



**5<sup>th</sup>** ANNUAL  
REPORT  
2015-16



TOYOTA FINANCIAL SERVICES INDIA LIMITED

## LIST OF CONTENTS

<b>Sl. No.</b>	<b>Contents</b>	<b>Page No.</b>
1	MD & CEO Message	1-1
2	Details of Bankers, Auditors and Debenture Trustees during FY 2015-16	2-2
3	Board's Report	3-12
3.1	Annexure-1 to Board's Report - Form No. MGT-9	13-20
3.2	Annexure-2 to Board's Report - Form No. AOC-2	21-21
3.3	Annexure-3 to Board's Report	22-23
3.4	Annexure-4 to Board's Report – Management's Discussion and Analysis	24-28
3.5	Annexure-5 to Board's Report	29-29
3.6	Annexure-6 to Board Report - Secretarial Audit Report	30-34
4	Independent Auditor's Report	35-43
5	Financial Statement for FY 2015-16	44-75
6	Notice of 5 <sup>th</sup> Annual General Meeting	76-89

## **MD & CEO Message**



**Tomohei Matsushita**  
**MD & CEO**

Dear Shareholders,

Firstly I would like to thank you for your support and understanding to our business and management directions.

We have completed 4 successful years of business operations in India in June 2016. Journey so far has been very exciting as we continue to remain as the most preferred finance partner of Toyota customers in India. During FY 2015-16 we continued to achieve various milestones which are a testimony of the customer appreciation towards our products and services.

We believe that a car adds happiness and convenience to people's lives and we are committed to ensure that Toyota customers are provided with a happy car experience throughout their journey. To ensure this, we have developed our business model which produces tailor-made finance arrangements suitable to unique requirements of customers. Integrated, innovative, and customer-centric approach has been taken to create operational capability, with a fundamental direction of our organizational values "Transparency, Fairness and Simplicity".

It is a great pleasure to report that we have been able to add happiness to more than 60,000 customers with presence in 91 cities and 162 Toyota dealership outlets; this means that we are able to reach more Toyota customers across India and offer them our financial products and services.

Indian economy is expected to continue its recovery with economic reforms by the government, easing inflation, improved fiscal and current account deficit. Growth expectation of auto-finance sector is also robust, supported by softening of interest rate environment and shortening car ownership period.

With this tailwind, we will further brush up our business capability to continuously exceed customer's expectations and maintain the position of the first preferred car finance partner. Everlasting efforts for excellent quality of products and services helps us to acquire real competitiveness and sustainable growth, which will generate a unique value of a captive finance company and ultimately contribute to a well-being of all our stakeholders.

Best Wishes  
Tomohei Matsushita  
MD & CEO

## **Details of Bankers, Auditors and Debenture Trustees during FY 2015-16:**

---

### **BANKERS:**

Axis Bank Ltd.  
Bank of Tokyo Mitsubishi UFJ Ltd.  
BNP Paribas  
Credit Agricole Corporate and Investment Bank  
Citi Bank N.A.  
Deutsche Bank  
HDFC Bank Ltd.  
ICICI Bank Ltd.  
JP Morgan Chase Bank, N.A.  
Kotak Mahindra Bank Ltd.  
Mizuho Corporate Bank Ltd.  
Standard Chartered Bank  
Sumitomo Mitsui Banking Corporation  
The Royal Bank of Scotland N.V.  
The Hongkong & Shanghai Banking Corporation Ltd.

### **STATUTORY AUDITORS:**

Price Waterhouse  
252, Veer Savarkar Marg, Shivaji Park  
Dadar (West), Mumbai – 400 028

### **SECRETARIAL AUDITORS:**

V. Sreedharan and Associates  
Practicing Company Secretaries  
No.32/33, 1<sup>st</sup> and 2<sup>nd</sup> Floor, GNR Complex,  
8<sup>th</sup> Cross, Wilson Garden, Bengaluru- 560 027

### **INTERNAL AUDITORS:**

Brahmayya & Co.,  
Chartered Accountants,  
10/2, Khivraj Mansion,  
Kasturba Road, Bangalore- 560001

### **DEBENTURE TRUSTEE**

IL & FS Trust Company Limited  
IL & FS Financial Centre,  
Plot No C-22, G Block, Bandra Kurla Complex,  
Bandra East, Mumbai-400051

## **BOARD'S REPORT**

Dear Shareholders,

Your directors have pleasure in presenting their report for the financial year ending March 31, 2016.

### **REPORT ON THE PERFORMANCE AND FINANCIAL POSITION OF THE COMPANY**

The summary of financial results of your Company for the financial year commencing from April 1, 2015 and ending as on March 31, 2016 is hereunder:

PARTICULARS	<i>(Amt. In INR Millions)</i>	
	Year ended March 31, 2016	Year ended March 31, 2015
Total income	4,286.40	2,263.62
Expenditure	3,864.36	2,369.56
Profit / (loss) before taxation	422.04	(105.94)
Profit / (loss) after taxation	472.69	(106.04)
Profit / (loss) carried to balance sheet	472.69	(106.04)

Your directors have also presented to you a management discussion and analysis report containing summary of financial and operational performance of your Company, which forms the part of this report in Annexure -4.

### **SHARE CAPITAL**

During the year there was no change in authorised share capital of the Company. The authorised share capital remained at Rs. 7,400,000,000/-.

Pursuant to approval granted by the members of the Company at their extraordinary general meeting held on December 9, 2015 the Company issued 113,333,333 equity shares of Rs. 15/- each (including premium of Rs. 5/- each) to Toyota Financial Services Corporation, Japan via private placement preferential allotment.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company as on March 31, 2016 stands at Rs. 7,013,553,100/-.

Your Company is well capitalized and has a Capital Adequacy Ratio ('CAR') as at March 31, 2016 of 19.30%.

### **AMOUNT CARRIED TO RESERVES**

Your Company proposes to transfer an amount of Rs. 94,537,980 /- towards statutory reserve fund under section 45-IC of the Reserve Bank of India Act, 1934.

Statutory reserve fund represents the reserve fund created under section 45-IC of the Reserve Bank of India Act, 1934. Under Section 45-IC, the Company is required to transfer sum not less than twenty percent of its net profits every year. The statutory reserve can be utilized for the purposes as specified by the Reserve Bank of India from time to time.

### **DIVIDENDS**

Your company is in growth stage and with the view to conserve resources for further growth; your Board of directors do not recommend any dividend this year.

### **MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

There have been no material changes and commitments, affecting the financial positions of the Company which have occurred between the end of the financial year of the Company to which the financial statement relate (i.e. March 31, 2016) and the date of the report i.e. May 26, 2016.

### **CHANGE IN NATURE OF THE BUSINESS (if any)**

There was no major change in the nature of the business. However, the Company proposes to register as corporate agent with Insurance Regulatory Development Authority of India (IRDA) to deal with insurance product as a supplementary business and provide one stop solution to its customers.

In view of the above Company amended its Memorandum and Articles of Association of the Company by approval granted by its members in their extraordinary general meeting held on February 9, 2016 to include corporate agency business in its main objects.

The Company also proposes to provide infrastructure term loan and working capital term loan to Toyota dealers. The Company has revised its main object clause accordingly with approval granted by its members in their extraordinary general meeting held on February 9, 2016.

During the year the Company has been classified by the Reserve Bank of India as Asset Financing Company vide its certificate dated 13 November, 2015.

### **STATUTORY DISCLOSURES ON REMUNERATION OF EMPLOYEES**

The table containing the name and other particulars of employees in accordance with the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as Annexure -5 to the Board's report.

A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of INR. 60 lakh or more in the financial year, or employed for part of the year and in receipt of INR. 5 lakh or more a month, under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as Annexure -5 to the Board's report.

### **CHANGE IN DIRECTORS AND KEY MANAGERIAL PERSONNEL**

During the year under review, following changes took place in directors and key managerial personnel of the Company:

## **KEY MANAGERIAL PERSONNEL**

Ms. Alka Mishra resigned from the post of Company Secretary of the Company with effect from June 3, 2015. Ms. Pallavi K was appointed as Company Secretary of the Company with effect from June 4, 2015 by the Board of directors in their meeting held on May 25, 2015.

During the year under review, Mr. Tomohei Matsushita was appointed as Managing Director & CEO with effect from January 1, 2016, in place of Mr. Kazuki Ogura, who resigned as Managing Director & CEO with effect from January 31, 2016.

## **NON- EXECUTIVE DIRECTORS**

### **Non- Executive Independent Directors:**

Ms. Renu Rajani was appointed as independent director with effect from March 13, 2015, whose appointment was regularized by shareholders in their fourth annual general meeting held on July 27, 2015 to hold office until the fifth annual general meeting. Being eligible, Ms. Renu Rajani is proposed to be re-appointed in ensuing fifth annual general meeting to hold office till eighth annual general meeting ( i.e., for a term of three years).

Mr. Raman Rengan was appointed as independent director with effect from March 13, 2015, whose appointment was regularized by shareholders in their fourth annual general meeting held on July 27, 2015 to hold office until the fifth annual general meeting. Being eligible Mr. Raman Rengan is proposed to be re-appointed in ensuing fifth annual general meeting to hold office till sixth annual general meeting ( i.e., for a term of one year).

The Board seeks your support in re-appointment of Ms. Renu Rajani and Mr. Raman Rengan as non-executive independent directors in the ensuing annual general meeting.

The proposal for their appointment is being placed before the shareholders for approval; the relevant details are forming part of the notice of the annual general meeting.

### **Other Non-Executive Directors**

Mr. Yasuhiro Yomoda and Mr. Narayanaswamy Raja resigned as the directors of the Company with effect from February 9, 2016. Mr. Naomi Ishii resigned as the director of the Company with effect from March 31, 2016 (end of the business day). The Board of directors would like to place on record their appreciation for the valuable service and guidance provided by them during their tenure in the Company.

Mr. Kazuki Ogura was appointed as additional director with effect from February 9, 2016, to hold office as additional director till ensuing annual general meeting.

Mr. Takeshi Amakasu was appointed as additional director with effect from February 9, 2016 to hold office as additional director till ensuing annual general meeting.

Mr. Akito Tachibana was appointed as Additional Director with effect from April 1, 2016 to hold office as additional director till ensuing annual general meeting.

The Board seeks your support in confirming the appointment of Mr. Kazuki Ogura, Mr. Takeshi Amakasu and Mr. Akito Tachibana as non- executive directors in the ensuing annual general meeting.

The proposal for their appointment is being placed before the shareholders for approval; the relevant details are forming part of the notice of the annual general meeting.

**Directors and Key Managerial personnel as on March 31, 2016**

<b>Name of the Directors &amp; KMP</b>	<b>Designation</b>	<b>Date of Appointment</b>
Tomohei Matsushita	Managing Director and Chief Executive Officer	January 1, 2016
Takeshi Amakasu	Non-Executive Director	February 9, 2016
Kazuki Ogura	Non-Executive Director	February 9, 2016
Naomi Ishii*	Non-Executive Director	January 31, 2014
Renu Lata Rajani	Independent Director	March 13, 2015
Raman Rengan	Independent Director	March 13, 2015
Akihiko Sekiguchi	Chief Financial Officer	January 1, 2014
Pallavi K	Company Secretary	June 4, 2015

***\*Mr. Naomi Ishii resigned from the post of director with effect from March 31, 2016 (end of the business day).***

**RETIREMENT OF DIRECTORS BY ROTATION**

No director will be retiring by rotation in the ensuing annual general meeting, since all the other directors apart from Managing Director (whose office is not eligible for retirement by rotation) are getting re-appointed/ regularized in ensuing annual general meeting.

**SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary Companies.

**DEPOSITS**

Your Company is a Non-Deposit Accepting Non-Banking Financial Services Company (NBFC – ND). Also, being an NBFC, the provisions of Chapter V of the Companies Act 2013 on disclosure of deposits taken are not applicable to your Company.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

Pursuant to Section 186(11) (a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loan made, guarantee given or security provided in the ordinary course of business by a Non- Banking Financial Company (NBFC) registered with the Reserve Bank of India are exempt from the applicability of provisions of Section

186 of the Act. As such the particulars of loans and guarantee have not been disclosed in this Report.

### **RELATED PARTY TRANSACTIONS**

The particulars of contracts or arrangements with related parties referred to in Section 188 (1) of Act are provided in the Form AOC-2 under Annexure -2 which forms part of this Report.

All related party transactions are placed before the audit committee for approval as per the policy for related party transaction of the Company approved by the Board. Further, details of all transactions with the related parties are provided in the accompanying financial statement of the Company.

The Company has adopted the policy to dealing with the related party transactions and same is placed in website of the company.

There is no transaction or pecuniary relationship with the non-executive directors apart for that stated in Section V of Annexure- 1 annual report forming part of this report.

### **COMPANY'S POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION**

In compliance with the provision of Section 178(3), the nomination and remuneration committee has formulated director's appointment, re-appointment and evaluation policy which provides the criteria for determining if the director is fit and proper for appointment as a director, conduct of due diligence while appointment and re-appointment, director's qualification and independence of a director. The policy also provides for performance evaluation of every director and of the board as a whole. Some of the major criteria for appointment / continuing to hold appointment as a director on the board under this policy are:

- Director must be 'fit and proper' for appointment as a director on the Board of Toyota Financial Services India Limited
- In order to conduct such due diligence to ascertain if the director is 'fit and proper', the incumbent directors must provide a declaration in the format specified by the Reserve Bank of India ('RBI') initially at the time of appointment and thereafter annually and also whenever there is a change in the information already provided by them in the previous declaration.
- The nomination and remuneration committee may demand for any more information as it may deem necessary to conduct the due diligence.
- Director must have relevant qualification and/ or expertise and/ or track record in finance/ law/ management/ sales/ marketing/ administration/ research/ corporate governance/ technical operations or the other disciplines related to company's business.
- Director should possess the highest personal and professional ethics, integrity and values.
- Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.
- The appointed directors must enter into a deed of covenant with the Company as per the format provided by RBI from time to time.

The policy provides for additional criteria for appointment of independent directors to ensure an independent director should meet all criteria of Independence specified in Section 149(7) of the Companies Act, 2013 and rules made thereunder.

**EXTRACTS OF THE ANNUAL RETURN***(As per clause (a) of sub section 3 of Section 134)*

The details forming part of the extract of the annual return in form MGT 9 is annexed herewith as Annexure 1

**BOARD MEETINGS HELD DURING THE FINANCIAL YEAR: (As per clause (b) of sub section 3 of Section 134)**

The Board of directors met five times during the year that is on, May 25, 2015, July 27, 2015, November 6, 2015, December 9, 2015 and February 9, 2016.

All the Board meetings were duly convened and held and also the minutes of the same has been properly recorded.

**DETAILS OF BOARD AND COMMITTEES OF THE COMPANY**

Your Company has a duly constituted Board of directors (BOD) having 1/3<sup>rd</sup> of the Board as independent directors and the board has duly constituted three committees i.e. audit committee (AC), nomination and remuneration committee (NRC) and corporate social responsibility committee (CSRC). Their membership is as on March 31, 2016 stood as below:

Directors	BOD	AC	NRC	CSRC
Tomohei Matsushita (MD & CEO)	✓	✓	×	✓ (Chairman)
Kazuki Ogura (Non-executive Director)	✓	×	×	×
Naomi Ishii (Non-executive Director)	✓	×	✓	×
Takeshi Amakasu (Non-executive Director)	✓	×	✓ (Chairman)	✓
Raman Rengan (Independent Director)	✓	✓ (Chairman)	✓	×
Renu Rajani (Independent Director)	✓	✓	✓	✓

**DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 134(3)(C)**

In compliance with Section 134(3)(c) of the Companies Act, 2013, your Directors confirm and state as follows:

- a) That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) That your directors have selected such accounting policies and have 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 or loss of the Company for the period under review.

- c) That your directors have 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) 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 were operating effectively
- f) The director had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

**DETAILS OF APPOINTMENT OF WOMEN DIRECTOR**

As per Section 149(1) of the Companies Act, 2013 your Company has appointed Ms. Renu Rajani on the Board of the Company on March 13, 2015 an independent director, who was later on reappointed by shareholders in their annual general meeting held on July 27, 2015.

**DETAILS OF APPOINTMENT OF INDEPENDENT DIRECTOR AND DECLARATION GIVEN BY INDEPENDENT DIRECTOR**

Your Company has appointed Mr. Raman Rengan and Ms. Renu Rajani as independent directors on March 13, 2015, who were later on reappointed by shareholders in their annual general meeting held on July 27, 2015. Mr. Raman and Ms. Rajani have given the declaration under sub-section 3(d) of Section 134 read with Section 149(6) of the Companies Act, 2013. The declaration has been placed before the Board and the same is taken on records.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

**(A) Conservation of energy and technology absorption**

Since the Company is not in an energy intensive industry, the particulars as prescribed under Rules 8 (3) of The Companies (Accounts) Rules, 2014 are not set out in the report. Nevertheless the Company is taking adequate steps to conserve energy.

Technology absorption and innovation is a continuous process in the Company. Your Company continuously evaluates new technologies and techniques to make the infrastructure more energy-efficient.

