

SBI Cards and Payment Services Private Limited

Annual Report

FY – 2013-14

SBI Cards and Payment Services Private Limited

Regd. Office: Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower, E- 1,2,3, Netaji Subhash Place, Wazirpur, New Delhi - 110034

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Friday, August 29, 2014 at 11:00 AM at the registered office of the Company at Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower, E- 1,2,3, Netaji Subhash Place, Wazirpur, New Delhi - 110034 to consider the following items of business:

Ordinary Business:

1. Adoption of Accounts

To consider, approve and adopt the financial statements of the Company for the Financial Year ended 31st March 2014 including the Audited Balance Sheet of the Company as at 31st March 2014 and Profit & Loss Account and the Cash Flow Statement along with the schedules and notes appended thereto for the year ended on that date together with the report of the Auditors and Directors thereon along with the report of Comptroller and Auditor General of India.

2. Fixing of Auditors Remuneration

To consider fixation of Statutory Auditors Remuneration or to determine the manner of fixing the remuneration for the Financial Year 2014-15.

Special Business:

3. Appointment of Shri Vijay Jasuja as Manager designated as Chief Executive Officer 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 Section 196, Schedule V and other applicable provisions of the Companies Act, 2013, rules made there under and any other approval, sanction or permission as may be required under any other enactment or Law for the time being in force, if any, Shri Vijay Jasuja who is on deputation from State Bank of India be and is hereby appointed as the Manager designated as Chief Executive Officer of the Company with effect from July 9, 2014 and upto July 8, 2016.

RESOLVED FURTHER THAT Shri Vijay Jasuja being a TEGSS-I officer of State Bank of India, during the period of deputation would be governed by the terms and conditions of the appointment as approved by the Board of the Company.

CIN: U65999DL1998PTC093849 # Telephone No.: 0124-4589803 # Fax No.: 0124-3987306
Email address: ceo.sbicpsl@ge.com # website: www.sbicard.com

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, Board of Directors of the Company be and is hereby authorized, for and on behalf of the Company to do all such acts, deeds, matters and things as may be considered necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”

4. Authorization to issue of Non-Convertible Debentures (NCD's)

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

“RESOLVED THAT pursuant to Section 42, section 71 and other applicable provisions of the Companies Act, 2013 and rules made there under, Articles of Association of the Company, other applicable acts, Rules, Regulations, guidelines etc., the Company be and is hereby authorized to issue Fixed Rate, Unsecured, Rated, Taxable, Redeemable, Subordinated, Non-Convertible Debentures (NCDs) on a private placement basis for a sum aggregating to Rs. 100 crores.

RESOLVED FURTHER THAT the terms of the debentures would be as follows:

| | |
|----------------------------|--|
| Kind of Instrument | Debentures |
| Issue Size | Rs. 100 Crores |
| Method of Distribution | Private Placement |
| Face value of Debenture(s) | Rs. 10,00,000/- (Rupees Ten Lakhs only) per Debenture |
| Instrument Structure | Fixed Rate, Unsecured, Rated, Taxable, Redeemable, Subordinated Non-Convertible Debentures in the nature of subordinated debt constituting Tier II Capital of the Company |
| Tenor | To be decided in the manner advised by Board |
| Interest Rate | To be decided in the manner advised by Board |
| Redemption | At par on the Face Value of the Debentures on Maturity Date |
| Credit Rating | AAA/Stable by CRISIL AAA/Stable by ICRA |
| Issuance Mode | Dematerialized form. Investors are required to mention their Depository Participant's name, DP-ID and beneficiary account number in the appropriate place in the Application Form. |
| Trustees | AXIS Trustee Services Limited having its |

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| | |
|--|--|
| | Registered Office at 2nd Floor, Axis House, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai 400 025, Maharashtra, India |
| Purpose for which resources are being raised | The present issue of Debentures is being made for augmenting the Tier-II Capital of the Company for strengthening its capital adequacy and for enhancing the long-term resources of the Company in accordance with the NBFC-ND Prudential Norms. The funds are raised to meet Company's requirements of funds to carry on its business operations and for its regular business activities. |

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, Board of Directors of the Company be and is hereby authorized, for and on behalf of the Company to do all such acts, deeds, matters and things as may be considered necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

5. Ratification of the statutory audit fee for the FY 2010-11

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

"RESOLVED THAT the decision of the Board on fixing of remuneration of the statutory auditor of the Company M/s G. S. Mathur & Co. (Registration No. 08744N) for the FY 2010-11 at its meeting held on April 30, 2011 to the extent of Rs. 1,850,000/- (Rupees Eighteen Lakhs Fifty Thousand only) plus taxes, as applicable and reimbursement of out of pocket expenses of Rs. 205,000/- (Rupees Two Lakhs five Thousand only) be and is hereby ratified by the shareholders of the Company."

**By Order of the Board of Directors
For SBI Cards and Payment Services Pvt. Ltd.**


Company Secretary

Date : 05-08-2014
Place : Gurgaon

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company.
2. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

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3. Explanatory statement containing material facts pursuant to Section 102 of the Companies Act, 2013 is enclosed.
4. All the relevant documents in respect of accompanying notice are open for inspection at the Registered Office of the Company on all days (except on Saturday and Sunday), between 11.00 AM to 5.00 PM. up to the date of AGM.

