE OPERATIONS:

There are no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status and the Company's future operations.

17. AUDITORS:

At the Annual General Meeting held on July 27, 2015, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018), were appointed as Statutory Auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in the year 2020.

18. FEMA COMPLIANCE:

With reference to Circular No.D/o IPP F. No. 5(1)/2017-FC-1 dated August 28, 2017 ("FDI Policy") relating to Foreign Direct Investment Policy, the

Company complied with FDI Policy and various circulars issued by Reserve Bank of India from time to time.

19. COMMENTS ON AUDITORS' REPORT:

There are no qualifications, reservations or observations by the Statutory Auditors in their report for the financial year ended March 31, 2019. The Statutory Auditors have not reported any incident of fraud under Section 143 (12) of the Companies Act, 2013 to the Audit Committee of the Company in the year under review.

20. SECRETARIAL AUDIT:

During the year under review, the Secretarial Audit was conducted by M/s.Mehta & Mehta, Practicing Company Secretaries. The report of the Secretarial Audit is annexed herewith as **Annexure - V**. There are no qualifications, reservations or observations in the Secretarial Audit report.

21. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186:

The details of loans, guarantees or investments made are provided in the standalone financial statement (Please refer Note No. 7 and 8).

22. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

All related party transactions that were entered during the financial year were in ordinary course of the business of the Company except the transaction stated in the Form AOC-2 annexed as **Annexure - VI** pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014 to be reported under Section 188(1) of the Companies Act, 2013. However, all the related party transactions were on arms' length basis. No contract/ arrangement has been entered by the Company with its promoters, directors, key managerial personnel or other persons which may have a potential conflict with the interest of the Company. The transactions

with related party are disclosed by way of notes to accounts vide note no. 33 in the standalone financial results of the Company for the financial year ended March 31, 2019.

The Company's policy on dealing with the Related Party Transactions is available on the Company's website: www.iiflwealth.com.

23. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information on energy conservation, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is appended below:

Conservation of energy:

The Company is engaged in providing financial services and as such its operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy. Several environment friendly measures were adopted by the Company such as:

- Installation of capacitors to save power,
- Installed Thin Film Transistor (TFT) monitors that saves power,
- Light Emitting Diode (LED) lights,
- Automatic power shutdown of idle monitors,
- Creating environmental awareness by way of distributing the information in electronic form,
- Minimizing air-conditioning usage,
- Shutting off all the lights when not in use, and
- Education and awareness programs for employees.

The management frequently puts circulars on corporate intranet, IWIN for the employees educating them on ways and means to conserve the electricity and other natural resources and ensures strict compliance of the same.

Technology absorption and innovation:

The management understands the importance of technology in the business segments it operates and lays utmost emphasis on system development and use of best technology available in the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards

absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.

The management invested considerable resources in deploying the latest technologies in the areas of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software. The Company also made significant strides in using cloud technology for customer-facing servers providing rapid and inexpensive ramp-up or down of capacity in line with business requirements.

The management is aware of increasing threats in the Information Security domain and has taken several steps to ensure that the Company is safe guarded against hacking attacks, data leakage and security breaches. IT and certain business processes have been re-certified for ISO 27001 systems for practicing industry standard security implementations and processes. The management has invested resources in implementing controls and continuously monitoring violations, if any.

Research and Development (R & D): The Company is engaged in distribution of various financial products and advising clients on wealth management through mutual fund and alternative investment fund platform, which entails internal research of investment products, sectors and markets.

24. DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT 2013:

Your Company is committed to provide a work environment that ensures every woman employee is treated with dignity and respect and afforded equitable treatment. Your Company is also committed to promote a work environment that is conducive to the professional growth of its women employees and encourages equality of opportunity. Your Company will not tolerate any form of sexual harassment and is committed to take all necessary steps to ensure that its women employees are not subjected to any form of harassment.

Your Directors further state that your

Company has formulated and adopted a 'Policy for Prevention / Prohibition / Redressal of Sexual Harassment of Women at the Workplace', and that there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

25. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, it is hereby confirmed that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

26. ANNEXURE(S) FORMING PART OF THIS REPORT OF DIRECTORS:

The Annexure(s) referred to in this Report and

other information which are required to be disclosed are annexed herewith and form a part of this Report of the Directors:

- Nomination and Remuneration Policy of the Company as Annexure I.
- Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2018-19- Annexure - II.
- Disclosures pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as an Annexure III.
- Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12 (1) of Companies (Management & Administration) Rules, 2014. – Annexure IV
- Secretarial Audit Report for the financial year ended March 31, 2019 and Regulation 24 A of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 – Annexure – V;
- Form AOC-2 for disclosure of material related party transactions as an Annexure VI

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the valuable guidance and support received from regulatory agencies. Your Directors acknowledge the support of the members and also wish to place on record their appreciation of employees for their commendable efforts, teamwork and professionalism.

For and on behalf of the Board of Directors

Karan Bhagat

Managing Director

DIN: 03247753

Date: August 21, 2019

Place: Mumbai

Venkatraman Rajamani

Director

DIN: 00011919