**(B) Foreign exchange earnings and Outgo**

<i>Foreign Exchange Earnings (In Millions) INR.</i>	<i>Foreign Exchange Outgo (In Millions) INR.</i>
0.32	2.39

**DETAILS OF RISK MANAGEMENT POLICY AS PER SECTION 134 (3) (n)**

The Company has robust risk management process which is well documented and implemented through the various risk management policies of the Company. The risk management system of the

Company is discussed in more detail in the management discussion and analysis report as part of the annual report.

In the opinion of the board there are no risks which may threaten the existence of the Company.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Your Directors wish to inform you that the Company has constituted a committee on corporate social responsibility ('CSR') as per the provisions of Section 135(1). The committee has been constituted with three directors which are Mr. Kazuki Ogura as Chairman and Mr. N Raja and Ms. Renu Rajani as members. During the year the Committee was re-constituted with Mr. Tomohei Matsushita as Chairman, Mr. Takeshi Amakasu and Ms. Renu Rajani as members.

However, since the Company has started making profits from this year and the Company's average three years net profits is negative; there are no funds earmarked and available for CSR activities. Accordingly the Company could not approve any CSR policy and no funds were spent for CSR activities.

Your Company strongly believes in contributing back to the society and shall start engaging in such activities as and when it starts having profits in terms of the section 135 of the Companies Act, 2013

#### **PERFORMANCE EVALUATION OF THE BOARD AND ITS COMMITTEE**

Your Company has formulated and adopted on March 13, 2015, a policy for director's appointment, re-appointment and evaluation which provides the criteria for performance evaluation of every director and of the Board as a whole. In accordance with the policy for director's appointment, re-appointment and evaluation, the Board and committees were evaluated during the year on basis of below:

The performance of Board as a whole along with its committees was evaluated based on the criteria like Board and management relations, Board strategy and risk management, Board meeting and procedures and Board composition's and quality.

Managing Director was evaluated based on the criteria like leadership, strategy formulation, strategy execution, financial planning/ performance, relationship with Board, human resource management / relations, external relationship, product knowledge and personal quality.

Independent directors' were evaluated based on criteria like participation in Board/ committee meeting, managing relationship, knowledge and skill and personal attribution.

Other non-independent directors were evaluated based on the criteria like knowledgeability, diligence and participation and leadership.

The evaluation report was evaluated by the nomination and remuneration committee and was approved by Board of directors in their meeting held on December 9, 2015.

#### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS (If any)**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF THE WOMEN AT THE WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Company has in place policy on prevention of workplace harassment ('Policy') in line with the requirements of the Sexual Harassment of the Women at the Work Place (Prevention, Prohibition and Redressal) Act, 2013. Internal complaints committee has been set up to redress complaints received regarding sexual harassment. No cases of sexual harassment have been reported to nor investigated by the internal complaints committee during the year under review.

### **DETAILS OF VIGIL MECHANISM**

Your Company has framed and implemented whistle blower policy and anti-bribery policy. Your Company conducts regular workshops and training sessions to inform and educate the employees about these policies. During the year 2015-16 no incident was reported under these policies.

### **AUDITORS**

The statutory auditors, Price Waterhouse, Chartered Accountants were appointed at the previous annual general meeting. They shall retire at the conclusion of the ensuing annual general meeting and are eligible for re-appointment. The directors recommend their re-appointment. In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every annual general meeting.

Your Board of directors recommends the ratification of appointment of statutory auditors for the financial year 2016-17, subject to the approval of the shareholders.

### **AUDIT OBSERVATION**

The directors have examined the auditors' report on accounts for the period ended 31<sup>st</sup> March, 2016. The auditors' report is self-explanatory and has no qualification or adverse remarks.

### **SECRETARIAL AUDIT REPORT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s V Sreedharan and Associates, a firm of Company Secretaries in practice to undertake the secretarial audit of the Company.

The secretarial auditors have conducted the secretarial audit for the financial year 2015-16 and have provided their report in form MR- 3, which is annexed to the report as Annexure 6. There are no adverse or negative remarks in the secretarial audit report.

### **GENERAL DISCLOSURES**

Your Directors state that no transaction of below mentioned items took place during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of sweat equity shares.
- Disclosures required under Section 67 of the Companies Act, 2013.

## **ACKNOWLEDGEMENT**

Your directors acknowledge the support and co-operation received from business partners and investors. The directors are proud and thankful to each and every employee, each of whom has contributed in the growth of the Company. The support received from the Government of India was valuable and is thankfully acknowledged. We thank all our stakeholders for the confidence reposed on us and for the support they have given in building the success of the Company.

For <b>Toyota Financial Services India Limited</b>	For <b>Toyota Financials Service India Limited</b>
<p><i>SD/-</i></p> <p><b>Tomohei Matsushita</b> <b>Managing Director</b> <b>DIN:07335725</b></p> <p><b>Date: May 26, 2016</b> <b>Place: Bangalore</b></p>	<p><i>SD/-</i></p> <p><b>Takeshi Amakasu</b> <b>Director</b> <b>DIN:07431115</b></p> <p><b>Date: May 26, 2016</b> <b>Place: Bangalore</b></p>

**ANNEXURE- 1**

**FORM No. MGT 9**

**EXTRACTS OF THE ANNUAL RETURN AS ON FINANCIAL YEAR ENDED MARCH 31, 2015 AS PER  
CLAUSE A OF SUB SECTION 3 OF SECTION 134 OF THE COMPANIES ACT, 2013.**

**I. Registration and Other Details**

- i) **CIN:** U74900KA2011FLC058752
- ii) **Registration Date:** May 20, 2011
- iii) **Name of the Company:** Toyota Financial Services India Limited
- iv) **Category/Sub category of the Company:** Non-banking Financial Services Company
- v) **Address of the Registered Office and contact details:** No. 21 Centropolis, First Floor, 5th Cross, Langford Road, Shanti Nagar, Bangalore, Karnataka, PIN 560025.
- vi) **Whether listed Company:** YES/ ~~NO~~
- vii) **Name, Address and Contact details of Registrar or Transfer Agent if any :**  
None for Equity Shares. For Non-convertible Debentures: Karvy Computershare Pvt. Limited, Madhapur, Hyderabad.

**II. Principal Business Activities of the Company**

The business activities contributing 10% or more of the total turnover of the Company are as under:

Sl. No	Name and Description of main products/ Services	NIC code of the product /Services	Percentage of contribution to total turnover (%)
1	Financing of Toyota Vehicles in India	6492 (As per NIC 2008 list)	100%

**III. Particulars of Holding, Subsidiary and Associate Companies**

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary or Associates	Percentage of share held	Applicable Section
1	Toyota Financial Services Corporation Nagoya Lucent Tower 15f-6-1 Ushijima Cho Nishiku Nagoya, Aichi, Japan	NA	Holding	99.999999%	

**IV. Share holding Pattern (Equity share capital Breakup as percentage of Total Equity)**

**i) Category – wise share holding**

Categories of share holders	No. of shares held at the beginning of the year				No. of shares held at the end of the year			% change during the year	
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
Individual/HUF	-	-	-	-	-	-	-	-	-
Central Govt	-	-	-	-	-	-	-	-	-
State Govt(s)	-	-	-	-	-	-	-	-	-
Bodies Corp.	-	-	-	-	-	-	-	-	-
Banks / FI	-	-	-	-	-	-	-	-	-
Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub Total</b>	-	-	-	-	-	-	-	-	-
<b>2) Foreign</b>									
NRIs - Individuals	-	-	-	-	-	-	-	-	-
Other – Individuals	-	-	-	-	-	-	-	-	-
Bodies Corp	-	588,021,971	588,021,971	100%	-	701,355,304	701,355,304	100%	19.27%
Banks / FI	-	-	-	-	-	-	-	-	-
Any Other....	-	-	-	-	-	-	-	-	-
<b>Sub Total</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoters (A)</b>	-	588,021,971	588,021,971	100%	-	701,355,304	701,355,304	100%	19.27%
<b>B. Public share Holding</b>									
<b>1) Institutions</b>	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub total</b>	-	-	-	-	-	-	-	-	-
<b>2) Non-Institutions</b>									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-

ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	6	6	0%	-	6	6	0%	0%
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub total</b>	-	6	6	0%	-	6	6	0%	0%
<b>Total Public shareholding (B)</b>	-	6	6	0%	-	6	6	0%	0%
<b>C. Shares held by custodians for GDR's and ADR's</b>	-	-	-	-	-	-	-	-	-
<b>Grand total (A+B+C)</b>	-	<b>588,021,977</b>	<b>588,021,977</b>	<b>100%</b>	-	<b>701,355,310</b>	<b>701,355,310</b>	<b>100%</b>	<b>19.27%</b>

## ii) Shareholding of Promoters

Sl. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Toyota Financial Services Corporation, Japan	588,021,971	100%	0%	701,355,304	100%	0%	19.27%

## iii) Change in Promoters' Shareholding ( please specify, if there is no change)

Promoters' Shareholding	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
At the beginning of the year	588,021,971	100%	588,021,971	100%
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	113,333,333	19.27%	113,333,333	19.27%
At the End of the year	701,355,304	100%	701,355,304	100%

**iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

The shareholding of other top ten shareholders is below. During the year, below change in shareholding in terms on number of shares or as percentage of total shares of the company

Name of Shareholder at the being of the year	No of shares held	Percentage of total shares of the company	Name of the Transferee	Date of transfer	Name of Shareholder at the end of the year	No of shares held	Percentage of total shares of the company
Akitoshi Takemura	1	0%	N.A.	N.A.	Akitoshi Takemura	1	0%
Mao Saka (Director till Mar. 13, 2015)	1	0%	Akihiko Sekiguchi	Feb 9, 2016	Akihiko Sekiguchi	1	0%
Yasuhiro Yomoda ( Director till Feb 9, 2016)	1	0%	N.A.	N.A.	Yasuhiro Yomoda	1	0%
N. Raja ( Director till Feb 9, 2016)	1	0%	N.A.	N.A.	N. Raja	1	0%

**v) Shareholding of Directors and Key Managerial Personnel:**

**a) Mr. Kazuki Ogura ,(Managing Director and CEO until January 31, 2016) and (Non- Executive Director from February 9, 2016)**

For Mr. Kazuki Ogura	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
At the beginning of the year	1	0%	1	0%
Transferred to Tomohei Matsushita (February 9, 2016)	1	0%	1	0%
At the End of the year	0	0%	0	0%

**b) Mr. Tomohei Matsushita, Managing Director and CEO ( with effect from January 1, 2016)**

For Mr. Tomohei Matsushita	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
At the beginning of the year	0	0%	0	0%
Transferred from Kazuki Ogura ( February 9, 2016)	1	0%	1	0%
At the End of the year	1	0%	1	0%

**c) Mr. Akihiko Sekiguchi, CFO (KMP)**

For Mr. Akihiko Sekiguchi	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
At the beginning of the year	0	0%	0	0%
Transferred from Mao Saka ( February 9, 2016)	1	0%	1	0%
At the End of the year	1	0%	1	0%

**d) Mr. Naomi Ishii, Non-Executive Director**

For Mr. Naomi Ishii	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of shares	% of total shares of the company
At the beginning of the year	1	0%	1	0%
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
At the End of the year	1	0%	1	0%

The rest of the directors i.e. Mr. Raman Rengan, Ms. Renu Rajani and Mr. Takeshi Amakasu do not hold any shares in the Company as on end of the financial year.

The Key Managerial Personnel except the Managing Director & CEO and CFO above do not hold any shares in the Company.

**V. Indebtedness**

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
	(Rs in Million)	(Rs in Million)		(Rs in Million)
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	7000	13,320	NIL	20,320
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	232	11		243
<b>Total (i+ii+iii)</b>	<b>7,232</b>	<b>13,331</b>	<b>NIL</b>	<b>20,563</b>
<b>Change in Indebtedness during the financial year *</b>				
- Addition	13,412	-	NIL	13,412
- Reduction	-	703		703
<b>Net Change</b>	<b>13,412</b>	<b>703</b>	<b>NIL</b>	<b>12,709</b>

Indebtedness at the end of the financial year				
i) Principal Amount	20,000	12,613		32,613
ii) Interest due but not paid	-	-	NIL	-
iii) Interest accrued but not due	644	16		659
<b>Total (i+ii+iii)</b>	<b>20,644</b>	<b>12,628</b>	<b>NIL</b>	<b>33,272</b>

**\* Changes represent net movements during the year.**

## VI. Remuneration of Directors And Key Managerial Personnel

### i. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl. No	Particulars of Remuneration	Particulars of Remuneration of Mr. Kazuki Ogura, Managing Director and CEO (until January 31, 2016)
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	21,792,940 0 0
2	Stock Option	0
3	Sweat Equity	0
4	Commission - as % of profit - others, specify...	0
5	Others, please specify	0
	Total (A)	21,792,940

Sl. No	Particulars of Remuneration	Particulars of Remuneration of Mr. Tomohei Matsushita, Managing Director and CEO (with effect from January 1, 2016)
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	5,326,280 0 0
2	Stock Option	0
3	Sweat Equity	0
4	Commission - as % of profit - others, specify...	0
5	Others, please specify	0
	Total (A)	5,326,280

**\*The managerial remuneration is paid with in the ceiling limit under Schedule V of the Companies Act, 2013.**

ii. Remuneration to other directors

a. Non - Executive directors: NIL

b. Independent directors:

Sl. No	Particulars of Remuneration	Independent Directors	
		Raman Rengan	Renu Rajani
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0
2	Stock Option	0	0
3	Sweat Equity	0	0
4	Commission - as % of profit - others, specify...	0	0
5	Others, please specify *Sitting fee	5,00,000	5,00,000
	<b>Total</b>	<b>5,00,000</b>	<b>5,00,000</b>

*\*Sitting fee of INR. 1,00,000 paid for 5 board meeting each attended by independent directors during 2015-16.*

iii. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

Sl. No	Particulars of Remuneration	Key Managerial Personnel			
		CEO*	Company Secretary	CFO	Total
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	27,119,220	746,350	19,681,360	46,800,580
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission - as % of profit - others, specify...	0	0	0	0
5	Others, please specify	0	0	0	0
	<b>Total</b>	<b>27,119,220</b>	<b>746,350</b>	<b>19,681,360</b>	<b>46,800,580</b>

*\* Remuneration of CEO covers remuneration paid to Mr. Kazuki Ogura (till January 31, 2016) and Mr. Tomohei Matsushita (from January 1, 2016)*

VII. Penalties / Punishment/ Compounding of Offences

Nil

For Toyota Financial Services India Limited	For Toyota Financials Service India Limited
<p><i>SD/-</i></p> <p><b>Tomohei Matsushita</b> <b>Managing Director</b> <b>DIN:07335725</b></p> <p><b>Date: May 26, 2016</b> <b>Place: Bangalore</b></p>	<p><i>SD/-</i></p> <p><b>Takeshi Amakasu</b> <b>Director</b> <b>DIN:07431115</b></p> <p><b>Date: May 26, 2016</b> <b>Place: Bangalore</b></p>

## Annexure-2

### FORM NO. AOC-2

#### **(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014**

Form for disclosure of particulars of contract/ arrangements entered into by the Company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms-length transactions under third proviso thereto

#### **1. Details of contracts or arrangements or transactions not at arm's length basis\*:**

- (a) Name(s) of the related party and nature of relationship- N.A.
- (b) Nature of contracts/ arrangements/ transactions- N.A.
- (c) Duration of the contracts/ arrangements/ transactions- N.A.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any- N.A.
- (e) Justification for entering into such contracts or arrangements or transactions- N.A.
- (f) Date(s) of approval by the Board, if any- N.A.
- (g) Amount paid as advances, if any- N.A.
- (h) Date on which the special resolution was passed in general meeting as required under the first proviso to section 188- N.A.

#### **2. Details of material contracts or arrangement or transactions at arm's length basis\*\***

- (a) Name(s) of the related party and nature of relationship-Toyota Kirloskar Motors Private Limited
- (b) Nature of contracts/ arrangements/ transactions- Intragroup Services of Economic and Commercial Value.
- (c) Duration of contracts/ arrangements/ transactions-N.A.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any- Toyota Kirloskar Motors Private Limited compensates the Company with fee mutually agreed from time to time for affords made by the Company to support the sales of cars manufactured by Toyota Kirloskar Motors Private Limited.  
Based on incentive schemes Toyota Kirloskar Motors Private Limited ('TKM') during the current and previous years, incentives amounting to Rs. 302,532,000 (Previous Year Rs. 66,810,000), were ascertained and recognized for the year ended March 31, 2016. Of such amount recognized, an amount of Rs.176,723,880 (Previous Year Rs. 46,339,452) was outstanding at the Balance sheet date.
- (e) Date(s) of approval by the Board, if any-  
February 10, 2015 Board and Shareholders' in their meeting held on February 10, 2015 approved the arrangement.  
May 26, 2016- Board approved and ratified the transaction and noted the actual amount received.
- (f) Amount paid as advances, if any- N.A.