EXPLANATORY STATEMENT CONTAINING MATERIAL FACTS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 3

Appointment of Shri Vijay Jasuja as Manager designated as Chief Executive Officer of the Company

Shri Vijay Jasuja, officer TEGSS-I has been appointed by the Board of Directors as Manager designated as Chief Executive Officer of the Company with effect from July 9, 2014 and upto July 8, 2016 in the Board Meeting held on July 30, 2014 subject to the approval of the shareholders. The Company has received consent from Shri Jasuja to act as the Manager designated as Chief Executive Officer of the Company.

The main terms and conditions of the deputation (appointment) of Shri Jasuja as approved by the Board are as follows:

**Terms and conditions of deputation of SBI Officer
In TEGSS-I (Chief General Manager)**

**Terms and conditions of deputation of SBI Officer
In TEGSS-I (Chief General Manager)**

| | | |
|-----|--|--|
| 1. | Basic Pay | As per SBI Officers' Service Rules in TEGSS-I; at present Rs.65,400/- – 1,600/- – 67,000/-. |
| 2. | Dearness Allowance | As per SBI Officers' Service Rules. |
| 3. | Special Compensatory Allowance | Rs. 1,000/-p.m. |
| 4. | Special Balancing Allowance | As per SBI Officers' Service Rules. |
| 5. | City Compensatory Allowance | As per SBI Officers' Service. Presently Rs. 540/-p.m. |
| 6. | Professional Qualification Pay | As per SBI Officers' Service Rules. |
| 7. | Fixed Personal Pay | As per SBI Officers' Service Rules. |
| 8. | Deputation Allowance | As per SBI Officers' Service Rules: at present 7.75% of basic pay with a maximum of Rs. 2,300/- p.m. |
| 9. | Provident Fund Contribution by the Officer | As per SBI Officers' Service Rules, at present 10% of the basic pay + eligible amount of Professional Qualification Pay or higher amount as approved by the Bank. |
| 10. | Gratuity | As per Payment of Gratuity Act, 1972. |
| 11. | Residential Accommodation | Semi-furnished leased accommodation suitable for the position / grade, is being provided to the Official at a gross monthly rent of Rs.95,000/-, including maintenance charges of Rs.10,000/- and car parking charges of Rs.7,000/-. |
| 12. | Travelling Expenses | As per SBI Officers' Service Rules. Entitled to travel by air (Executive Class) or AC I class by rail, while on duty. |
| 13. | Halting Allowance and eligibility for stay | Halting allowance at Mumbai, Kolkata, Delhi and Chennai – Rs. 1,200/- per diem. Major 'A' class cities Rs. 1,000/- per diem. Places in Area I Rs. 800/- per diem and all other places Rs. 700/-per diem. Eligible to stay in same hotels, as provided by the Company to its other Top Executives. |

| | | |
|-----|-------------------------------|---|
| 14. | Leave | Entitled for casual leave, privilege leave and sick leave as per SBI Officers' Service Rules. At present, 12 days C.L. p.a.; PL @ one day for every 11 days of service, accumulated upto not more than 240 days except where leave has been applied for and it has been refused. Also 30 days of sick leave for each completed year of service, subject to a maximum of 18 months during the entire service. Where officer has put in service of 24 years, he shall be eligible to additional sick leave @ one month for each year of service in excess of 24 years subject to a maximum of 3 months. |
| 15. | Provision of Car | To be provided with official car with driver as per SBI Officers' Service Rules. |
| 16. | Medical Benefits | As per SBI Officers' Service Rules; 100% for self and 75% for family. |
| 17. | Leave Travel Concession | As per SBI Officers' Service Rules. During each block of four years, the Officer shall be eligible for leave travel concession for travel to his hometown once in each block of two years. Alternatively, he may travel in one block of two years to his hometown and in other block to any place in India by the shortest route. |
| 18. | Encashment of Privilege leave | As per SBI Officers' Service Rules, once in every four years when the officer avails leave travel concession; not exceeding one month at a time. Alternatively, while travelling in one block of two years to his hometown and in other block to any place in India, he may be permitted encashment of privilege leave with a maximum of 15 days in each block or 30 days in one block. |
| 19. | Membership of Clubs | <p>a. Fee for admission to one club of the officers' choice is payable subject to a maximum of Rs. 1,000/-. Annual subscription to the club is also payable to the extent of Rs. 1,000/-. Where the annual subscription exceeds Rs. 1,000/- may be allowed to be paid out of the officers' entertainment quota.</p> <p>b. Admission fee and subscription of local Banker's Club is payable separately at rates specified by SBI from time to time.</p> |
| 20. | Personal entertainment | Expenses incurred for entertainment may be reimbursed as per SBI entitlements, as applicable to "Budgetary" position from time to time. |

| | | |
|-----|---|---|
| 21. | Other facilities | As per SBI entitlements from time to time, presently as under: i.) Newspaper & Magazines: Rs. 3,500/- per month. ii.) Labour Charges: One labour (Rs. 140/- per day) iii.) Cleaning Charges: Rs. 1,950/ per month. |
| 22. | Furniture/Fixture | As per SBI entitlements from time to time. |
| 23. | Other Miscellaneous Assets like Mobile handsets, ipad, laptop, etc. | As per SBI entitlements from time to time. |

Along with salary, allowance and perquisites, the following would be payable to the Bank by the Company:

| | |
|--|--|
| i) Bank's contribution to Provident Fund | 10% of Basic Pay (including eligible amount of PQA every month) |
| ii) Bank's contribution to Pension Fund | Rs.25,000/- per month |
| iii) Contribution towards SBI Employees' Gratuity Fund | Rs.3,000/- per month |
| iv) Contribution towards leave Salary | At the end of the period of deputation, leave salary corresponding to leave earned during the period of deputation but not availed during the said period shall be payable to the Bank. |
| v) Leave Travel concession | If the officer does not avail the leave travel concession while on deputation, the cost of leave travel concession proportionate to the period of deputation, would be payable at the end of the period of deputation. |

The approval of the members of the Company is being sought for the resolution set-out under Item no.3.

The Board of Directors of your Company recommends the passing of the resolutions set-out under Item No. 3 of the Notice as Ordinary Resolutions.

Disclosures in terms of Section 102 of the Companies Act, 2013:-

- i. Except Smt. Arundhati Bhattacharya, Chairman SBI and Shri A. Krishna Kumar, MD SBI who are directors on the Board of the Company none of the Directors, Key Managerial Personnel of the Company other than Shri Jasuja and their relatives thereof is in anyway concerned or interested in the proposed resolution except to the extent of their directorship/employment with SBI or GE Capital, if any or nomination by SBI or GE Capital.
- ii. The Promoters of the Company SBI and GE Capital shall be deemed to be interested to the extent of their shareholding in the company and other associate/subsidiary Companies of SBI and GE Capital respectively

Item No. 4

Authorization to issue of Non-Convertible Debentures (NCD's)

It is proposed to issue by way of private placement Fixed Rate, Unsecured, Rated, Taxable, Redeemable, Subordinated, Non-Convertible Debentures of face value of Rs 10,00,000/- each, at par in the nature of Subordinated Debt constituting Tier II Capital (the "Debentures"), aggregating to Rs. 100 Crores.

The main terms and conditions of the issue are as follows:

| | |
|----------------------------|---|
| Kind of Instrument | Debentures |
| Issue Size | Rs. 100 Crores |
| Method of Distribution | Private Placement |
| Face value of Debenture(s) | Rs. 10,00,000/- (Rupees Ten Lakhs only) per Debenture |
| Instrument Structure | Fixed Rate, Unsecured, Rated, Taxable, Redeemable, Subordinated Non-Convertible Debentures in the nature of subordinated debt constituting Tier II Capital of the Company |
| Tenor | To be decided in the manner advised by Board |
| Interest Rate | To be decided in the manner advised by Board |
| Redemption | At par on the Face Value of the Debentures on Maturity Date |

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| | |
|--|--|
| Credit Rating | AAA/Stable by CRISIL AAA/Stable by ICRA |
| Issuance Mode | Dematerialized form. Investors are required to mention their Depository Participant's name, DP-ID and beneficiary account number in the appropriate place in the Application Form. |
| Trustees | AXIS Trustee Services Limited having its Registered Office at 2nd Floor, Axis House, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai 400 025, Maharashtra, India |
| Purpose for which resources are being raised | The present issue of Debentures is being made for augmenting the Tier-II Capital of the Company for strengthening its capital adequacy and for enhancing the long-term resources of the Company in accordance with the NBFC-ND Prudential Norms. The funds are raised to meet Company's requirements of funds to carry on its business operations and for its regular business activities. |

The debentures being a debt instrument is offered at face value.

It is further submitted that pursuant to section 42 and clause 14(2)(a) of Companies (Prospectus and Allotment of Securities) Rules, 2014, the offer of debentures on Private Placement requires previous approval of the shareholders of the company, by a Special Resolution.

It is, therefore, proposed that the consent of the Company be obtained in this regard.

Hence the approval of the members of the Company is being sought for the resolution set-out under Item no. 4 by way of Special Resolution.

The Board of Directors of your Company recommends the passing of the resolutions set-out under Item No. 4 of the Notice as Special Resolutions.

Disclosures in terms of Section 102 of the Companies Act, 2013:-

- i. None of the Directors, manager, Key Managerial Personnel of the Company and their relatives thereof is in anyway concerned or interested in the proposed resolution except to the extent of their directorship/employment with SBI or GE Capital, if any or nomination by SBI or GE Capital.
- ii. The Promoters of the Company SBI and GE Capital shall be deemed to be interested to the extent of their shareholding in the company and other associate/subsidiary Companies of SBI and GE Capital respectively.

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Item No. 5

Ratification of the statutory audit fee for the FY 2010-11

The Statutory Auditors of the Company were appointed by Comptroller and Auditor General of India in accordance with Section 619(2) of the Companies Act, 1956 for the Financial Year 2010-11. M/s G. S. Mathur & Co. was appointed by the CAG as our Statutory Auditors.