**Annexure-3**

**DETAILS IN TERMS OF SUB-SECTION 12 OF SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULES 5(1) OF THE COMPANIES (APPOINTMENT AD REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

1. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Sl. No.	Name of the Director	Remuneration of Director	Ratio of remuneration of each director to median remuneration of employees
1	Mr. Kazuki Ogura ( MD & CEO till Jan 31, 2016)	INR. 21,792,940	21,792,940:310,176
2	Mr. Tomohei Matsushita ( MD & CEO from Jan 1, 2016)	INR. 5,326,280	5,326,280:310,176
3	Mr. Raman Rengan ( Independent Director)	INR. 500,000.00	500,000:310,176
4	Ms. Renu Rajani ( Independent Director)	INR. 500,000.00	500,000:310,176

2. Percentage of increase in remuneration of each Director and CEO in the financial year: Percentage of increase in remuneration of Managing Director & CEO 7.9%
3. Percentage increase in median remuneration of employees in the financial year: 8.26%
4. Number of permanent employees on the role of Company: 338 employees.
5. Explanation on the relationship between average increase in remuneration and Company performance: The Company's compensation for its managerial personnel is for attracting and retaining the best talent as per industrial standards.
6. Comparison of The Remuneration
- a. Key managerial personnel against the performance of the Company:  
As a percentage of revenues for FY 2015-16: 1.06%  
As a percentage of profit for FY 2015-16: 9.64%
- b. Each key managerial personnel against the performance of the Company:

Name of the KMP	Remuneration for FY 2015-16 (In Million)	Ratio of remuneration to Revenue
Mr. Kazuki Ogura	INR. 21,792,940	21,792,940 : 4,286,400,919
Mr. Tomohei Matsushita	INR. 5,326,280	5,326,280 : 4,286,400,919
Mr. Akihiko Sekiguchi	INR.19,681,360	19,681,360 : 4,286,400,919
Ms. Pallavi K	INR.746,350	746,350 : 4,286,400,919

7. Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in case of listed companies, and in case of unlisted companies

variations in the net worth of the company as the close of the current financial year and previous financial year:

Since the equity shares of the Company are not listed therefore the requirement for variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial and previous financial and percentage increase over decrease in the market quotations of the shares of the Company is not applicable.

Therefore, for the variation in the net worth of the Company is given below:

As on March 31, 2016	As on March 31, 2015	Variation
INR. 8,346,835,337	INR. 6,174,145,441	35%

8. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year: Not applicable
9. The key parameters for any variable component of remuneration availed by the Directors: No variable portion was paid to any Director
10. The remuneration is paid in accordance with Remuneration policy of the Company.

Your Company is in a growth stage and in this stage attracting the best talent available in the industry to support your Company. Your Company believes that its employees are the most valuable assets. Being in the growth stage, the Company does not have any formal remuneration policy but your Company rewards dedication and drive of its employees with significant learning opportunities, career development & competitive compensation remunerated as per the best industry practices.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BUSINESS ENVIRONMENT**

**World Economy**

Growth of world economy slowed down to modest pace of 3.1% in 2015. As per IMF projections, the slowdown is expected to continue in 2016 with a global growth forecast of 3.2%. Slowdown in the Chinese economy, weak global demand and continued weakness in commodity / crude prices are the major issues affecting the global growth.

US economy is on gradual but steady path to recovery. For the first time since 2006, the US Federal Reserve hiked interest rates in December 2015; however the expectation of rate hike affected emerging market currencies for the large part of the year. Recessions in Russia and Brazil combined with political problems and low commodity prices has resulted in instability in these markets. Oil exporting countries are facing sharp economic slowdown due to reduced global crude prices, hence affecting the Middle East region. Emerging markets have also been affected by the currency devaluations by China and Chinese stock market crashes.

The Eurozone recovery has continued to struggle with its largest economies still remaining weak. Geopolitical strains (like the possibility of Brexit) and lack of business confidence have reduced investments.

**Indian Economy**

FY 2015-16 can be said a mixed bag for the Indian economy. Along with gradual recovery, India is moving towards macroeconomic stability. Although global growth is declining, India's GDP is still expected to grow between 7.4 – 7.8% in FY 2016-17. Inflation, Current Account Deficit and Fiscal Deficit continue to remain under control which has supported currency stability. Fluctuations in Foreign Portfolio Investment (FPI) inflow is being balanced by steady inflow in the form of Foreign Direct Investment (FDI).

Key positive factors are:

1. Easing inflation & monetary policy: Inflation, as measured by the Consumer Price Index (CPI), remained under control, ranging from 3.69% to 5.69% within FY 2015-16, and the RBI target CPI of 6% by Jan 2016 was met. RBI, taking comfort from falling inflation, has reduced Repo Rate by 75 bps in FY 2015-16, with further 25 bps rate cut in April 2016. Wholesale Inflation (WPI) remained in the negative territory for the entire FY 2015-16.
2. Reducing fiscal & current account deficit: Fiscal deficit & current account deficit reduced in FY 2015-16, driven mainly by rationalization of government expenditure and low crude prices. Government has also chosen to continue the path of fiscal prudence by maintaining low fiscal deficit target of 3.5 % in FY 2016-17.

Key risk factors are:

1. Slowness in key legislative reforms: There has been delay in implementation of critical legislations such as Goods & Services Tax and Land Acquisition Bill, since the Govt. does not hold majority in the Upper House. These legislations are expected to improve ease of doing business and boost growth.

2. Successive drought years: India experienced two successive drought years in FY 2014-15 and FY 2015-16 putting strain on rural and agricultural economy. Although the latest forecast for monsoon have predicated above-normal rainfall for FY 2016-17, there still remain a risk of drought and negative effect on economy thereby.
3. Non-Performing Assets (NPA) in banking system: Large amount of accumulated NPAs in the Indian banking system has tightened credit conditions and restricted flow of debt to corporates.

### **Auto Sector**

The Indian automobile industry is 4<sup>th</sup> largest in the world. The industry accounts for 7.1% of the country's Gross Domestic Product. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to emerge as a leader in the two wheelers and four wheelers market in the world by 2020.

The industry produced a total 24 million vehicles approximately during FY 2015-16, including passenger vehicles, commercial vehicles, three wheelers and two wheelers, as against 23 million in FY 2014-15.

Domestic sales of passenger vehicles segment in FY 2015-16 was 2.78 million units with a share of 13.6% in the overall automobile industry. This segment grew by 7.2% in FY 2015-16 over the previous year, while commercial vehicles segment expanded by 11.5% with a share of 3.3%, and two wheelers segment increased by 3.0% with a share of 80.3%. Toyota sold 128 thousands vehicles in FY 2015-16, which is 6<sup>th</sup> position with a share of 4.6% in passenger vehicles segment.

India is also a prominent auto exporter and has strong export growth expectations for the near future.

In order to keep up with the growing demand, several auto makers have continued investing heavily in new product development and/or manufacturing capacity enhancement.

In recent years major auto makers are relying more on captive finance companies to carry on sales and promotional activities with coordination of parent manufacturing companies contributing to increased sales numbers and fast processing of loans.

Some of the key factors expected to influence India automobile industry in coming years are:

- Increase in income curve of middle and upper-middle class segments
- Growing Economy
- Decreasing interest rates
- Robust banking and legal infrastructure
- Reduction in fuel prices
- Improving consumer sentiments
- Accelerated urbanization
- Market segmentation and product innovation

### **Auto Finance sector**

The four wheelers finance market in India has witnessed growth in recent years on account of rising demand for cars fueled by expansion in middle income population of the country and rising personal disposable income. The growth in this market has been largely led by the factors such as increasing car sales accompanied with reduction in average ownership period. The four wheelers finance market in

India is comprised of large and medium finance providers such as banking institutions and NBFC's which provide highly competitive interest rates.

The young and middle aged people who belong to the working/self-employed segments are the major loan demanding class in India. The pre-owned car finance market has emerged as one of the fastest growing market in the previous few years. This market segment has been majorly driven by factors such as reduction in average ownership period of cars, higher penetration of banks, higher urban population and higher sales of the used cars in the country. Due to the easy and quick loan policies and higher penetration of banks and NBFC's in the country, there has been an incitement in number of new as well as used cars financed through the last five years.

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED (TFSIN)**

### **TFSIN Business Profile**

TFSIN is a Non-Banking Finance Company (NBFC) regulated by the Reserve Bank of India. It is engaged in the business of providing finance for the purchase of Toyota Cars to retail and corporate customers as well as providing wholesale finance to Toyota Dealers.

In order to accommodate customers various funding needs, the Company offers a wide range of auto loan products such as bullet, balloon etc., as well as typical "classic" loan. Although bullet and balloon are new and not so prevalent in India, the Company expects them to grow in future.

The Company's well-trained employees offer these loan products at counters in Toyota car dealers, and assist customers to complete entire loan process faster and easier. Our target turnaround time (TAT) for loan sanction is within 8 hours, which has been constantly achieved. Similarly, the Company sets targets on TAT in various business processes where customers are involved. The Company believes that faster and easier process is a key factor of quality of customer services, which enables the Company to acquire and retain more customers successfully.

The Company is expanding its geographic coverage to deliver enhanced Toyota experience to broader base of customers. As of March 2016, the Company is present at 160 dealer counters which cover 84% of overall Toyota sales in India. The Company disbursed around 27,600 contracts for Toyota new cars in FY 2015-16, which equates to approximately 26.5% of Toyota sales in the coverage area. As of March 2016, the Company maintains 60,923 live contracts in its auto loan portfolio.

The Company is also engaged in financing to Toyota dealers to support their funding needs. In addition to loan facilities for acquisition of new car inventory, the Company provided loans for inventory of used cars, spare parts and accessories during FY 2015-16. The Company is providing finance to 31 dealers and total book size is 5,338 million as of March 2016.

### **Financial Performance**

TFSIN continued to rapidly grow its asset size in FY 2015-16 due to increase in market penetration as well as geographic expansion. The balance of loans and advances as of March 2016 was INR 41,455 million (previous year it was INR 26,586 million), increased by 56 % from the previous year.

The revenue from operation, of which main streams are interest income and fee income, was 4,263 million vis-à-vis 2,235 million in previous year, while finance cost was at 2,335 million vis-à-vis 1,336 million in previous year. Operational expenses (employee benefits, depreciation and amortization, and

others) were at 1,277 million vis-à-vis 884 million in previous year, having increased along with expansion of our operation.

In FY 2015-16 the Company turned profitable for the first time since inception and Profit Before Tax was at 422 million vis-à-vis a Loss Before Tax of 237 million in previous year, while the Profit After Tax was at 473 million vis-à-vis Loss After Tax of 106 million in previous year. Faster asset growth as well as improved Net Interest Income (Interest Revenue – Finance Cost) has mainly contributed to this improvement in profitability.

### **Non-Performing Asset (NPA)**

As of March 2016, the Company's gross NPA ratio vs. overall outstanding loan principal was 1.08% vis-à-vis 0.52% in previous year. After netting off with credit loss provisions, net NPA ratio was 0.43% vis-à-vis 0.18% in previous year.

The Company regularly monitors repayment from delinquent customers and tries to control its credit loss within an appropriate level, on the other hand makes credit loss provisions based on defined internal provisioning policy.

### **Borrowings**

In FY 2015-16, the Company further expanded its debt capital market borrowings through issue of Commercial Papers and Non-convertible Debentures, in order to support the growing business competitively and ensure funding stability through diversification of borrowing sources. Your Company continues to maintain strong relationship with various banks to mitigate liquidity risk.

TFSIN's borrowing portfolio as of March 2016 consists of 60% by Non-convertible Debentures, 23% by bank loans, and 17% by Commercial Papers. The Company continues to maintain appropriate mix of long and short term borrowings for healthy asset liability position.

### **Information Technology**

TFSIN's IT systems remained stable and robust supporting the fast growing transaction volumes in an effective way. In FY 2015-16 IT disaster recovery site was setup at Mumbai further strengthening our business continuity capability and minimizing business disruptions in case of natural disaster or technology issues.

Technology continues to be a key investment for your Company and various projects are underway that would help enhance business competency, improve operational efficiency and ensure compliance. A core system for our Inventory Funding/Wholesale business in being developed to cater to the growing volumes and mitigate risks.

Information security is a key focus for your Company with necessary security controls and processes being built /established along with awareness among employees. Audit conducted from our global team revealed no major challenges/risks in our information security environment.

### **Human Resources**

Your Company continues to attract, retain and inspire a talented workforce. The Company employed 338 employees at the end of FY 2015-16. During the year, your Company focused on capability building through extensive training and development programme to support energized and enabled work

environment. Consistently, your Company will continue to build a work environment where growth is the way of life and people matter. Your Company believes that ‘A happy employee can create happy customers’. The intellectual capital drives the customer-oriented operation model of the Company.

In order to facilitate more balanced and long-lasting capability building by employee, TFSIN modified its employee evaluation structure to capture competency aspect as well as performance or achievement.

Being an equal opportunity employer, your Company is committed to provide fair, safe and harmonious work environment. Discrimination or harassment of any kind is prohibited and appropriate policies for prevention of unwanted circumstances are in place, sensitizing all employees.

### **Risk Management**

The Company is exposed to customer’s credit risk. Customer’s delinquency is affected by overall economy condition, and recovery from resale of security asset is affected by used car market condition. The Company holds Risk Management Committee (RMC) every month, which deliberates on the credit risk of TFSIN loan portfolio and also takes into account latest updates relating to the portfolio. Segmental analysis of the portfolio is also discussed in RMC. Segmental analysis helps in understanding the credit risk levels of various customer segments, thereby, representing a key input for TFSIN’s portfolio expansion strategy.

TFSIN is exposed to various types of operational risks, such as information leakage, operational error, internal / external fraud, legal / regulatory changes, physical damages to company assets, resignation of key personnel etc. During FY 2015-16, TFSIN expanded the scope of RMC to include operational risks as well, thereby operational risk incidents and/or parameters are reported to top management every month. RMC members discuss possible risk mitigation and encourage relevant department to take necessary steps. Risk mitigating measures taken by TFSIN includes building robust IT infrastructures, cross checking mechanism in operation processes, internal audit, contingency action plan etc.

In order to manage interest rate risk and liquidity risk arising from cash flow mismatch between asset and liability, the Company holds Asset Liability Committee (ALCO) every month. It monitors development in economy and financial market, and risk metrics which shows asset and liability profile. Funding plan and risk controlling countermeasures are also discussed there.

Thus, RMC along with ALCO represents ‘Enterprise Risk Management Framework’ for your Company covering credit, market and operational risks.

### **Internal Control**

The Company has well established internal financial control and risk management framework with appropriate policies and procedures to ensure highest standards of integrity & transparency in its operations and a strong corporate governance structure while ensuring efficient service to various stakeholders.

Appropriate internal financial controls are in place to ensure

- orderly and efficient conduct of business including adherence to policies
- safeguarding of assets
- prevention and detection of frauds and errors
- accuracy and completeness of accounting records
- timely preparation of reliable financial information

### Annexure-5

Sl. No	Name of the Employee	Designation	Educational qualification	Age (in years)	Experience ( in years)	Date of Joining	Gross remuneration Paid Per annum (In million) INR	Previous employment and designation held
1	Kazuki Ogura <sup>1</sup>	MD & CEO	Commercial degree	54	32	4-Jul-11	21.79	Toyota Financial Services Corporation
2	Tomohei Matsushita <sup>2</sup>	MD & CEO	Bachelor degree (Business Administration)	50	28	1-Jan-16	5.32	Toyota Financial Services Corporation
3	Akihiko Sekiguchi	CFO & SVP - Corporate	Law degree	38	16	1-Jan-14	19.68	Toyota Financial Services Corporation
4	Shogo Hayashi	SVP- Corporate	Post-graduation	41	18	1-Mar-15	16.34	Toyota Financial Services Corporation
5	Rahul Sinha	Senior Vice President & Head - Operations & Risk Management	MBA (Finance & International Business)	45	18	4-Jul-11	7.91	ICICI Bank, Zonal Head - Credit & Retail Loans
6	Amit Kakkar	Senior Vice President & Head - Sales & Marketing	PGDM (Marketing)	40	13	13-Jul-11	8.31	ICICI Bank, Assistant General Manager, Regional Head - Retail Banking & Assets (Auto/Home Loan)
7	Anupam Vasdani	Head & Vice President, Finance, Treasury & Accounting	Chartered Accountant	37	11	28-May-12	6.23	Habitat Housing Finance Ltd. Associate Vice President

**Note: 1.) Mr. Kazuki Ogura was employed for only part of the year that is till January 31, 2016. Remuneration stated above consist the remuneration received by Mr. Kazuki Ogura in FY 2015-16**

**2.) Mr. Tomohei Matsushita was employed for part of the year that is from January 1, 2016. Remuneration stated above consist the remuneration received by Mr. Tomohei Matsushita in FY 2015-16**

For Toyota Financial Services India Limited	For Toyota Financials Service India Limited
<b>SD/-</b>  <b>Tomohei Matsushita</b> <b>Managing Director</b> <b>DIN:07335725</b> <b>Place: Bangalore</b> <b>Date: May 26, 2016</b>	<b>SD/-</b>  <b>Takeshi Amakasu</b> <b>Director</b> <b>DIN:07431115</b> <b>Place: Bangalore</b> <b>Date: May 26, 2016</b>

**Annexure-6**

Form No. MR-3

**SECRETARIAL AUDIT REPORT**

[Pursuant to Sub Section (1) of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

**FOR THE FINANCIAL YEAR ENDED: MARCH 31, 2016**

To,

The Members,

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**No. 21, Centropolis, 1<sup>st</sup> Floor, 5<sup>th</sup> Cross,**

**Langford Road, Shanti Nagar,**

**Bengaluru 560025**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **TOYOTA FINANCIAL SERVICES INDIA LIMITED** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year ended on March 31, 2016 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment. The company has not made any Overseas Direct Investment and has no External Commercial Borrowings during the period under review.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not Applicable to the Company during the Audit Period);**
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. **(Not Applicable to the Company during the Audit Period);**
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **(Not Applicable to the Company during the Audit Period);**
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and **(Not Applicable to the Company during the Audit Period);**
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not Applicable to the Company during the Audit Period);**
  - i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (From December 01, 2015 to March 31, 2016)
- (vi) The Company has identified the following laws as specifically applicable to the Company:
- a) Non-Banking Financial (Non Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007
  - b) Reserve Bank of India (Non-Banking Financial Companies) Returns Specifications 1997
  - c) Non-Banking Financial Company – Factors (Reserve Bank) Directions, 2002
  - d) The Contract Labour (Regulation and Abolition) Act, 1970 & its Central Rules/ concerned State Rules.