Further, as per section 224 (8)(aa) of the Companies Act, 1956, the remuneration of the auditors of the Company appointed under section 619 by the CAG shall be fixed by the Company in the General Meeting or in such manner as the Company in General Meeting may determine.

Hence, the shareholders are requested to consider ratifying the decision of the Board on fixing of remuneration of the statutory auditor of the Company M/s G. S. Mathur & Co. (Registration No. 08744N) for the FY 2010-11 at its meeting held on April 30, 2011 to the extent of Rupees 18.50 lakhs and Out of Pocket Expenses of Rs. 2.05 lakhs.

The Board recommends the ordinary resolution for the approval of the Members. None of the Directors, KMP, promoters are in any way concerned or interested in this resolution.

**By Order of the Board of Directors
For SBI Cards and Payment Services Pvt. Ltd.**


Company Secretary

Date : 05-08-2014
Place : Gurgaon

SBI Cards and Payment Services Private Limited

*Regd. Office: Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower, E- 1,2,3,
Netaji Subhash Place, Wazirpur, New Delhi – 110034*

SUPPLEMENTARY NOTICE TO ANNUAL GENERAL MEETING (AGM) NOTICE

This Supplementary AGM Notice is issued to transact the following Special Business at the AGM scheduled on Friday, August 29, 2014 at 11:00 AM at the registered office of the Company at Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower, E- 1,2,3, Netaji Subhash Place, Wazirpur, New Delhi – 110034 in view of receipt of letter dated August 14, 2014 from GE Capital Mauritius Overseas Investment under section 160 of the Companies Act 2013, proposing candidature of Shri Ashish Sharma (holding DIN 01659506) as Director on the Board of the Company subsequent to issue of AGM Notice dated 5th August, 2014.

This Supplementary Notice shall form part of the Notice dated 5th August, 2014.

SPECIAL BUSINESS

6. Appointment of Shri Ashish Sharma as Nominee Director

To appoint Shri Ashish Sharma (holding DIN 01659506) as Nominee Director and to pass the following resolution as an Ordinary Resolution:


“RESOLVED THAT pursuant to applicable provisions of Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force and the provisions of Articles of Association of the Company, Shri Ashish Sharma (holding DIN 01659506) nominated by GE Capital Mauritius Overseas Investment be and is hereby appointed as Nominee Director of the Company.

RESOLVED FURTHER THAT the Directors, the Chief Executive Officer, CFO of the Company and/or Company Secretary, be and is hereby severally authorized to sign and file the necessary form/return with the Registrar of Companies, NCT of Delhi & Haryana required for the appointment of Director.”

For SBI Cards and Payment Services Pvt. Ltd.

Date : 22-08-2014

Place : Gurgaon


Company Secretary
M. No.: ACS 19608

EXPLANATORY STATEMENT CONTAINING MATERIAL FACTS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 6

Appointment of Shri Ashish Sharma as Nominee Director

The Company has received letter dated August 14, 2014 from GE Capital Mauritius Overseas Investment under section 160 of the Companies Act 2013, proposing candidature of Shri Ashish Sharma (holding DIN 01659506) as Director on the Board along with a deposit of Rs. 1,00,000/- by way of Bank Draft, subsequent to issue of AGM Notice dated 5th August, 2014.

Shri Sharma has expressed his willingness towards his appointment on the Board of the Company.

Disclosures in terms of Section 102 of the Companies Act, 2013 on the basis of information available on record as on the date of this notice:-

- i. None of the Directors, manager, Key Managerial Personnel of the Company and their relatives thereof is in anyway concerned or interested in the proposed resolution except to the extent of their directorship/employment with SBI or GE Capital, if any or nomination by SBI or GE Capital.
- ii. The Promoters of the Company SBI and GE Capital shall be deemed to be interested to the extent of their shareholding in the company and other associate/subsidiary Companies of SBI and GE Capital respectively.

This notice to appoint Shri Sharma as Nominee Director is given in accordance with section 160 of the Companies Act, 2013 and Rules made there under.

For SBI Cards and Payment Services Pvt. Ltd.

Date : 22-08-2014

Place : Gurgaon



Company Secretary
M. No.: ACS 19608

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]*

CIN: U65999DL1998PTC093849

Name of the company: SBI Cards and Payment Services Private Limited

Registered office: Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower, E 1,2,3,
Netaji Subhash Place, Wazirpur, New Delhi, Delhi - INDIA - 110034

Name of the member (s) :

Registered address :

E-mail Id:

Folio No/ Client Id :

DP ID :

I/We, being the member (s) of shares of the above named company, hereby appoint

1. Name :

Address :

E-mail Id :

Signature :....., or failing him

2. Name :

Address:

E-mail Id :

Signature:....., or failing him

3. Name :

Address:

E-mail Id:

Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the
.....Annual general meeting/ Extraordinary general meeting of the company, to be held on the
29th day of August 2014 At 11:00 a.m. at Registered Office of the Company and at any adjournment
thereof in respect of such resolutions as are indicated below :

Resolution No. 1.....

2.....

3.....

Signed this..... day of..... 20....

Signature of shareholder

Signature of Proxy holder(s)

Affix
Revenue
Stamp

**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.**

SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
DIRECTORS' REPORT TO THE MEMBERS OF THE COMPANY

To the members of
SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED

Your Directors are pleased to present the Sixteenth Annual Report along with the Annual Accounts of your Company for the year ended March 31, 2014.

FINANCIAL RESULTS & OPERATIONS

The financial results for the year ended March 31, 2014 and the previous year are as under:-

| | | Rs. In Crores | |
|-------------|--|----------------------|----------------|
| S.No | Particulars | 2013-14 | 2012-13 |
| 1 | Income | 1520.07 | 1059.23 |
| 2 | Finance Cost | 303.26 | 210.10 |
| 3 | Operating & Other Expenses | 924.26 | 712.87 |
| 4 | Depreciation and Amortisation | 0.71 | 0.75 |
| 5 | Profit / (Loss) Before Tax | 291.85 | 135.51 |
| 6 | Prior period Item- Interest on Income Tax Refund | 1.24 | 0 |
| 7 | Profit / (Loss) Before Tax | 293.09 | 135.51 |
| 8 | Tax | 0 | (0.81) |
| 9 | Profit / (Loss) After Tax | 293.09 | 136.32 |

Financial Year 2013-14 witnessed a marginal 2% drop in terms of overall Cards -in-Force at industry level due to consolidation of card base by few key issuers. The growth is likely to be slow as the card industry players focus more on profitability. While the Cards-in-Force has remained almost flat, spends (retail and cash withdrawal) continued to grow from Rs. 1,244 bn to Rs. 1,557 bn (25%) in FY 2013-14. (Source: Reserve Bank of India website)

Capitalizing on the opportunity, your Company recorded a Profit after Tax (PAT) of Rupees 293.1 crores against the corresponding last year's Profit after Tax (PAT) of Rupees 136.3 Crores.

During the year, our cards base grew YOY by 11% from 2.57 MM to 2.86 MM. The Company acquired 550K new customer accounts which is 2% higher than FY 2012-13. With the focus on profitable sourcing, your Company has made suitable changes in underwriting criteria to reduce stress in low income segments groups leading to relatively low growth in sourcing numbers in the current financial year. The Company also expanded its footprint from 55 to 69 locations during this period.

Your Company has revamped its on-line sourcing channel called "Click to Card" where customers can log in to the SBI Cards website and select a card from various

alternatives available on the website. This initiative is in line with the market trends where it was observed that our website has emerged as a very strong touch-point for existing as well as prospecting cardholders.

While the industry spends have grown by 25% in the current year, your Company registered a 43% increase in spends resulting in annual spends of Rs. 17,736 crores in FY 2013-14. This was due to an increase of 11% in the card base as well as a 29% increase in spends per card. The Company has efficiently used analytics tools to better understand the customer behaviour and design offers which meet their needs. Commercial card channel, which was launched in December 2011, has also shown a 2x growth in spends from Rs. 550 Cr in FY 2012-13 to Rs. 1683 Crs in FY 2013-14 and is continuously increasing. Company has 11% market share in terms of spends in FY 2013-14 which has shown substantial improvement from 9% in FY 2012-13.

Your Company has introduced a new Co-branded card with "AIR INDIA" which is amongst the most attractive aviation Co-brand Card offerings in the country today. This new partnership is designed for best in class travel experience and benefits to business and leisure travellers.

Your Company has also launched a new co-brand with "Bharatiya Mahila Bank" named BMB Card. This card offers exclusive previews to the best deals, reward points and discounts across travel and shopping.

According to the latest industry data available, from Mar 2013 to Mar 2014, the 30 days plus delinquencies in the industry increased from 3% to 3.4%. Reflecting the similar trend, delinquency for your Company has also gone up from 4.4% in Mar-13 to 5.3% in Mar-14. Your Company has already made few key changes in underwriting strategy to address this marginal rise in delinquency - increased the minimum income criteria, Increased CIBIL score cut off & restricted sourcing of customers with limited credit history to SBI account holders only. However, it may also be noted that Net Write offs % for the year 2013-14 has reduced from 2.8% to 2.4%.

To strengthen the balance sheet of the Company, apart from writing off dues @ 180+ days past due, your Company has changed NPA provisioning norms from 180+ to 120+ stock and created a 25% provision on 120+ stock. We have also increased Standard Asset provision from 0.25% to 0.40% in the current financial year.

Your Company has won gold award at Reader's Digest Trusted Brand Awards in June 2013. Wining it for the 5th time has established our name as a transparent and trusted organization. Results of the award are purely voted by consumers.

SBI Card's Click @ Deal programme of Facebook offers was felicitated at the 4th CMO Asia Awards in the Best Use of Social Media for marketing category.

To enhance the security features for on-line transactions, we have moved away from static VBV password and replaced the same with dynamic OTP password in Jan-14. Further, as per directions of Reserve Bank of India, all customers with at least 1 international transaction in the last 12 months, are migrated to new Chip and Pin cards and all new issuance since then is only on Chip and Pin Cards. This will help the customers due to improved security and fraud protection.