- e) The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 & EPF, FPF Schemes.
- f) The Employees' State Insurance Act, 1948 & its Central Rules / concerned State Rules.
- g) The Minimum Wages Act, 1948 & its Central Rules/ concerned State Rules/ Notification of Minimum Wages applicable to various class of industries/ Trade.
- h) The Payment of Wages Act, 1936 & its Central Rules/ concerned State Rules if any.
- i) The Payment of Bonus Act, 1965 & its Central Rules/ concerned State Rules if any.
- j) The Payment of Gratuity Act & its Central Rules/ concerned State Rules if any.
- k) The Maternity Benefit Act, 1961 & its Rules.
- l) The Equal Remuneration Act, 1976.
- m) The Industrial Employment (Standing Orders) Act, 1946 & its Rules.
- n) The Apprentices Act, 1961 & its Rules.
- o) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.
- p) The Workmen's Compensation Act, 1923
- q) The Industrial Dispute Act, 1947
- r) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

**WE HAVE ALSO EXAMINED COMPLIANCE WITH THE APPLICABLE CLAUSES OF THE FOLLOWING:**

- a. Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meeting.
- b. Debt Listing Agreement entered into by the Company with National Stock Exchange of India Limited (NSE).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

Without qualifying our report we state that the company had not filed two e-forms (MGT-14s) for registering the Board Resolutions passed at the Board Meeting held on May 25, 2015 with the Registrar of Companies, Karnataka. However the company has filed the applications before the Ministry of Corporate Affairs, New Delhi for seeking extension of time for filing them.

We have not examined compliance with applicable Financial Laws, like Direct and Indirect Tax Laws, since the same have been subject to review by statutory financial audit and other designated professionals.

**WE FURTHER REPORT THAT:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except with respect to those agenda items which the company deemed to be unpublished price sensitive information (UPSI), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

We further report that based on the review of the legal compliance reports obtained from the concerned departments' heads regarding compliance with the applicable laws and its adherence, which were taken on record by the Board of Directors, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there was no event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.,

**Bengaluru**

**MAY 18, 2016**

**For V. SREEDHARAN & ASSOCIATES**

**(Pradeep B. Kulkarni)**

**Partner**

**FCS: 7260; CP No. 7835**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF TOYOTA FINANCIAL SERVICES INDIA LIMITED**

#### **Report on the Financial Statements**

1. We have audited the accompanying financial statements of Toyota Financial Services India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

2. 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 financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors'

**INDEPENDENT AUDITORS' REPORT**

**To the Members of Toyota Financial Services India Limited**

**Report on the Financial Statements**

judgment, including the assessment of the risks of material misstatement of the 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 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 the 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 financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, 2016, and its profits and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. 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 purposes 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

**INDEPENDENT AUDITORS' REPORT**  
**To the Members of Toyota Financial Services India Limited**  
**Report on the Financial Statements**

- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
- i. The Company does not have any pending litigations as at March 31, 2016 which would impact its financial position.
  - ii. The Company has made provision as at March 31, 2016, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts. Refer Note 6 and 10. There are no derivative contracts as at March 31, 2016.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Bangalore  
May 26, 2016

Sharad Vasant  
Partner  
Membership Number : 101119

## **Annexure A to Independent Auditors' Report**

*Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016*

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

1. We have audited the internal financial controls over financial reporting of Toyota Financial Services India Limited ("the Company") as of March 31, 2016 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.

### **Annexure A to Independent Auditors' Report**

*Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016*

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 judgement, 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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

**Annexure A to Independent Auditors' Report**

*Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016*

to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, 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 Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Bangalore  
May 26, 2016

Sharad Vasant  
Partner  
Membership Number: 101119

### **Annexure B to Independent Auditors' Report**

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.  
  
(c) The Company does not own any immovable properties as disclosed in Note 11 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company is a Non-Banking Finance Company registered with Reserve Bank of India and engaged in the business of financing. Also, the Company has not made any investments, or provided any guarantee or security to the parties covered under section 185 and 186. Accordingly, the provisions of section 185 and 186 are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the services of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except for dues in respect of income tax, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, though there has been a delay in few cases, and is regular in depositing undisputed statutory dues, including employees' state insurance, service tax, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. The extent of the arrears of advance income tax outstanding as at March 31, 2016, for a period of more than six months from the date they became payable are as follows:

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Due date	Date of Payment
The Income Tax Act, 1961	Advance income-tax	31,850,197	Financial Year ended March 31, 2016	June 15, 2015 and September 15, 2015	April 27, 2016

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax, or value added tax which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

**Annexure B to Independent Auditors' Report**

*Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Toyota Financial Services India Limited on the financial statements as of and for the year ended March 31, 2016*

- xiv. The Company has made a private placement of equity shares both during the year under review, and in the immediately preceding financial year, in compliance with the requirements of Section 42 of the Act. The amounts raised have been used for the purpose for which funds were raised.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is required to, and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as an Asset Finance Company with effect from November 13, 2015.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Bangalore  
May 26, 2016

Sharad Vasant  
Partner  
Membership Number: 101119

## Financial Statement for FY 2015-16

TOYOTA FINANCIAL SERVICES INDIA LIMITED  
Balance Sheet as at March 31, 2016

Particulars	Note	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' Funds</b>			
Share Capital	2	7,013,553,100	5,880,219,770
Reserves and Surplus	3	1,333,282,237	293,925,671
<b>Non-Current Liabilities</b>			
Long Term Borrowings	4	18,000,000,000	9,500,000,000
Other Long Term Liabilities	5	139,553	1,938,003
Long Term Provisions	6	366,289,355	160,644,221
<b>Current Liabilities</b>			
Short Term Borrowings	7	10,115,453,594	10,820,507,059
Trade Payables	8		
Total outstanding dues of micro enterprises and small enterprises and		21,558	8,568,052
Total outstanding dues of creditors other than micro enterprises and small enterprises		208,293,257	296,180,185
Other Current Liabilities	9	5,262,072,046	288,227,425
Short Term Provisions	10	73,451,278	45,175,700
<b>TOTAL</b>		<b><u>42,372,555,978</u></b>	<b><u>27,295,386,086</u></b>
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	11	36,376,979	42,396,172
Intangible Assets	11	43,767,047	49,565,704
Capital work-in-progress		9,239,353	10,863,439
Deferred Tax Assets (net)	12	175,520,438	
Long Term Loans and Advances	13	25,119,978,863	16,861,054,370
<b>Current Assets</b>			
Trade Receivables	14	176,723,880	46,339,452
Cash and Bank Balances	15	197,459,831	306,137,650
Short -Term Loans and Advances	16	16,400,504,307	9,845,848,107
Other Current Assets	17	212,985,280	133,181,192
<b>TOTAL</b>		<b><u>42,372,555,978</u></b>	<b><u>27,295,386,086</u></b>
Significant Accounting Policies	1		

The Notes to the Financial Statements form an integral part of the Financial Statements.

This is the Balance Sheet referred to in our report of even date.

**For Price Waterhouse**  
Firm Registration No. 301112E  
Chartered Accountants

**For and on behalf of the Board of Directors**

**Sharad Vasant**  
Partner  
Membership No.F101119

**Tomohei Matsushita**  
Managing Director &  
CEO  
DIN:07335725

**Takeshi Amakasu**  
Director

Place: Bangalore  
May 26, 2016

Bangalore  
May 26, 2016

Bangalore  
May 26, 2016

**Akihiko Sekiguchi**  
Chief Financial Officer  
  
Bangalore  
May 26, 2016

**Pallavi K**  
Company Secretary  
ACS27692  
Bangalore  
May 26, 2016

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**  
**Statement of Profit and Loss for the Year Ended March 31, 2016**

Particulars	Note	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
I Revenue From Operations	19	4,262,726,458	2,234,939,844
II Other Income	20	23,674,461	28,680,460
<b>III Total Revenue ( I + II)</b>		<b>4,286,400,919</b>	<b>2,263,620,304</b>
<b>IV Expenses</b>			
Employee Benefits Expense	21	305,539,182	245,617,445
Finance Costs	22	2,355,127,998	1,336,167,817
Depreciation and amortisation expense	23	51,084,246	43,356,232
Other Expenses	24	920,014,684	595,369,073
Contingent Provision for Standard Assets		57,962,000	75,676,500
Provisions for Non Performing Assets		174,632,346	73,374,000
<b>Total Expenses</b>		<b>3,864,360,456</b>	<b>2,369,561,067</b>
V Profit/(Loss) before Tax		422,040,463	(105,940,763)
VI Tax Expense			
(1) Current Tax -(Previous Year:Rs Nil (Rs.97,899 For Earlier Years))		124,871,000	97,899
(2) Deferred Tax (credit)/charge		(175,520,438)	-
VII Profit/(Loss) for the Year		<b>472,689,901</b>	<b>(106,038,662)</b>
VIII Profit/(Loss) per Equity Share of Rs. 10 each Basic and Diluted	27	0.76	(0.23)
Significant Accounting Policies	1		

The Notes to the Financial Statements form an integral part of the Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

**For Price Waterhouse**

Firm Registration No. 301112E

Chartered Accountants

**For and on behalf of the Board of Directors**

**Sharad Vasant**

Partner

Membership No.F101119

Place: Bangalore

May 26, 2016

**Tomohei Matsushita**

Managing Director &

CEO

DIN:07335725

Bangalore

May 26, 2016

**Takeshi Amakasu**

Director

DIN:07431115

Bangalore

May 26, 2016

**Akihiko Sekiguchi**

Chief Financial Officer

Bangalore

May 26, 2016

**Pallavi K**

Company Secretary

ACS27692

Bangalore

May 26, 2016

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**  
**Cash Flow Statement for the year ended March 31, 2016**

	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>A. Cash flow from operating activities</b>		
Net Profit/ (loss) before taxation	422,040,463	(105,940,763)
Adjustments for :		
Depreciation / amortisation	51,084,246	43,356,232
Lease Equalisation Account	(4,263,357)	(2,706,328)
(Profit) / Loss on write off of Fixed Assets (net)	(65,309)	58,443
Provision against Non Performing Assets	174,632,346	73,374,000
Contingent Provision against Standard Assets	57,962,000	75,676,500
Provision toward Gratuity	(987,476)	1,274,421
Provision against Compensated Absences	2,313,842	907,000
<b>Operating profit/ (Loss) before working capital changes</b>	<b>702,716,755</b>	<b>85,999,505</b>
<b>changes in working capital :</b>		
Increase / (decrease) in Trade Payables	(96,433,422)	142,121,891
Increase / (decrease) in Other Current Liabilities	443,633,334	227,077,115
(Increase) / decrease in trade receivable	(130,384,428)	(46,339,452)
(Increase) / decrease in Short Term Loans and Advances	(6,589,699,022)	(5,785,852,344)
(Increase) / decrease in Long Term Loans and Advances	(8,258,924,493)	(8,558,719,285)
(Increase) / decrease in Other Current Assets	(79,804,088)	(65,115,229)
<b>Cash used in Operations</b>	<b>(14,008,895,364)</b>	<b>(14,000,827,799)</b>
Taxes paid (including tax deducted at source)	(57,151,983)	(6,315,825)
<b>Net Cash used in operating activities</b>	<b>(14,066,047,347)</b>	<b>(14,007,143,624)</b>
<b>B. Cash flow from Investing Activities</b>		
Investments in Fixed Deposits of original maturity of more than 3 months but less than 12 months	(160,000,000)	(140,000,000)
Proceeds from Fixed Deposits of original maturity of more than 3 months but less than 12 months	300,000,000	440,000,000
Purchase of tangible/intangible assets	(37,656,023)	(30,396,505)
Sale of tangible/intangible assets	79,022	1,698,667
<b>Net cash used in investing activities</b>	<b>102,422,999</b>	<b>271,302,162</b>
<b>C. Cash flow from Financing Activities</b>		
Proceeds from issue of equity share capital (Inclusive of share premium)	1,699,999,995	1,899,999,990
Borrowings during the year - Debentures	13,000,000,000	7,000,000,000
Borrowings during the year - Commercial papers	17,353,899,643	11,792,391,135
Repayment of borrowings during the year - Commercial papers	(18,000,000,000)	(6,500,000,000)
Borrowings during the year - Term Loans	219,515,000,000	116,080,000,000
Repayment of borrowings during the year - Term Loans	(218,035,000,000)	(118,360,000,000)
Short Term Borrowings made/(repaid) (net)	(1,538,953,109)	1,927,238,029
<b>Net cash flow from financing activity</b>	<b>13,994,946,529</b>	<b>13,839,629,154</b>
<b>Net (Decrease) in Cash and cash equivalents (A)+(B)+(C)</b>	<b>31,322,181</b>	<b>103,787,692</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>166,137,650</b>	<b>62,349,958</b>
<b>Cash and cash equivalents, end of the year</b>	<b>197,459,831</b>	<b>166,137,650</b>
<b>Notes to the statement of cash flow :</b>		
1) Cash and cash equivalents comprise of:		
Cash on hand	8,853	2,720
Balances with banks		
In current accounts	37,450,978	6,134,930
Demand deposits (less than 3 months maturity)	160,000,000	160,000,000
<b>TOTAL</b>	<b>197,459,831</b>	<b>166,137,650</b>

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**  
**Cash Flow Statement for the year ended March 31, 2016**

**Notes to the statement of cash flow (cont'd) :**

- 2) The above statement of cash flow has been prepared under the indirect method set out in Accounting Standard 3 issued by The Institute of Chartered Accountants of India.
- 3) Figures in bracket indicate cash outflow.

The accompanying notes are an integral part of the financial statements.

---

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

**For Price Waterhouse**  
Firm Registration No. 301112E  
Chartered Accountants

**For and on behalf of the Board of Directors**

**Sharad Vasant**  
Partner  
Membership No.F101119

Place: Bangalore  
May 26, 2016

**Tomohei Matsushita**    **Takeshi Amakasu**  
Managing Director &    Director  
CEO  
DIN:07335725            DIN:07431115

Bangalore                            Bangalore  
May 26, 2016                        May 26, 2016

**Akihiko Sekiguchi**            **Pallavi K**  
Chief Financial                    Company Secretary  
Officer                                ACS27692

Bangalore                            Bangalore  
May 26,2016                        May 26, 2016

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

### **General Information**

Toyota Financial Services India Limited was incorporated on May 20, 2011 under the Companies Act, 1956 and is a subsidiary of Toyota Financial Services Corporation, Japan, the ultimate holding Company being Toyota Motors Corporation, Japan. The Company has been set up to undertake auto financing business and related activities in India. The Company received certificate of registration from the Reserve Bank of India (RBI) to commence operations as Non-Banking Finance Company on May 2, 2012. During the year RBI has amended the certificate of registration and has classified the company as Non-Deposit taking Non-Banking Finance Company - Asset Finance Company with effect from November 13, 2015.

#### **1. Summary of Significant Accounting Policies**

##### **1.1 Basis of Preparation**

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the companies act, 1956 [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. April 01, 2016.

##### **1.2 Use of Estimate**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

## TOYOTA FINANCIAL SERVICES INDIA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (continued)

### 1.3 Tangible Assets and Depreciation

- i. Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any.
- ii. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.
- iii. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.
- iv. Losses arising from the retirement of, and gains and losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.
- v. Depreciation is provided on a pro-rata basis on the straight line method over the estimated useful lives of the assets as considered below:

<b>Asset</b>	<b>Economic life</b>
Leasehold Improvements	Over the tenor of the underlying lease
Office Equipment's	5 years
Furniture and Fixtures	10 years
Vehicles	8 years
Computers (other than Servers and Networks)	3 years
Servers & Networks	6 years

### 1.4 Intangible Assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Capitalised intangible assets are amortised on a pro-rata basis using straight line method over their estimated useful lives of the assets.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss. The amortization rates used are:

<b>Asset</b>	<b>Economic life</b>
Computer Software	5 years

### 1.5 Vehicle Financing

Vehicle finance extended to customers are classified as loans and advances and are accounted once all the following events are completed.

- a) Credit department approval of the loan
- b) Completion of documentation formalities by the customer

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (continued)

- c) Receipt of dispatch/delivery advice from the dealer (or) manufacturer

### **1.6 Revenue recognition**

Interest on Standard loans is accrued on a daily basis as determined by the amount outstanding and the rate applicable.

In the case of Non-Performing Loans, interest is recognised as income upon realisation. Overdue interest accrued as income remaining unrealised is reversed in the month in which the loan is classified as Non Performing.