PROSPECTS

SBI Cards will continue to focus on profitable growth in the next financial year through higher spends, higher fee income and lower losses. At the same time, we are also increasing our customer base keeping in mind the concept of profitable sourcing (within our risk criteria) by leveraging strong customer base of SBI. We will introduce new products for our customers that will provide them better value and continue to focus on improvement in customer experience. At the same time, we are focusing on products that ensure good revenue and low cost of servicing. Due to substantial increase in asset base which is expected to continue over the next FY 2014-15 as well, Credit Losses are expected to be marginally higher than last FY 2013-14 in terms of absolute amounts. However, the Company will continue to act on delinquency trends within different segments to ensure that the delinquency rates are kept under control. Few initiatives that will be taken over the next year are as follows:

- Increase sourcing from Branch channels by leveraging new and existing customer base of SBI
- Strengthen E-Apply (on-line sourcing channel) channel to source premium cards by leveraging various on-line tools.
- Generate higher spends through cross sell offers, tie-ups and targeted campaign management systems
- Continue to enhance value proposition on premium cards to improve customer experience.
- Control delinquencies and losses by taking corrective portfolio actions wherever required.

The most important driver to growth is an increasing customer base. Your Company will continue to focus on profitable sourcing. The Sales team is striving to improve the average profile of customer being acquired as well as increase the proportion of Platinum and Signature cards being issued. Your Company has planned to deepen partner engagement to drive higher retail spends for both cobrand and core portfolios by building a robust, cost effective & profitable sourcing model to sell Cobrands to a larger audience. In addition to these, your Company is also in discussion with potential partners to explore new tie-ups with focus on youth segment, hospitality & health-care segments.

Primary among these actions is to increase spends by 32% which includes increase in Retail spends by 36%. In the FY 2014-15, the Company will be launching a mobile application which will empower its presence in the digital media and make our products accessible to the customer on the go. With the aim of increasing penetration of EMI based products, your Company will offer Balance Transfer on EMI which will enable cardholders to convert BT balances transferred from other Cards to SBI Card in easy monthly instalments at low rates of interest.

Your Company will continue its focus on keeping operating expenses in check. In addition to regular budgeting and review mechanisms, the business also plans to invest in technology which will streamline processes as well as gear up the business for future growth. Your Company plans to implement a new CRM platform which encompasses all the customer-touch points and provide a 360-degree view of the

customer. This will lead to a better customer experience and more operational efficiency.

The customer continues to be at the centre of your Company's strategy. The brand promise of 'Make Life Simple' is a manifestation of this core philosophy to connect with our customers. Multiple operational improvements are being planned to enhance the customer's experience, starting from card delivery to the contact centre. On the marketing front, your Company continues to strive to give the most relevant offers to the customers. Some of the key initiatives to be undertaken by your Company to improve efficiency would be as follows:

- Initiatives for existing customer management like active upgrades, more tie ups with local merchants & revitalizing existing product value propositions
- Complete revamp of existing website and creating mobile applications for ios & android platforms for self-service option in FY 2014-15.
- Implementing new CRM (Customer Relationship Management) software for organisation in FY 2014-15.

Overall, your Company is geared to deliver on its financial commitments while focusing on profitable growth and customer satisfaction.

DIVIDEND

Keeping in view the future expansion plans and capital requirements of the Company, the Board of Directors believe that it is necessary to conserve cash flow and thereby do not recommend any dividend for the Financial Year ending 2013-14.

RESERVES

During the year ended March 31, 2014, the Company appropriated Rs. 586,172,738/- towards the Statutory Reserves (Rs. 272,644,019/- in FY 2012-13) in accordance with Section 45-IC of the Reserve Bank of India Act, 1934.

CAPITAL ADEQUACY

As against the minimum Capital Adequacy Ratio (CRAR) of 15% prescribed by Reserve Bank of India for Non-Banking Financial Companies (NBFCs), the Company has the CRAR of 19.00 % as on March 31, 2014.

DIRECTORS

The Company as on July 30, 2014 has Smt. Arundhati Bhattacharya, Shri A. Krishna Kumar, Shri Dipankar Basu, Shri Anish D Shah and Shri Banmali Agrawala on the Board of Directors.

Following changes are being reported in the composition of Board of Directors since the last Report submitted to the Members.

Shri Pratip Chaudhuri resigned from the Board of the Company with effect from September 30, 2013 consequent to his retirement. Your Directors place on record their

sincere appreciation for the contribution made by Shri Pratip Chaudhuri during his tenure on the Board of the Company.

Smt. Arundhati Bhattacharya was appointed as Director (nominee of State Bank of India) and Chairman of the Company with effect from October 25, 2013.