Target linked incentive income is recognised during the period in which targets are achieved and realisation of revenue is considered reasonable.

Loan Processing fees, subvention income, documentation charge and non target linked Incentive are recognised on disbursal of loan in respect of assets financed and when there is no uncertainty regarding the collection of such revenue.

Bounce charges, penal charges, late payment charges and other operating income are recognised as income on realisation due to uncertainty in their collection.

Interest income from fixed deposits is accounted on accrual basis.

### **1.7 Loan Acquisition Expenses**

Loan acquisition expenses such as dealer commission, credit verification charges, stamp duty etc., are accounted for upfront.

### **1.8 Interest Expense**

Interest expense is accounted for on a time proportion basis taking into account amount outstanding and rate applicable.

### **1.9 Commercial Paper**

The difference between the redemption value and acquisition cost of Commercial Paper is amortised over the tenure of the instrument. The liability as at the Balance sheet date in respect of such instruments is recognised at face value net of unamortised discount.

### **1.10 Impairment of Loans**

Provision for Standard Assets is made at a rate higher than prescribed by Reserve Bank of India on the outstanding amount of standard assets and is disclosed under provisions.

Loan loss provision in respect of non-performing assets is made in accordance with the provision policy approved by the Board of Directors, which is based on the management's assessment of the degree of impairment of the loans and estimates of recoverability / realisation of the loans, subject

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (continued)

to minimum provisioning requirements prescribed in accordance with the prudential norms of the RBI.

### **1.11 Repossessed Assets**

Reposessed asset is valued at lower of loan outstanding or estimated net realisable value as determined on the basis of a valuation carried out by an independent valuer.

### **1.12 Foreign Currency Transactions**

#### **Initial Recognition**

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### **Subsequent Recognition**

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined. All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

### **1.13 Employee Benefits**

#### **i. Provident Fund**

Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

#### **ii. Gratuity**

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. 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. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (continued)

### ***iii. Compensated absences***

Accumulated compensated absences, which are expected to be availed within 12 months from the end of the year is treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

### **1.14 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight line basis over the period of the lease.

### **1.15 Current and Deferred Tax**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets, if any. In case there are carried forward losses and unabsorbed depreciation as per the Income tax Act, 1961, all deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that they will be realised against future taxable profits.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

### **1.16 Provisions and Contingent Liabilities**

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

## **TOYOTA FINANCIAL SERVICES INDIA LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 (continued)

### **1.17 Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, current account balances with banks, demand deposits with banks, and other short-term highly liquid investments with original maturities of three months or less.

### **1.18 Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit/ loss for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

### **1.19 Impairment of Assets**

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

### **1.20 Segment Reporting**

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses/income".

### **1.21 Special Reserve**

In accordance with section 45-IC of the RBI Act, 1934, the Company creates a reserve fund and transfers therein a sum not less than twenty per cent of its net profit before any dividend is declared every year, and is disclosed in the Reserves and surplus.

TOYOTA FINANCIAL SERVICES INDIA LIMITED  
Notes to the Financial Statements for the year ended March 31, 2016 (continued)

2) Share Capital

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Authorised:</b>		
740,000,000 ( March 31, 2015: 740,000,000) Equity Shares of Rs.10 each	7,400,000,000	7,400,000,000
	<b>7,400,000,000</b>	<b>7,400,000,000</b>
<b>Issued, Subscribed and Paid up</b>		
701,355,310 ( March 31, 2015: 588,021,977) Equity Shares of Rs.10 each	7,013,553,100	5,880,219,770
	<b>7,013,553,100</b>	<b>5,880,219,770</b>

(a) Reconciliation of number of shares

Particulars	March 31, 2016		March 31, 2015	
	No of shares	Rupees	No of shares	Rupees
<b>Balance at the beginning of the year</b>				
Equity Shares	588,021,977	5,880,219,770	452,307,692	4,523,076,920
<b>Add: Shares Issued during the year</b>				
Equity Shares	113,333,333	1,133,333,330	135,714,285	1,357,142,850
<b>Balance at the end of the year</b>				
Equity Shares	701,355,310	7,013,553,100	588,021,977	5,880,219,770

During the year 113,333,333 equity shares of Rs 10 each have been allotted for cash at a premium of Rs. 5 each on December 17, 2015 pursuant to a resolution of shareholders passed at General Meeting dated December 09, 2015.

(b) Rights, preferences and restrictions

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Shares held by holding company and its nominees

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
701,355,310 (March 31, 2015 - 588,021,977) equity shares held by Toyota Financial Services Corporation, Japan and its nominees, ultimately held by Toyota Motor Corporation, Japan.	7,013,553,100	5,880,219,770

(d) Details of Shares held by shareholders holding more than 5% of aggregate shares in the company

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Equity Shares:</b>		
Toyota Financial Services Corporation, Japan, a subsidiary, ultimately held by Toyota Motor Corporation, Japan	701,355,310	588,021,977
Percentage holding	(100%)	(100%)

3) Reserves and Surplus

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Securities Premium</b>		
Balance at the beginning of the year	1,119,780,216	576,923,076
Add : Securities premium on equity shares issued during the year	566,666,665	542,857,140
Balance at the end of the year	<b>1,686,446,881</b>	<b>1,119,780,216</b>
<b>Special Reserve under sec 45-IC of RBI Act, 1934</b>		
Balance at the beginning of the year	-	-
Transferred from the Statement of Profit and Loss	94,537,980	-
Balance at the end of the year	<b>94,537,980</b>	-
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>		
Balance at the beginning of the year	(825,854,545)	(719,815,883)
Profit/(Loss) for the year	472,689,901	(106,038,662)
Less: Transfer to Special Reserve under sec 45-IC of RBI Act, 1934	(94,537,980)	-
Balance at the end of the year	<b>(447,702,624)</b>	<b>(825,854,545)</b>
	<b>1,333,282,237</b>	<b>293,925,671</b>

TOYOTA FINANCIAL SERVICES INDIA LIMITED

Notes to the Financial Statements for the year ended March 31, 2016 (continued)

4) Long Term Borrowings

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Secured</b>		
Redeemable Non-Convertible Debentures	20,000,000,000	7,000,000,000
Less: Current maturities of Redeemable Non-Convertible Debentures (Refer note 9)	(2,000,000,000)	-
	<b>18,000,000,000</b>	<b>7,000,000,000</b>
<b>Unsecured</b>		
Term Loans from Banks	2,500,000,000	2,500,000,000
Less: Current maturities of Term Loans from Banks (Refer note 9)	(2,500,000,000)	-
	<b>-</b>	<b>2,500,000,000</b>
	<b>18,000,000,000</b>	<b>9,500,000,000</b>

Schedule of privately placed Redeemable Non-Convertible Debentures

No. of Debentures*	Face Value (Rs)	Balance as at		Issue Month	Maturity Month	Annual Coupon rate
		March 31, 2016 (Rupees)	March 31, 2015 (Rupees)			
2,000	1,000,000	2,000,000,000	-	December 2015	December 2019	8.45%
2,000	1,000,000	2,000,000,000	-	December 2015	December 2018	8.35%
2,000	1,000,000	2,000,000,000	-	September 2015	September 2018	8.13%
2,000	1,000,000	2,000,000,000	-	August 2015	August 2018	8.53%
3,000	1,000,000	3,000,000,000	-	June 2015	June 2018	8.54%
2,000	1,000,000	2,000,000,000	2,000,000,000	March 2015	March 2018	8.40%
2,000	1,000,000	2,000,000,000	-	February 2016	January 2018	8.20%
2,000	1,000,000	2,000,000,000	2,000,000,000	November 2014	November 2017	8.70%
1,000	1,000,000	1,000,000,000	1,000,000,000	September 2014	September 2017	9.55%
2,000**	1,000,000	2,000,000,000	2,000,000,000	September 2014	September 2016	9.45%
<b>Total</b>		<b>20,000,000,000</b>	<b>7,000,000,000</b>			

\* The Company has issued secured, redeemable, non-convertible debentures on private placement basis, listed on the wholesale debt market of National Stock Exchange (NSE). These Debentures are secured through first ranking exclusive charge by way of hypothecation over the loan receivables.

\*\* Current maturities of Redeemable Non-Convertible Debentures disclosed on Note 9.

Schedule of Term Loan

Unsecured loans from banks with bullet repayment on various maturity dates

Tenure	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
13 to 36 months	-	2,500,000,000

Interest rates range Nil (March 31, 2015: 9.55% to 10.00%) for the borrowings outstanding as at March 31, 2016.

5) Other Long Term Liabilities

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Rent equalisation reserve	139,553	1,938,003
	<b>139,553</b>	<b>1,938,003</b>

6) Long Term Provisions

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Provision for Standard Assets	98,793,064	66,792,800
Provision for Non Performing Assets	267,209,346	92,577,000
Provision for Employee Benefits		
- Gratuity (Refer Note 21(b))	286,945	1,274,421
	<b>366,289,355</b>	<b>160,644,221</b>

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (continued)**

**7) Short Term Borrowings**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Unsecured</b>		
- Term Loans from Banks	4,930,000,000	3,450,000,000
- Bank Overdraft repayable on demand	539,162,816	2,078,115,924
- Commercial Paper [Maximum balance outstanding during the year Rs 9,250,000,000 (Previous Year: Rs.7,500,000,000) (Net of unamortised discount of Rs. 103,709,222) ( Previous Year: Rs.207,608,864)]	4,646,290,778	5,292,391,135
	<b>10,115,453,594</b>	<b>10,820,507,059</b>

**Schedule of Term Loan**

Unsecured loans from banks with bullet repayment on various maturity dates

Tenure	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Upto 12 months	4,930,000,000	3,450,000,000

Interest rates range from 8.20% p.a. to 9.85% p.a. (March 31, 2015: 8.50% to 9.50%) for the borrowings outstanding as at March 31, 2016.

**Schedule of Bank Overdraft**

Tenure	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Repayable on demand	539,162,816	2,078,115,924

Interest rates on bank overdraft is as determined by the Bank based on bank base rate and appropriate spread from time to time.

**Schedule of Commercial Papers**

Tenure	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Upto 12 Months	4,646,290,778	5,292,391,135

Discounting rate is (range between 7.40% to 8.65% (March 31, 2015: 8.28% to 9.25% ) market driven at the time of the issuance of such papers.

**8) Trade Payables**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Trade Payable		
- Total outstanding dues to micro and small enterprises (A)	21,558	8,568,052
- Total outstanding dues to creditors other than micro and small enterprises		
(i) Acceptances	-	-
(ii) Others	189,166,377	107,425,421
(iii) Payable to Dealers	19,126,880	188,754,764
	(B) 208,293,257	296,180,185
	(A+B) <b>208,314,815</b>	<b>304,748,237</b>

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	21,558	8,568,052
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	659
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	47,715	-
Further interest remaining due and payable for earlier years	659	-

The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company.

TOYOTA FINANCIAL SERVICES INDIA LIMITED

Notes to the Financial Statements for the year ended March 31, 2016 (continued)

**9) Other Current Liabilities**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Current maturities of Redeemable Non-Convertible Debentures (Refer note 4)	2,000,000,000	-
Current maturities of Term Loans from Banks (Refer note 4)	2,500,000,000	-
Interest accrued but not due on borrowings	659,304,875	242,976,457
Employee benefits payable	28,951,734	21,728,235
Statutory dues including provident fund and tax deducted at source	39,165,659	19,084,242
Provision for Income Tax (Net of advance Tax and Tax Deducted at Sources Rs.95,301,806 (Previous year: Rs. Nil))	32,676,194	-
Rent equalisation reserve	1,973,584	4,438,491
	<b>5,262,072,046</b>	<b>288,227,425</b>

There are no amount due for payment to the Investors Education and Protection Fund under section 205C of the Companies Act 1956 as at the year end.

**10) Short Term Provisions**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Provision for Employee Benefits		
- Provision for Compensated absences	8,096,842	5,783,000
Provision for Standard Assets	65,354,436	39,392,700
	<b>73,451,278</b>	<b>45,175,700</b>

*This space has been intentionally left blank*



TOYOTA FINANCIAL SERVICES INDIA LIMITED  
Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

**12) Deferred Tax Asset (Net)**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Deferred Tax Liabilities</b>		
- On Depreciation	-	65,769
- On Preliminary Expenses	2,769	2,596
	<b>2,769</b>	<b>68,365</b>
<b>Deferred Tax Assets</b>		
- On Depreciation	5,063,004	-
- On Provision for compensated absences	2,802,699	512,812
- On Provision for Gratuity	-	737,999
- On Contingent provision for standard assets	56,819,198	34,458,575
- On Provision for Non Performing Assets	92,493,767	30,042,440
- On Diminution in value of re-possessed assets	5,486,433	890,464
- On Expenses disallowed for non deduction of tax at source	-	6,925,185
- On Unrealised interest on Non Performing Assets	9,791,887	2,849,197
- On Provision against doubtful advances	2,334,763	2,188,840
- On Rent equalisation disallowance	731,456	2,069,256
	<b>175,523,207</b>	<b>80,674,768</b>
<b>Net Deferred Tax Assets / (Liability)</b>	<b>175,520,438</b>	-

Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws. During the current year, based on reasonable certainty of realisability of future taxable profits, Deferred tax Assets (net) Rs. 175,520,438 (Previous Year: Rs.Nil) has been recognised and disclosed in Financial Statement.

During the previous year, Deferred Tax Assets is recognised to the extent of Deferred Tax Liability available for set off. Deferred Tax Assets has not been recognised on account of prudence in view of carry forward taxable losses.

**13) Long Term Loans and Advances**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Loans</b>		
<b>Secured , Considered good</b>		
Vehicle Finance *	24,670,607,410	16,677,514,908
<b>Secured , Considered doubtful</b>		
Vehicle Finance *	445,976,303	139,131,450
<b>Advances recoverable in cash or in kind or for value to be received (Unsecured)</b>		
Considered good	70,000	2,581,720
Considered doubtful	6,745,000	6,745,000
( Less): Provision for doubtful advances	(6,745,000)	(6,745,000)
	70,000	2,581,720
Security Deposits (considered good)	3,007,540	33,797,072
<b>Other Loans and Advances (Unsecured, Considered good)</b>		
Prepaid expenses	317,610	8,029,220
	<b>25,119,978,863</b>	<b>16,861,054,370</b>

\* Secured by hypothecation of vehicles and / or charge over current assets and / or undertaking to create security.

**14) Trade Receivables**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Unsecured, Considered good</b>		
Debts due for less than six months from the date they are due for payment (Refer note 29)	176,723,880	46,339,452
	<b>176,723,880</b>	<b>46,339,452</b>

**15) Cash and Bank balances**

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Cash and Cash Equivalents</b>		
Cash on Hand	8,853	2,720
Bank Balance in		
-Current Account	37,450,978	6,134,930
-Fixed Deposits (with maturity less than 3 months)	160,000,000	160,000,000
Other Bank Balances		
-Fixed Deposits (with maturity greater than 3 months but less than 12 months)	-	140,000,000
	<b>197,459,831</b>	<b>306,137,650</b>

TOYOTA FINANCIAL SERVICES INDIA LIMITED

Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

16) Short -Term Loans and Advances

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Loans</b>		
<b>Secured , Considered good</b>		
Vehicle Finance *	16,038,608,899	9,769,685,716
<b>UnSecured , Considered good</b>		
Vehicle Finance *	300,000,000	-
<b>Other Loans and Advances (Unsecured considered good, unless otherwise stated)</b>		
Advances recoverable in cash or in kind for the value to be received	5,697,345	14,979,026
Security Deposits	32,416,016	2,032,400
Advance Tax and Tax Deducted at Source (Net of Provision for Tax Rs. Nil (Previous year: Rs 287,000))	-	35,042,823
Prepaid expenses	16,204,157	18,956,876
Others	7,577,890	5,151,266
	<b>16,400,504,307</b>	<b>9,845,848,107</b>

\* Secured by hypothecation of vehicles and / or charge over current assets and / or undertaking to create security.

17) Other Current Assets

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>Unsecured, considered good, unless otherwise stated</b>		
Interest Accrued Not Due-Fixed Deposits	4,695,840	9,360,770
Interest Accrued Not Due- Vehicle Finance	184,592,722	115,777,542
Repossessed automobile assets	23,696,718	8,042,880
	<b>212,985,280</b>	<b>133,181,192</b>

18) Capital and other Commitments

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
Loans sanctioned but not disbursed (awaiting completion of documentation formalities by borrower)	104,144,970	155,762,878
Undrawn credit limits by dealers relating to vehicle finance	1,067,718,661	822,695,442
	<b>1,171,863,631</b>	<b>978,458,320</b>

19) Revenue From Operations

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Interest On Loans - Vehicle Finance	3,763,211,274	2,069,823,967
Subvention Income	43,047,641	3,171,162
<b>Other Financial Services</b>		
Loan Processing Fees	72,846,104	57,109,905
Documentation charges	8,699,267	6,599,127
Incentive Fee	302,532,000	66,810,000
Foreclosure Charges	43,852,385	20,129,272
Other Operating Income	28,537,787	11,296,411
	<b>4,262,726,458</b>	<b>2,234,939,844</b>

20) Other Income

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Interest on Fixed Deposits	23,572,030	27,137,027
Interest on Income Tax Refund	-	972,310
Miscellaneous Income	102,431	571,123
	<b>23,674,461</b>	<b>28,680,460</b>

21) Employee Benefits Expenses

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Salaries, Bonus and Allowances	272,567,043	220,026,269
Contribution to Provident Fund and Other Funds (Refer note (a) below)	18,165,311	16,045,059
Gratuity (Refer note (b) below)	1,948,246	2,274,173
Staff Welfare	12,858,582	7,271,944
	<b>305,539,182</b>	<b>245,617,445</b>

TOYOTA FINANCIAL SERVICES INDIA LIMITED

Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

(a) Defined Contribution Plan

Particulars	April 1, 2015 to	April 1, 2014 to
	March 31, 2016	March 31, 2015
	(Rupees)	(Rupees)
Amount recognised in the Statement of Profit and Loss		
i) Provident fund paid to the authorities	8,336,318	7,476,671
ii) Pension fund paid to the authorities	8,368,867	7,185,611
iii) EDLI & others	1,460,126	1,382,777
	<b>18,165,311</b>	<b>16,045,059</b>

(b) Defined Benefit Plan

Gratuity

Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement whichever is earlier. The benefits vest after five years of continuous service.

The Company has a defined benefit plan for post-employment benefits in the form of Gratuity. The Company has taken a group gratuity policy with Life Insurance Corporation (LIC) which is funded. Gratuity Fund is administered through Trustees and/or LIC and is a recognised fund under the Income Tax Act, 1961. The Company accounts for gratuity based on an actuarial valuation which is carried out by an independent actuary as at the year end. The actuarial valuation method used by the independent actuary for measuring the liability is the Projected Unit Credit Method. The adequacy of the accumulated fund balance available with LIC is compared with the gratuity liability as per the independent actuarial valuation at the year end and any shortfall, if any, is recognised in the financial statements.

Description of Benefit Plans	Funded Gratuity	
	March 31, 2016	March 31, 2015
A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Opening Balance: Present value of obligation	7,572,068	4,582,272
Current service cost	2,651,007	1,889,303
Interest cost	811,661	591,214
Benefits paid	-	-
Actuarial (gain) / loss on obligations	(895,440)	509,279
<b>Closing Balance: Present value of obligation</b>	<b>10,139,296</b>	<b>7,572,068</b>
B) Reconciliation of opening and closing balances of the fair value of plan assets		
Opening Balance: Fair value of plan assets	6,297,647	4,809,983
Expected return on plan assets	582,732	492,980
Contributions made	2,935,722	999,752
Benefits paid	-	-
Actuarial gain / (loss) on plan assets	36,250	(5,068)
<b>Closing Balance: Fair value of plan assets</b>	<b>9,852,351</b>	<b>6,297,647</b>
C) Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities recognised in the Balance sheet		
Closing Balance: Present value of obligation	10,139,296	7,572,068
Closing Balance: Fair value of plan assets	9,852,351	6,297,647
Unrecognised past service cost	-	-
<b>Net Asset / (Liability) recognised in Balance Sheet</b>	<b>(286,945)</b>	<b>(1,274,421)</b>
Recognised under:		
Long Term Provision (Refer Note 6)	(286,945)	(1,274,421)
Short Term Provision (Refer Note 10)	-	-
<b>Total</b>	<b>(286,945)</b>	<b>(1,274,421)</b>

TOYOTA FINANCIAL SERVICES INDIA LIMITED

Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

Description of Benefit Plans	Funded Gratuity	
	31-Mar-16	31-Mar-15
D) Expenses recognised in the Statement of Profit and Loss		
Current service cost	2,651,007	1,889,303
Interest cost	811,661	591,214
Expected return on plan assets	(582,732)	(492,980)
Net actuarial (gain) / loss recognized	(931,690)	514,347
Asset not recognised during the year end March 31, 2014	-	(227,711)
<b>Total Expenses</b> <b>(included under Employee benefits in Note 21 )</b>	<b>1,948,246</b>	<b>2,274,173</b>
E) Actual return on plan assets	618,982	487,912
F) Actuarial assumptions		
Discount rate	8.05%	7.95%
Expected rate of return on plan assets	8.00%	8.00%
Rate of increase in compensation levels	9.00%	9.00%
<b>Attrition rate</b>		
- Age (Years)		
21-30	10.00%	10.00%
31-40	5.00%	5.00%
41-59	3.00%	3.00%
	Indian Assured	Indian Assured
Mortality rate	Life Mortality (2006-08)	Life Mortality (2006-08)
	Ultimate	Ultimate
Retirement Age	60 years	60 years
G) Major category of Plan assets		
Insurer Managed Funds	100.00%	100.00%

H) Amount for the current and previous four years are as follows:

Particulars	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Defined Benefit Obligation	10,139,296	7,572,068	4,582,272	2,789,089	621,090
Plan Assets	9,852,351	6,297,647	4,809,983	1,360,741	-
Surplus / (deficit)	(286,945)	(1,274,421)	227,771	(1,428,348)	(621,090)
Experience adjustments on plan liabilities	(751,022)	(608,737)	(193,545)	(538,064)	-
Experience adjustments on plan assets	36,250	(5,068)	114,351	51,367	-

I) Expected contribution to the funds next year

Particulars	31-Mar-16	31-Mar-15
Gratuity Fund	2,000,000	2,000,000

The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

**22) Finance Cost**

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
<b>Interest:</b>		
- Term Loan	619,910,473	811,527,154
- Bank Overdraft	19,343,129	22,141,675
- On delayed payment of statutory and other dues	3,099,544	186,564
- on Non Convertible Debenture	1,119,527,709	231,519,289
<b>Other Finance Cost:</b>		
- Discounting charge on Commercial Paper	593,247,143	270,793,135
	<b>2,355,127,998</b>	<b>1,336,167,817</b>

**23) Depreciation and Amortisation Expense**

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Depreciation on Tangible Assets	26,093,107	22,930,405
Amortisation of Intangible Assets	24,991,139	20,425,827
	<b>51,084,246</b>	<b>43,356,232</b>

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**24) Other Expenses**

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Rent (Refer note 26)	42,263,195	37,471,127
Electricity	3,365,811	1,792,255
Repairs and Maintenance - others	7,807,381	5,082,250
Insurance	661,139	520,063
Rates & Taxes # (infusion in Share capital)	4,076,495	3,884,877
Travelling	25,582,590	19,738,221
Auditor's Remuneration		
- Statutory Auditor	6,200,000	5,200,000
- Tax Audit	200,000	200,000
- Other Services	2,200,000	2,100,000
- Reimbursement of expenses	800,360	993,802
Professional and consultancy*	82,259,821	116,554,012
Director Sitting Fee	1,072,000	-
Recruitment Expenses	7,190,516	4,208,103
Printing and Stationery	7,472,773	877,227
Communication	12,248,558	9,235,488
Information Technology services	45,469,718	43,405,012
IT Stationary & Software	11,892,743	4,437,935
Collection Charges	56,240,175	24,875,841
Marketing	6,501,027	13,331,107
Advertisement	218,463	538,137
Postage and Courier	5,649,057	2,393,470
Entertainment	2,484,797	1,926,968
Commission to Dealers	523,828,385	264,065,093
Stamp Duty Charges (Net of reimbursement of Rs 40,838,944 (Previous Year: Rs. 27,032,172))	1,833,938	2,480,756
Conference	6,652,652	4,321,623
Loss on Sale of Repossessed Vehicles	5,990,284	2,608,449
Diminution in value of re-possessed assets	12,396,000	2,744,000
Commercial papers, Debenture issue and other FIN expenses	32,438,598	17,904,787
Miscellaneous	5,018,208	2,478,470
	<b>920,014,684</b>	<b>595,369,073</b>

\*Professional and consultancy expenses during current year includes expenditure incurred Rs. 29,278,092 (March 31, 2015 : Rs. 91,595,444) towards carrying back office operations relating to retail loan finance, carried out by a third party.

# includes an amount of Rs. 1,700,000 (previous year Rs. 3,050,000) as stamp duty to increase in paid up equity share capital.

**25) Expenditure in foreign currency**

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Professional fees	367,829	206,771
Staff Welfare	1,169,204	-
Relocation	268,626	656,016
Training	475,018	58,352
Information Technology	113,118	114,051
	<b>2,393,795</b>	<b>1,035,190</b>

**26) Operating Leases**

The Company has entered into operating lease agreements for office premises. The leases for the office premises are non-cancellable in nature for a period 3 to 5 years. The leases provide for upto 5% increase in rent within the non-cancellable period. The Company has paid refundable interest free security deposits of Rs. 33,290,1556 (Previous Year: Rs. 31,497,072 ) in respect of these leases.

Particulars	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
(a) Lease payments recognised in the Statement of Profit and Loss during the year	42,263,195	37,471,127
(b) With respect to non-cancellable operating leases, the future minimum lease payments are as follows :		
- Not later than one year	17,873,563	42,956,522
- Later than one year but not later than 5 years	3,611,553	14,554,540
- Later than five years	-	-

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

**27) Earning Per Share**

<b>Particulars</b>		<b>April 1, 2015 to March 31, 2016 (Rupees)</b>	<b>April 1, 2014 to March 31, 2015 (Rupees)</b>
Profit/(Loss) after Tax	A	472,689,901	(106,038,662)
<u>Number of Equity Shares:</u>			
Number of shares at the beginning of the year		588,021,977	452,307,692
Equity shares allotted on December 17, 2015 (Previous Year: March 13, 2015)		113,333,333	135,714,285
Weighted average number of equity shares outstanding	B	620,535,638	457,513,171
Basic and Diluted Earnings/(Loss) Per Share	A/B	0.76	(0.23)
Face value per share (Rs.)		10	10

**28) Segment Reporting**

In accordance with Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company is engaged primarily in the business of vehicle financing and accordingly there are no separate reportable segments. Accordingly, the segment revenue, segment results, total carrying amount of segment assets and segment liability and total cost incurred to acquire segment assets, is as reflected in the Financial Statements as of and for the year ended March 31, 2016. There is no distinguishable component of the Company engaged in providing services in a different economic environment. The Company renders services in one geographical segment and has no offices outside India. Hence there are no reportable geographical segments.

*This space has been intentionally left blank*

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**29) Related Party Disclosures in accordance with Accounting Standard 18**

a) Names of related parties and nature of relationship:

<b>Nature of relationship</b>	<b>Names of related parties</b>
(i) Ultimate Holding Company	Toyota Motor Corporation, Japan*
(ii) Holding Company	Toyota Financial Services Corporation, Japan
(iii) Fellow Subsidiaries (parties under common control)	1. Toyota Kirloskar Motor Private Limited 2. Toyota kreditbank GMBH
(iv) Key Management Personnel	Kazuki Ogura – Managing Director and CEO (upto January 31, 2016) Tomohei Matsushita – Managing Director and CEO (From January 01, 2016) Akihiko Sekiguchi - Chief Financial Officer

\* Parties with whom no transactions during the year.

(b) The following transactions were carried out with related parties in the ordinary course of business during the year:

Nature of transaction	March 31, 2016 (Rupees)				
	Holding Company	Fellow Subsidiaries		Key Management Personnel	Total
		Toyota Kirloskar Motor Private Limited	Toyota kreditbank GMBH		
<b>Transactions:</b>					
Remuneration to Managing Directors	-	-	-	27,119,220	27,119,220
Remuneration to Chief Financial Officer	-	-	-	19,681,360	19,681,360
Professional fees	367,829	4,910,086	-	-	5,277,915
Staff Welfare	1,169,204	-	-	-	1,169,204
Relocation	90,654	-	177,972	-	268,626
Training expenses	73,308	-	401,710	-	475,018
Allotment of Equity Shares (including securities premium of Rs.566,666,665)	1,699,999,995	-	-	-	1,699,999,995
Reimbursement of Relocation Expenses	-	-	318,900	-	318,900
Incentive Fees* (Refer note 19)	-	302,532,000	-	-	302,532,000
<b>Balances as at year end:</b>					
Trade Receivables (Refer note 14)	-	176,723,880	-	-	176,723,880
Trade Payable	190,342	907,230	-	-	1,097,572

\* Based on incentive schemes entered into with Toyota Kirloskar Motors Private Limited('TKM') during the current and previous years, incentives amounting to Rs. 302,532,000 (Previous Year Rs. 66,810,000), were ascertained and recognised for the year ended March 31, 2016. Of such amount recognised, an amount of Rs. 176,723,880 (Previous Year Rs. 46,339,452) was outstanding at the Balance sheet date.

Nature of transaction	March 31, 2015 (Rupees)				
	Holding Company	Fellow Subsidiaries		Key Management Personnel	Total
		Toyota Kirloskar Motor Private Limited	Toyota kreditbank GMBH		
<b>Transactions:</b>					
Remuneration to Managing Directors	-	-	-	21,744,254	21,744,254
Professional fees	206,771	1,183,329	-	-	1,390,100
Relocation	656,016	-	-	-	656,016
Training expenses	58,352	-	-	-	58,352
Allotment of Equity Shares (including securities premium of Rs.542,857,140)	1,899,999,990	-	-	-	1,899,999,990
Incentive Fees (Refer note 19)	-	66,810,000	-	-	66,810,000
<b>Balances as at year end:</b>					
Trade Receivables (Refer note 14)	-	46,339,452	-	-	46,339,452
Trade Payable	198,339	1,064,996	-	-	1,263,335

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**30) Additional information in terms of the RBI circular (Ref. No: DNBR (PD).CC.No. 002/03.10.001/2014-15) dated November 10, 2014**

**a) Capital**

S.No	Particulars	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
i)	CRAR (%)	19.30	22.33
ii)	CRAR - Tier I Capital (%)	18.92	21.95
iii)	CRAR - Tier II Capital (%)	0.38	0.38
iv)	Amount of Subordinated debt raised as Tier-II Capital (Amount in Rs.)	-	-
v)	Amount raised by issue of Perpetual Debt Instruments (Amount in Rs.)	-	-

**b) Investments**

S.No	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
1	Value of Investments	-	-
	(i) Gross Value of Investments	-	-
	(a) In India	-	-
	(b) Outside India	-	-
	(ii) Provisions for Depreciation	-	-
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments	-	-
	(a) In India	-	-
	(b) Outside India	-	-
2	Movement of provisions held towards depreciation on investments	-	-
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	-	-
	(iii) Less : Write-off / write-back of excess provisions during the year	-	-
	(iv) Closing balance	-	-

**c) Derivatives**

**(i) Forward Rate Agreement/ Interest Rate Swap**

S.No	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
(i)	The notional principal of swap agreements	-	-
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	-	-
(iii)	Collateral required by the NBFC upon entering into Swaps	-	-
(iv)	Concentration of credit risk arising from the swaps	-	-
(v)	The fair value of the swap book	-	-

**(ii) Exchange Traded Interest Rate (IR) Derivatives**

S.No	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	-	-
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March (instrument-wise)	-	-
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	-	-
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	-	-

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

(iii) Disclosures on Risk Exposure in Derivatives

**(A) Quantitative Disclosures**

Disclosure relating to risk management policies pertaining to derivatives is not applicable to the Company as the Company has not used derivatives during the year and previous year.

**(B) Quantitative Disclosures**

Sl.No.	Particular	April 1, 2015 to March 31, 2016 (Rupees)		April 1, 2014 to March 31, 2015 (Rupees)	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount) For hedging	-	-	-	-
(ii)	Marked to Market Positions [1]				
	a) Asset (+)	-	-	-	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure [2]	-	-	-	-
(iv)	Unhedged Exposures	-	-	-	-

**(d) (i) Disclosures relating to Securitisation**

S.No.	Particulars	April 1, 2015 to	April 1, 2014 to
		March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
1.	No of SPVs sponsored by the NBFC for securitisation transactions	-	-
2.	Total amount of securitised assets as per books of the SPVs sponsored	-	-
3.	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	-	-
	a) Off-balance sheet exposures	-	-
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures	-	-
	First loss	-	-
	Others	-	-
4.	Amount of exposures to securitisation transactions other than MRR	-	-
	a) Off-balance sheet exposures	-	-
	(i) Exposure to own securitizations	-	-
	First loss	-	-
	Loss	-	-
	(ii) Exposure to third party securitisations	-	-
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures	-	-
	(i) Exposure to own securitisations	-	-
	First loss	-	-
	Others	-	-
	(ii) Exposure to third party securitisations	-	-
	First loss	-	-
	Others	-	-

**(ii) Details of Financial Assets sold to Securitisation/Reconstruction company for Asset Reconstruction**

S.No.	Particulars	April 1, 2015 to	April 1, 2014 to
		March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
(i)	No. of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of	-	-
(v)	Aggregate gain / loss over net book value	-	-

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**(iii) Details of Assignment transactions undertaken**

S.No.	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
(i)	No. of accounts	-	-
(ii)	Aggregate value (net of provisions) of accounts sold	-	-
(iii)	Aggregate consideration	-	-
(iv)	Additional consideration realized in respect of	-	-
(v)	Aggregate gain / loss over net book value	-	-

**(iv) Details of Non performing financial assets purchased/sold**

**A. Details of non-performing financial assets purchased :**

S.No.	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
1.	a) No. of accounts purchased during the year	-	-
	b) Aggregate outstanding	-	-
2.	a) Of these, number of accounts restructured during the year	-	-
	b) Aggregate outstanding	-	-

**B. Details of Non-performing Financial Assets sold :**

S.No.	Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
1.	No. of accounts sold	-	-
2.	Aggregate outstanding	-	-
3.	Aggregate consideration received	-	-

*This space has been intentionally left blank*

TOYOTA FINANCIAL SERVICES INDIA LIMITED  
Notes to the Financial Statements for the year ended March 31, 2016 (Continued)

(v) Maturity pattern of certain assets and liabilities as at March, 2016

	(Amount in Rupees)							
	Upto 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Total
<b>Liabilities</b>								
Borrowings **	4,712,649,043	2,236,986,085	490,123,825	3,697,737,101	3,477,957,540	16,000,000,000	2,000,000,000	-
<b>Assets *</b>								
Advances (net of NPA provision)	3,212,081,393	2,266,707,787	1,638,422,648	3,233,415,798	5,987,981,273	18,897,218,827	5,777,886,432	174,269,108
Fixed Deposits	160,000,000	-	-	-	-	-	-	160,000,000
Investments	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-

	(Amount in Rupees)							
	Upto 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Total
<b>Liabilities</b>								
Borrowings **	4,772,009,683	793,291,253	689,738,587	1,000,000,000	3,565,467,536	9,500,000,000	-	20,320,507,059
Payable to Vehicle financing dealers	188,754,764	-	-	-	-	-	-	188,754,764
<b>Assets *</b>								
Advances (net of NPA provision)	650,790,151	2,957,187,805	616,011,756	1,848,342,967	3,697,353,037	12,410,983,955	4,194,814,189	26,493,755,074
Fixed Deposits	160,000,000	-	-	1,400,000,000	-	-	-	300,000,000
Investments	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-

\* Excludes advance income tax/ tax deducted at source (net of provisions) and other advances (not related to lending activity).