The details of the 6 Board meetings held, in accordance with the applicable guidelines and rules, during the year ending March 31, 2014 are as follows:

| S. No. | Name of Directors/ Member | DIN | Status | No. of Meetings Attended |
|--------|----------------------------|----------|--|--------------------------|
| 1. | Smt Arundhati Bhattacharya | 02011213 | Chairman | 1 |
| 2. | Shri A. Krishna Kumar | 00871792 | Director | 3 |
| 3. | Shri Dipankar Basu | 00009653 | Director | 4 |
| 4. | Shri Anish D Shah | 02719429 | Director | 6 |
| 5. | Shri Banmali Agrawala | 00120029 | Director | 3 |
| 6. | Shri Pratip Chaudhuri | 00915201 | Ex-Director Cessation w.e.f 30-09-2013 | 2 |

COMPOSITION OF AUDIT COMMITTEE

The composition of the Audit Committee and the details of the 5 Audit Committee meetings held in accordance with the applicable guidelines and rules, during the year ending March 31, 2014 are as follows:

| S. No. | Name of Directors/ Member | Status | No. of Meetings Attended |
|--------|---------------------------|----------|--------------------------|
| 1 | Shri Dipankar Basu | Chairman | 4 |
| 2 | Shri A Krishna Kumar | Member | 3 |
| 3 | Shri Anish D Shah | Member | 5 |

COMPOSITION OF RISK MANAGEMENT COMMITTEE

The composition of the Risk Management Committee and the details of the 4 Risk Management Committee meetings held, in accordance with the applicable guidelines and rules, during the year ending March 31, 2014 are as follows:

| S. No. | Name of Directors/ Member | Status | No. of Meetings Attended |
|--------|---------------------------|----------|--------------------------|
| 1 | Shri Dipankar Basu | Chairman | 3 |
| 2 | Shri A Krishna Kumar | Member | 2 |
| 3 | Shri Anish D Shah | Member | 4 |

COMPOSITION OF NOMINATION COMMITTEE

The composition of the Nomination Committee and the details of the 2 Nomination Committee meetings held, in accordance with the applicable guidelines and rules, during the year ending March 31, 2014 are as follows:

| S. No. | Name of Directors/ Member | Status | No. of Meetings Attended |
|---------------|--------------------------------------|---------------|-------------------------------------|
| 1 | Shri Dipankar Basu | Chairman | 2 |
| 2 | Shri A Krishna Kumar | Member | 1 |
| 3 | Shri Anish D Shah | Member | 2 |

COMPOSITION OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In the Board Meeting held on June 13, 2014, the Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company was constituted comprising of the following members of the Board of Directors:

- (i) Shri Dipankar Basu;
- (ii) Shri A. Krishna Kumar;
- (iii) Shri Banmali Agrawala

The terms of reference of CSR Committee include the following:

- a. To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
- b. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;
- c. To monitor the CSR policy of the Company from time to time;
- d. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and subsequent notification of rules in this regard, the Company has adopted the Policy for Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace.

Internal Complaint Committee formed under the Provisions of the Act comprises of Ms. Aparna Kuppaswamy – Presiding Officer, Mr. Manish Dewan, Ms. Nidhi Bhardwaj, Mr. Ugen Bhutia, and Ms Seema Misra Sinha as the members of the Committee.

9

CHANGE IN THE OFFICE OF CHIEF EXECUTIVE OFFICER

Shri Pallav Mohapatra exited the office of Manager and Chief Executive Officer of the Company with effect from July 8, 2014 and Shri Vijay Jasuja was appointed as Manager designated as Chief Executive Officer of the Company with effect from July 9, 2014 subject to shareholders approval in General Meeting.

Your Directors recommend appointment of Shri Vijay Jasuja as Manager designated as Chief Executive Officer of the Company.

REDEMPTION OF DEBENTURES

Series 1, 848 Unsecured, Non-Convertible Debentures of Rs. 10,00,000/- each were redeemed on June 16, 2014.

AUDITORS

During the year under review, the office of the Comptroller and Auditor General of India (hereinafter referred to as "CAG") exercising the power conferred by sub - section (2) of Section 619 of the Companies Act, 1956, appointed M/s. Gandhi Minocha & CO., Chartered Accountants (Registration No. 00458N), as the Statutory Auditor of the Company for the financial year 2013-14. The Statutory Auditors' report is self-explanatory in nature and do not require any comments from Directors of the Company.

Also, a Supplementary Audit of the Company was conducted by Principal Director of Commercial Audits on behalf of CAG in accordance with Section 619(3)(b) and Section 619(4) of the Companies Act, 1956. CAG has issued one comment in its Report vide letter dated July 9, 2014. Following is the comment:-

"In view of the changed accounting policy [as per Note no. 41 (iv)] on treatment of Stale cheques including those issued for Credit balance refund (CBR), unidentified credits and other trade liabilities outstanding for more than three years, income booked in earlier years needs to be reversed/adjusted. Non reversal of previous years' income of Rs. 12.21 crore resulted in understatement of Other Current Liabilities and overstatement of Reserves and Surplus by Rs. 12.21 crore. Consequently, the disclosure under note no. 41 (iv) is also deficient and incorrect."

Company's response

The accounting policy to recognize the income for Stale cheques issued by the Company including those issued for Credit balance refund (CBR), unidentified credits lying in the books of account and Trade liabilities outstanding for more than three years was being followed & disclosed consistently by the Company in its Notes to Accounts for all the previous years. As there is no law & Accounting Standards for accounting of these cases hence the Company adopted this Policy for better Accounting, Reporting and Presentation of Financial Statements. All the income recognised and this accounting policy was duly audited in previous years.