\*\* Borrowing towards commercial paper is net of discounting charges

Income/ Expenses accrued but not due on the above assets/ liabilities are excluded

Maturity Pattern of Assets and Liabilities has been compiled by the Management on contractual payment basis (except for Bank Overdraft and Advances for Dealer Financing, where it is based on management's estimation).

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**(e) Exposures**

**(i) Exposure to Real Estate Sector**

Category	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
<b>(A) Direct Exposure</b>		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii) Commercial Real Estate - retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	-	-
(iii) Investments in Mortgage Backed Securities(MBS) and other securitised exposures -	-	-
a. Residential	-	-
b. Commercial Real Estate	-	-
<b>(B) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
<b>Total Exposure to Real Estate Sector</b>	<b>-</b>	<b>-</b>

**(ii) Exposure to Capital Market**

Particulars	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows / issues;	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
<b>Total Exposure to Capital Market</b>	<b>-</b>	<b>-</b>

**(iii) Details of financing of parent company products**

The Company is primarily engaged only in auto financing of Fellow subsidiary products. Loans and Advances includes Vehicle finance, which comprise primarily of either Loans to customers for purchasing Toyota cars and accessories or Loans to Dealers engaged in dealing in Toyota cars and accessories.

**(iv) Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the NBFC**

The Company has not exceeded the prudential exposure limits of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) during the year.

**(v) Unsecured Advances**

The total amount of advances for which intangible securities such as charge over the rights, licenses, authority etc has been taken is Nil (March 31, 2015: Nil).

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**(f) Miscellaneous**

**(i) Registration obtained from other financial sector regulators**

The Company has not obtained registration from other financial sector regulators.

**(ii) Disclosure of Penalties imposed by RBI and other regulators**

Penalties imposed by RBI and other regulators on the Company is Nil (Previous Year: Nil)

**(iii) Ratings assigned by credit rating agencies and migration of ratings during the year**

S. No.	Instrument	Rating	Rating Agency	Date of Rating
1	Redeemable Non-Convertible Debentures	AAA	CRISIL Limited	February 18, 2014
2	Commercial Papers	A1+	CRISIL Limited	February 18, 2014

There have not been any migrations during the year.

**(iv) Net Profit or Loss for the period, prior period items and changes in accounting policies**

There are no prior period items included in the current year's Statement of Profit and Loss

**(v) Revenue Recognition**

There is no revenue which has been postponed pending the resolution of significant uncertainties

**(g) Additional Disclosures**

**(i) Provisions and Contingencies**

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Provisions for depreciation on Investment	-	-
Provision towards NPA	174,632,346	73,374,000
Provision made towards Income tax	124,871,000	-
Other Provision and Contingencies (Provision for Gratuity and Compensated absences)	2,600,787	2,181,421
Provision for Standard Assets	57,962,000	75,676,500

**(ii) Draw Down from Reserves**

The Company has not made any draw down from reserves.

**(iii) Concentration of Deposits, Advances, Exposures and NPAs**

**(A) Concentration of Deposit**

The Company is a non deposit taking NBFC and has not obtained any deposit from depositors.

**(B) Concentration of Advances**

	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Total Advances to twenty largest borrowers	4,401,055,243	2,938,265,492
Percentage of Advances to twenty largest borrowers to Total Advances of the	10.62%	11.05%

**(C) Concentration of Exposures**

	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Total Exposure to twenty largest borrowers /customers	5,159,384,002	2,938,265,492
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	12.10%	11.05%

**(D) Concentration of NPAs**

	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
Total Exposure to top four NPA accounts	136,785,738	25,046,818

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**(E) Sector-wise NPAs**

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector	
		April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
1	Agriculture & allied activities	-	-
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	-	-
5	Unsecured personal loans	-	-
6	Auto loans*	1.08%	0.52%
7	Other personal loans	-	-

\* Includes financing to Dealers / Other corporate customers on cars and accessories.

**(iv) Movement of NPAs**

Sl.No.	Sector	April 1, 2015 to March 31, 2016 (Rupees)	April 1, 2014 to March 31, 2015 (Rupees)
(i)	Net NPAs to Net Advances (%)	0.43	0.18
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	139,131,450	32,304,985
	(b) Additions during the year	361,693,830	156,507,385
	(c) Reductions during the year	54,848,977	49,680,920
	(d) Closing balance	445,976,303	139,131,450
(iii)	Movement of Net NPAs		
	(a) Opening balance	46,554,450	13,101,985
	(b) Additions during the year	162,894,273	61,267,333
	(c) Reductions during the year	30,681,766	27,814,868
	(d) Closing balance	178,766,957	46,554,450
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	92,577,000	19,203,000
	(b) Provisions made during the year	198,799,557	95,240,052
	(c) Write-off / write-back of excess provisions	24,167,211	21,866,052
	(d) Closing balance	267,209,346	92,577,000

**(v) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)**

The Company does not have any Overseas Assets (for those with Joint Ventures and Subsidiaries abroad).

**(vi) Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)**

The Company does not have any off-balance sheet SPVs sponsored.

**(i) Disclosure of Customer Complaints**

Sl.No.	Particulars	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
(a)	No. of complaints pending at the beginning of the year	-	1
(b)	No. of complaints received during the year	298	272
(c)	No. of complaints redressed during the year	298	273
(d)	No. of complaints pending at the end of the year	-	-

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

**Notes to the Financial Statements for the year ended March 31, 2016 (Continued)**

**31) Disclosure of Frauds reported during the year vide DNBS.PD.CC NO.256/03.10.042/2011-12 Dated March 02, 2012**

Particulars	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
<b>a. Persons involved</b>		
Customers	3,300,908	2,037,547
<b>Total</b>	<b>3,300,908</b>	<b>2,037,547</b>
<b>b. Type of Fraud</b>		
Misappropriation and criminal breach of trust	-	-
Fraudulent encashment/ manipulation of books of account	-	-
Cheating and forgery	3,300,908	2,037,547

**32) Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserves Bank) Directions, 2015 are given in Annexure I.**

**33) Prior year comparatives**

Previous year's figures have been re-grouped/ re-classified wherever necessary to correspond with the current year's classification/ disclosure.

Signatures to notes 1 to 33 forms part of the financial statements and to the above notes.

**For Price Waterhouse**

Firm Registration No. 301112E  
Chartered Accountants

**For and on behalf of the Board of Directors**

**Sharad Vasant**

Partner  
Membership No.F101119

Place: Bangalore  
May 26, 2016

**Tomohei Matsushita**

Managing Director &  
CEO  
DIN:07335725

Bangalore  
May 26, 2016

**Takeshi Amakasu**

Director  
DIN:07431115

Bangalore  
May 26, 2016

**Akihiko Sekiguchi**

Chief Financial Officer

Bangalore  
May 26, 2016

**Pallavi K**

Company Secretary  
ACS27692

Bangalore  
May 26, 2016

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**  
**ANNEXURE 1 FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company**

(as required in terms of Paragraph 13 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015)

(Rs. In lakhs)

<b>Liabilities Side</b>		
<b>(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>		
Particulars	Amount outstanding	Amount overdue
(a) Debentures : Secured*	206,437	-
: Unsecured	-	-
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans*	74,456	-
(d) Intercorporate loans and borrowing	-	-
(e) Commercial Paper	46,463	-
(f) Other Loans (Working Capital Loans from Banks)	5,392	-
* Including Interest accrued but not due		
<b>Asset Side</b>		
	Amount Outstanding	
<b>(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:</b>		
(a) Secured (Gross excluding NPA provision)		411,552
(b) Unsecured*		3,000
<b>(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>		
<b>(i) Lease assets including lease rentals under sundry debtors:</b>		
(a) Financial lease		-
(b) Operating lease		-
<b>(ii) Stock on hire including hire charges under sundry debtors:</b>		
(a) Assets on hire		-
(b) Repossessed Assets		-
<b>(iii) Other loans counting towards AFC activities</b>		
(a) Loans where assets have been repossessed		-
(b) Loans other than (a) above		-
<b>(4) Break-up of Investments :</b>		
Current investments:		
1. Quoted		
(i) Shares: (a) Equity		-
(b) Preference		-
(iii) Units of Mutual funds		-
(iv) Government Securities		-
(v) Others (please specify)		-
2. Unquoted		
(i) Shares: (a) Equity		-
(b) Preference		-
(ii) Debentures and Bonds		-
(iii) Units of Mutual funds		-
(iv) Government Securities		-
(v) Others (Certificate of Deposits, Commercial Paper & PTC)		-
* Excludes advance income tax/tax deducted at source (net of provisions) and other advances (not related to lending activity)		

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**  
**ANNEXURE 1 FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

**Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company**

	<b>Amount Outstanding</b>
Long Term investments	
1. Quoted	
(i) Shares: (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted	
(i) Shares: (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

**(5) Borrower group-wise classification of assets financed as in (2) and (3) above:**

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	408,880	3,000	411,880
Total	408,880	3,000	411,880

**(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**

Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties		
Total	-	-

**(7) Other Information**

Particulars	Amount
(i) Gross Non Performing Assets	
(a) Related Parties	-
(b) Other than related parties	4,460
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related parties	1,788
(iii) Assets acquired in satisfaction of debt	237

**Notes:**

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits(Reserve Bank) Directions, 1998.

2. Provisioning norms shall be applicable as prescribed in Non-systemically important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 or systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) companies Prudential Norms (Reserve Bank) Directions, 2015 whichever is applicable.

3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

## NOTICE

**NOTICE is hereby given that Fifth Annual General Meeting of the Shareholders of Toyota Financial Services India Limited shall be held at 3:00 P.M. on Friday, August 12, 2016 at the Registered Office of the Company at No. 21 Centropolis, First Floor, 5th Cross Langford Road, Shanti Nagar Bangalore-560025 to transact, with or without modification(s) as may be permissible, the following business:**

### **Ordinary Business:**

- 1. To receive, consider and adopt the audited financial statements of the Company as on March 31, 2016, including the audited Balance Sheet as at March 31, 2016, the statement of profit and loss and the cash flow statement for the year ended on the together with reports of directors and auditors thereon.**
- 2. To ratify the appointment of statutory auditors of the Company:**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

**“Resolved that,** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and any statutory modification(s) or reenactment(s) thereof from time to time being in force and Rules, Circulars and Guidelines issued by the Reserve Bank of India from time to time and the Rules/ Regulations/ Guidelines, if any, prescribed by any relevant authorities from time to time, and based on recommendation by the audit committee and board of directors of the Company, and pursuant to the resolution passed by the shareholders in their third annual general meeting of the Company held on May 13, 2014 for appointment M/s Price Waterhouse, Chartered Accountants ( Firm Registration No. 301112E) as statutory auditors of the company to hold office till the conclusion of sixth annual general meeting to be held in calendar year 2017, the appointment of M/s Price Waterhouse Chartered Accountants (Firm Registration No. 301112E) as statutory auditors of the Company is hereby ratified for financial year 2016-17 and that the board of directors with recommendation from audit committee of the Company be hereby authorised to fix remuneration payable to them for financial year 2016-17 in consultation with statutory auditors.”

### **Special Business:**

- 3. Appointment of Mr. Raman Rengan (DIN: 02805449) as an independent director:**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**“Resolved that,** pursuant to Section 152 and Section 149 of the Companies Act, 2013 (“Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014, and all other applicable provisions of the Companies Act, 2013 and rules & regulations made there under, if any (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company, the extant Guidelines and Circulars on appointment of directors issued by Reserve Bank of India and the Rules/ Regulations/ Guidelines, if any, prescribed by any relevant authorities from time to time, and based on recommendation by the Nomination and remuneration

India and the Rules/ Regulations/ Guidelines, if any, prescribed by any relevant authorities from time to time, and based on recommendation by the Nomination and remuneration committee and board of directors of the Company, Mr. Raman Rengan (DIN: 02805449), who was appointed as an additional (independent) director of the Company by board of directors at its meeting held on March 13, 2015 and was regularized as director in fourth annual general meeting held on July 27, 2015 to hold office till this annual general meeting ('AGM') and in respect of whom the Company has received a notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013 proposing his candidature for the office of director and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act, be and is hereby appointed as independent director on the board of directors of the Company to hold office till the sixth annual general meeting; and

**Resolved further that** any director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP - Corporate, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs."

#### **4. Appointment of Ms. Renu Rajani (DIN:07013537) as an Independent Director**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**"Resolved that,** pursuant to Section 152 and Section 149 of the Companies Act, 2013 ("Act"), the Companies (Appointment and Qualification of Directors) Rules, 2014, and all other applicable provisions of the Companies Act, 2013 and rules & regulations made there under, if any (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company, the extant Guidelines and Circulars on appointment of Directors issued by Reserve Bank of India and the Rules/ Regulations/ Guidelines, if any, prescribed by any relevant authorities from time to time, and based on recommendation by the Nomination and remuneration committee and board of directors of the Company, Ms. Renu Rajani (DIN: 07013537), who was appointed as an additional (independent) director of the Company by Board of Directors at its meeting held on March 13, 2015 and was regularized as director in fourth annual general meeting held on July 27, 2015 to hold office till this Annual General Meeting ('AGM') and in respect of whom the Company has received a Notice in writing from a member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013 proposing her candidature for the office of director and who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act, be and is hereby appointed as independent director on the board of directors of the Company to hold office till the eighth annual general meeting; and

**Resolved further that,** any director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP – Corporate or Company Secretary of the Company, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs."

**5. Appointment of Mr. Takeshi Amakasu (DIN: 07431115) as Regular Director of the Company:**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**“Resolved that,** Mr. Takeshi Amakasu (DIN: 07431115), who was appointed as an additional director with effect from February 9, 2016 by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and Articles of Association of the Company and who holds office up to the date of this annual general meeting, and in respect of whom a notice has been received from a member in writing, under Section 160 of the Companies Act, 2013 along with requisite deposit, proposing his candidature for the office of a director, be and is hereby appointed as a director of the Company.”

**Resolved further that,** any Director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP – Corporate or Company Secretary of the Company, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs.”

**6. Appointment of Mr. Kazuki Ogura (DIN: 03488373) as Regular Director of the Company:**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**“Resolved that,** Mr. Kazuki Ogura (DIN: 03488373), who was appointed as an additional director with effect from February 9, 2016 by the board of directors in terms of Section 161 of the Companies Act, 2013 and Articles of Association of the Company and who holds office up to the date of this annual general meeting, and in respect of whom a notice has been received from a member in writing, under Section 160 of the Companies Act, 2013 along with requisite deposit, proposing his candidature for the office of a director, be and is hereby appointed as a director of the Company.”

**Resolved further that,** any Director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP – Corporate or Company Secretary of the Company, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs.”

**7. Appointment of Mr. Akito Tachibana (DIN: 07411338) as Regular Director of the Company:**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**“Resolved that,** Mr. Akito Tachibana (DIN: 07411338), who was appointed as an additional director with effect from April 1, 2016 by the board of directors in terms of Section 161 of the Companies Act, 2013 and Articles of Association of the Company and who holds office up to the date of this annual general meeting, and in respect of whom a notice has been received from a member in writing, under Section 160 of the Companies Act, 2013 along with requisite deposit, proposing his candidature for the office of a director, be and is hereby appointed as a director of the Company.”

**Resolved further that,** any Director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP – Corporate or Company Secretary of the Company, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs.”

**8. Approval of Remuneration of Mr. Tomohei Matsushita (DIN: 07335725) :**

To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as Special Resolution:

“**Resolved that,** in supersession of resolutions passed earlier in this regard and pursuant to provisions of Sections 197, 198 and 203 read with Schedule V and other applicable provisions, if any, of the Companies Act 2013, (including any statutory modifications or re-enactment(s) thereof, for the time being in force), and subject to the approval of Central Government as may be required, the remuneration payable (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year) to Mr. Tomohei Matsushita (DIN:07335725), Managing Director & CEO of the Company having components such as basic pay, HRA, Perquisites, Other/ Special allowances, and Employer PF contributions and up to a maximum aggregate amount of Rs. 33,500,918/- per annum be and is hereby approved for the remaining period of his tenure with effect from April 01, 2016; and

**Resolved further that,** Mr. Tomohei Matsushita, Managing Director & CEO shall be entitled for the reimbursement of actual entertainment, traveling, boarding, and lodging expenses and such other expenses incurred by him in connection with the Company’s business; and

**Resolved further that,** the board of directors of the Company be and is hereby authorized to alter, amend or vary the terms and conditions of this remuneration structure as may be agreed to between the Board of Directors and Mr. Tomohei Matsushita, and subject to the limits within such guidelines or amendments as may be made to the Companies Act, 2013 or subject to approval of the Central Government or such other authority, if required; and

**Resolved further that,** any Director of the Company or Mr. Akihiko Sekiguchi, Chief Financial Officer & SVP – Corporate or Company Secretary of the Company, be and is hereby authorized to severally do all such acts, deeds and things to give effect to the above resolution including but not limited to filing requisite forms and returns with the Ministry of Corporate Affairs.”

**9. Increase in borrowing limits of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**Resolved that,** in supersession of the resolutions passed earlier in this regard and pursuant to the provisions of Section 180(1)(c) of Companies Act, 2013 and rules & regulations made there under, if any (including any statutory modification or re-enactment thereof for the time being in force), the consent of the members of the Company be and is hereby accorded to the board of directors of the Company, to

borrow and raise such sums of money from bank, by issue of commercial paper and by issue of non-convertible debentures from time to time on such terms and conditions and with or without security as the board of directors may think fit and as may be required for the purposes of the business of the Company, in excess of the aggregate of the paid-up capital of the Company and free reserves of the Company, that is to say, reserves not set apart for any specific purpose, subject to the proviso that such borrowings, together with monies already borrowed, shall not at any one time exceed Rs. 110,000 million (Rupees one hundred and ten thousand million only) excluding all temporary loans obtained by the Company from its bankers in the ordinary course of its business, on such terms and conditions as the Board may consider necessary and expedient in the best interest of the Company; and

**Resolved further that,** in supersession of resolutions passed earlier in this regard and pursuant to the provisions of Section 180(1)(a) of the Companies Act, 2013 and rules & regulations made there under, if any (including any statutory modification or re-enactment thereof for the time being in force), the consent of the members of the Company be and is hereby accorded to the board of directors of the Company, to create/modify any mortgage, pledge, hypothecation or other charge or encumbrances, from time to time, over the whole or substantially whole of the Company's undertaking including all present and future immovable and movable properties and assets of the Company whosoever situated, in favour of the banks, financial institution and other persons for securing loans, credits, guarantees or other facilities provided or to be provided by them to the Company and/or to secure/unsecure debentures issued/ to be issued by the Company, which borrowings and facilities together with the existing ones shall not exceed an aggregate limit Rs. 110,000 million (Rupees One hundred and ten thousand million only); and

**Resolved further that,** the board of directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

#### **10. Approval for borrowings from Banks:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"Resolved that,** in supersession of the resolutions passed earlier in this regard and pursuant to the applicable provisions of the Companies Act, 2013, and rules & regulations made thereunder, if any (including any other statutory modification or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded to the board of directors of the Company, to borrow through bank borrowings in the form of term loans (short term/ long term), cash credit, overdraft facility, working capital demand loan etc., or through issue of commercial papers provided that the cumulative borrowings through these avenues should not exceed a maximum limit of Rs. 61,000 Million (Rupees sixty one thousand million only) in one or more tranches/ series, on such terms and conditions including commercial terms as may be determined by the board of directors on the basis of the prevailing market conditions; and

**Resolved further that**, the board of directors of the Company be and are hereby authorized to do such acts, deeds, things and execute all such documents, undertaking as may be necessary for giving effect to the above resolution”.

**11. Issue of Non - Convertible Debentures:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“Resolved that**, subject to the provisions of Section 180 (1) (c), Section 42, Section 71 of the Companies Act, 2013, and all other applicable provisions of the Companies Act 2013 and rules & regulations made there under, if any (including any other statutory modification or re-enactment thereof for the time being in force), the consent of the members be and is hereby accorded to the board of directors of the Company, for a period of 1 (one) year from the date hereof, to raise funds for its general corporate purposes by way of issuance of non-convertible debentures in one or more tranches/ series, on such terms and conditions as may be determined by the board of directors, provided that the aggregate amount raised through the issuance of the non-convertible debentures pursuant to the authority under **this resolution along with the non-convertible debentures already issued by the Company remains** below the limit of INR 49,000 Million (Rupees forty nine thousand million only); and

**Resolved further that**, the consent of the members be and is hereby accorded to the board of directors of the Company to determine the price at which any non-convertible debentures are being issued in one or more tranches/ series pursuant to the authority granted under the resolution referred to above, on the basis of the prevailing market conditions; and

**Resolved further that**, the board of directors of the Company be and are hereby authorized to do such acts, deeds, things and execute all such documents, undertaking as may be necessary for giving effect to the above resolution”.

By order of the Board of Directors

**Sd/-**

July 18, 2016  
Bangalore

Pallavi K  
Company Secretary

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (“AGM”) IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE ON HIS/HER BEHALF, AND A PROXY NEED NOT BE A MEMBER. The instrument appointing the proxy, in order to be effective, must be deposited at the Company’s Registered Office, duly completed and signed, not less than 48 (Forty Eight) hours before the AGM. Proxies submitted on behalf of limited companies, etc. must be supported by appropriate resolutions or authority, as applicable. A person can act as a proxy on behalf of Members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or Member
2. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the special business to be transacted at the meeting is annexed hereto.
3. Corporate Members intending to send their authorised representatives to attend and vote at the meeting are requested to send a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. All documents referred to in the accompanying notice and the statement shall be open for inspection at the registered office of the company during normal business hours from 11 a.m. to 1 p.m. on all working days, up to and including the date of the annual general meeting of the Company and will also be available for inspection at the meeting.

**Annexure to Notice:**

**Explanatory Statement pursuant to section 102 of the Companies Act, 2013**

**Item no. 3:**

Mr. Raman Rengan was appointed as additional (independent) director of the Company with effect from March 13, 2015 and his appointment was regularized in fourth annual general meeting held on July 27, 2015 to hold office till this annual general meeting ('AGM') pursuant to provisions of Section 152 and Section 149 of the Companies Act, 2013, read with Articles of Association of the Company. Mr. Raman Rengan holds office of director up to the date of annual general meeting. The Company has received notice in writing from a member along with a deposit for Rs.1,00,000/- proposing the candidature of Mr. Raman Rengan for the office of director. Mr. Raman Rengan being eligible, is proposed to be re-appointed to hold office until the conclusion sixth annual general meeting.

Mr. Raman has given a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, other than Mr. Raman Rengan is interest or concerned in the resolution.

The board recommends his re-appointment and recommends the resolution for approval of the members.

**Item no 4:**

Ms. Renu Rajani was appointed as additional (independent) director of the Company with effect from March 13, 2015 and her appointment was regularized in fourth annual general meeting held on July 27, 2015 to hold office till this annual general meeting ('AGM') pursuant to provisions of Section 152 and Section 149 of the Companies Act, 2013, read with Articles of Association of the Company. Ms. Renu Rajani holds office of director up to the date of annual general meeting. The Company has received notice in writing from a member along with a deposit for Rs.1,00,000/- proposing the candidature of Ms. Renu Rajani for the office of director. Mrs. Renu Rajani being eligible, is proposed to be re-appointed to hold office until the conclusion next Annual General Meeting.

Mrs. Renu Rajani has given a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, other than Ms. Renu Ragani is interest or concerned in the resolution.

The board recommends her re-appointment and recommends the resolution for approval of the members.

**Item no 5:**

Mr. Takeshi Amakasu was appointed as additional (independent) director of the Company with effect from February 9, 2016 to hold office till this annual general meeting ('AGM') pursuant to provisions of Section 161 of the Companies Act, 2013, read with Articles of Association of the Company. The Company has received notice in writing from a member along with a deposit for Rs.1,00,000/- proposing the candidature of Mr. Takeshi Amakasu for the office of Director. Mr. Takeshi Amakasu being eligible is proposed to be appointed as director of the Company, who shall be eligible for retirement on rotation.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, other than Mr. Takeshi Amakasu is interest or concerned in the resolution.

The board recommends his appointment and recommends the resolution for approval of the members.

**Item no 6:**

Mr. Kazuki Ogura was appointed as an additional (independent) director of the Company with effect from February 9, 2016 to hold office till this annual general meeting ('AGM') pursuant to provisions of Section 161 of the Companies Act, 2013, read with Articles of Association of the Company. The Company has received request notice in writing from a member along with a deposit for Rs.1,00,000/- proposing the candidature of Mr. Kazuki Ogura for the office of Director. Mr. Kazuki Ogura being eligible is proposed to be appointed as Director of the Company, who shall be eligible for retirement on rotation.

None of the directors / key managerial personnel of the company / their relatives are, in any way, other than Mr. Kazuki Ogura is interest or concerned in the resolution.

The board recommends his appointment and recommends the resolution for approval of the members.

**Item no 7:**

Mr. Akito Tachibana was appointed as an additional (independent) director of the Company with effect from April 1, 2016 to hold office till this annual general meeting ('AGM') pursuant to provisions of Section 161 of the Companies Act, 2013, read with Articles of Association of the Company. The Company has received request notice in writing from a member along with a deposit for Rs.1,00,000/- proposing the candidature of Mr. Akito Tachibana for the office of director. Mr. Akito Tachibana being eligible is proposed to be appointed as director of the Company, who shall be eligible for retirement on rotation.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, other than Mr. Akito Tachibana is interest or concerned in the resolution.

The board recommends his appointment and recommends the resolution for approval of the members.

**Item no. 8:**

**Statement as per section II of Part II of Schedule V to the Companies Act, 2013**

I. GENERAL INFORMATION:

Sl.No.	Particulars	Details	
a.	Nature of Industry	NBFC-Asset Financing Company	
b.	Date or expected date of commencement of commercial production	June 05, 2012	
c.	In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable	
d.	Financial performance based on given indicators	<b>2014-15</b>	<b>2015-16</b>
	Net Worth	Rs.6,174,145,441	Rs.8,346,835,337
	Profit/(Loss) after tax	Rs.(106,038,662)	Rs. 472,689,901
e.	Export performance and net foreign exchange collaboration	NIL	
f.	Foreign investments or collaborations, if any	Toyota Financial Services Corporation, Japan is holding 99.99% in the share capital as on March 31, 2016.	

II. INFORMATION ABOUT THE APPOINTEE:

Sl. No.	Particulars	Details
a.	Background Details	Mr. Tomohei Matsushita has served in the Toyota industry for 27 years
b.	Past Remuneration	Rs. 2,066,025/- per month
c.	Recognition of Awards	NIL
d.	Job Profile and his suitability	He has been instrumental in establishing the business of the company in India. He is responsible for the strategic and operational decisions of the Company.

e.	Remuneration Proposed	Rs. 33,500,918/- per annum
f.	Comparative remuneration profile with respect to industry, size of the company, profile of position and person	The proposed remuneration is in line with the remuneration prevailing in the Industry.
g.	Pecuniary relationship with the company or relationship with the managerial personnel, if any	Except for receiving remuneration as a Managing Director, Mr. Tomohei Matsushita has no pecuniary relationship with the Company. He is not related to any other managerial personnel of the Company.

### III. OTHER INFORMATION:

Sl.No.	Particulars	Details
a.	Reasons for loss or inadequate profits	<p>Toyota Financial Services India Limited ('TFSIN') started its business in June, 2012. Being in the initial phase of business, the Company's profit has not reached to adequate level though it turned positive in FY 2016. The Company is yet to reach critical asset size and therefore has high operating cost ratio.</p> <p>The results are in line with the Company's business plan.</p>
b.	Steps taken or proposed to be taken for improvement	<p>The Company is taking the following steps to improve its profitability.</p> <p>Expansion of Asset Size. Improve productivity and Cost efficiency</p> <p><u>Expansion/ growth of assets</u></p> <p>The Company is gradually growing its presence in India. As at the end of March 2016, the Company has covered 84% of overall Toyota sales in India as compared to 80% in March '15. With 28,371 disbursed finance contracts, the Company was able</p>

		<p>to achieve an finance penetration of 26% in coverage in FY 2015-16 as compared to 20% penetration in FY 2014-15. The Company is further expected to grow its asset size with increase in penetration.</p> <p><u>Cost efficiency and productivity</u> The Company is working to improve efficiencies in several areas as disbursements, operations, collections etc. These measures will help in reducing operating costs.</p>
c.	Expected increase in productivity and profits in measurable terms	<p>Expense to revenue ratio has reduced from 39.57% in FY 2014-15 to 29.95% in FY 2015-16.</p> <p>The Company's productivity is expected to increase with:</p> <p>Improvement in key process like disbursements, operations under writing etc.</p> <p>Automation of processes with higher usage of Information Technology.</p> <p>Improvement in collection efficiency.</p> <p>However, it is difficult at this stage to quantify the benefits of measures taken/ being taken by the Company to improve the overall performance.</p>

The Board recommends passing of the said resolutions as set out in Item No.8 of the accompanying notice.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, other than Mr. Tomohei Matsushita is interest or concerned in the resolution.

**Item no. 9,10 & 11:**

**Toyota Financial Services India Limited**, registered as a Non-Banking Financial Company (NBFC) with Reserve Bank of India and incorporated as an Public Limited Company is engaged in the business of retail financing, retail leasing, fleet financing, dealer inventory financing, dealer working capital financing, factoring of dealer receivables, hire purchase installment sale, asset credit and other related after sale products with respect to vehicles.

The above stated activities would require enormous amount of finance. The company has been receiving offers for credit facilities from various banks which are in excess for the existing borrowing limit. Therefore in view of new opportunities, expanding business and meeting day to day financial commitments, the Company is required to increase its borrowing limits from the present of 72,000 Million to 110,000 Million.

Further the provisions of Section 180 (1) (c) of the Companies Act, 2013 provides that the board of directors of a Company cannot borrow money (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the company's paid-up capital and free reserves (that is reserves not set apart for any specific purpose) without the consent of the shareholders in the General Meeting. The consent of the Shareholders is requested for an increase in the borrowing limits up to a limit of Rs. 110,000 Million at this meeting. Shareholders are also requested to approve creation of mortgage, hypothecation, charge or other encumbrances of the assets of the company pursuant to section 180(1)(a) of the Companies Act, 2013 along with the increase in borrowing limits.

Further pursuant to Section 42 and Section 71 of the Companies Act, 2013, the shareholders are requested to provide necessary approvals to the board of the Company for raising funds through the issuance of Non-convertible debentures for a period of 1 year, and borrowing through bank borrowings or through the issuance of the commercial papers within the borrowing limits approved by the shareholders.

The said approval shall be the basis for the board to determine the terms and conditions of any issuance of non-convertible debentures by the Company for a period of 1 year from the date on which the shareholders have provided the approval by way of special resolution. All non-convertible debentures issued by the Company pursuant to such authority granted by the shareholders shall be priced on the basis of the prevailing market conditions and as specifically approved by the board at such time.

Your directors commend the special resolution as set out in item no. 9, 10 & 11 of the accompanying notice for your approval.

None of the directors / key managerial personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

By order of the Board of Directors

**Sd/-**

July 18, 2016

Bangalore

Pallavi K  
Company Secretary

Form No. MGT-11

**PROXY FORM**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

Registered office: No. 21, Centropolis, First Floor, 5th Cross Langford Road, Shanti Nagar, Bangalore-560025

Corporate Identity Number: U74900KA2011FLC058752

[www.toyotafinance.co.in](http://www.toyotafinance.co.in)

**5<sup>th</sup> Annual General Meeting-August 12, 2016**

Name of the Member(s)	
Registered address	
Email Id	
Folio No.	

I/ We, being the holder(s) of \_\_\_\_\_ equity shares of Toyota Financial Services India Limited, hereby appoint

1. Name : \_\_\_\_\_ E-mail id: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_ or falling him/her

2. Name : \_\_\_\_\_ E-mail id: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_ or falling him/her

3. Name : \_\_\_\_\_ E-mail id: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_ or falling him/her

As my/ our proxy to attend and vote for me/us and on my/our behalf at the 5<sup>th</sup> Annual General Meeting of the Company to be held on Friday August 12, 2016 at 3:00 p.m. at No. 21, Centropolis, First Floor, 5th Cross Langford Road, Shanti Nagar, Bangalore-560025, India and at any adjournment thereof in respect of such resolution as are indicate the Notice.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature of Shareholder \_\_\_\_\_ Signature of Proxy holder (s) \_\_\_\_\_

Note: this form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.



**TOYOTA FINANCIAL SERVICES INDIA LIMITED**

Regd. Office : No.21, Centropolis, First Floor, 5th Cross,  
Langford Road, Shanti Nagar, Bangalore - 560 025