However, the Company reviewed its old policy and changed it in 2013-14 in order to further improve its Accounting, Reporting and Presentation of Financial Statements. Management took the decision to change the policy to stop income recognition for these cases with immediate effect for 2013-14 onwards. The change and the impact for the Financial Year 2013-14 were clearly disclosed in notes to account.

As the changes were due to Policy change in current year, the reversal of income recognized as per the approved Policies applicable in previous years would have not been appropriate which were duly audited and approved in those previous years.

Company has also submitted above facts to the Office of The Principal Director of Commercial Audit & EX- Officio Member Audit Board-II for consideration.

Further, the Statutory Auditors for the Financial Year 2014-15 will be appointed by the Comptroller and Auditor General of India on such terms and conditions as CAG may prescribe.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

While the business activity of the Company does not result in any material consumption of energy, still the Company is committed to continue its efforts towards the conservation of energy. Energy conservation and technology updates are a part of the ongoing processes in your Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During Financial Year 2013-14, the Company incurred foreign currency expense of an amount of 159,391,982/- on professional fees, travelling and other expenses (2012-13: Rs. 134,594,645/-).

The dividend remitted during the year 2013-14 in foreign currency was NIL (2012-13: Nil). The foreign exchange earnings during the year 2013-14 were Rs. 25,420,992/- (2012-13: Rs. 105,164,666/-)."

CORPORATE GOVERNANCE

Your Company has a strong and committed corporate governance framework, which encompasses policies, processes and people, by directing, controlling and managing activities with objectivity, transparency and integrity.

Your Company is committed to ensure fair and ethical business practices, transparent disclosures and reporting. The focus of the Company is on statutory compliance, regulations and guidelines and ethical conduct of business throughout the organization with primary objective of enhancing stakeholder's value while being a responsible corporate citizen.

CREDIT RATING

Your Company continues to enjoy the highest ratings of A1+ and AAA from rating agencies CRISIL and ICRA respectively for its long term borrowing programme and A1+ from CRISIL for its short term borrowing programme.

RISK MANAGEMENT AT SBI CARDS

Your Company has laid down policies and procedures for addressing the various risks associated with the Company's business.

PARTICULARS OF EMPLOYEES

Your Directors would like to place on record their sincere appreciation of the contributions made by employees of your Company at all levels. The information required under the provisions of Section 217 (2A) of the Companies Act, 1956 is given as a Statement included with this Report.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public as defined in the Non-Banking Financial Companies (Reserve Bank of India) Directions, as amended to date.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Sec 217 (2AA) of the Companies Act, 1956 the Directors place on record the following statements:

- that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to thank the Reserve Bank of India, Company's Bankers, customers, employees and collaborators for their valuable assistance, support and co-operation.

Date: 30-07-2014

Place: Mumbai

For and on behalf of the Board

A. Bhattacharya

CHAIRMAN
DIN: 02011213

Annexure to the Directors' Report in accordance with the Companies (Particulars of Employees) Rules, 1975

| S. No. | Name of the Employee | Designation and Nature of Duties | Relation with any director /CEO of the Company | Nature of Employment, whether contractual or otherwise and other Terms and Conditions | Remuneration per Annum (Rs.) | Qualification and Age | Experience (Years) | Shareholding % | Date of Commencement of Employment | Last Employment |
|--------|----------------------|----------------------------------|--|---|------------------------------|---|--------------------|----------------|------------------------------------|---|
| 1 | Amit Batra | Vice President - Sales | NA | Full Time Employee (FTE), other terms and conditions as per letter of appointment | 8,872,850 | IHM, Calcutta, 41 years | 21 | NA | 1-Apr-08 | GE Capital Business Process Management Services Private Limited |
| 2 | Manish Dewan | Vice President - Sales | NA | Full Time Employee (FTE), other terms and conditions as per letter of appointment | 8,974,000 | BE Mechanical MBA from IIM, 47 years | 22 | NA | 1-Oct-11 | GE Capital Business Process Management Services Private Limited |
| 3 | Aparna Kuppaswamy | Chief Risk Officer, SBI Cards | NA | Full Time Employee (FTE), other terms and conditions as per letter of appointment | 9,643,630 | BSc Chem (H)+ Master of Finance and control, 43 years | 18 | NA | 1-Apr-09 | GE Money |

| | | | | | | | | | | |
|---|-------------------|----------------------------|----|---|-----------|--|----|----|-----------|---------------------------|
| 4 | Tarun Mehndiratta | Vice President - Sales | NA | Full Time Employee (FTE), other terms and conditions as per letter of appointment | 7,459,750 | BCOM(H)+ PGDM in Marketing Science from Institute of Marketing & Mgt, 44 years | 17 | NA | 1-Jun-11 | GE Capital Services India |
| 5 | Girish Budhiraja | Vice President - Marketing | NA | Full Time Employee (FTE), other terms and conditions as per letter of appointment | 7,928,000 | B.Tech from Indian School Of Mines, LLB from DU, PGDBM from IIM, Bangalore, 42 years | 21 | NA | 22-Oct-12 | American Express |



संख्या / No. : एम रु बो-II/सी ए सी 1/97-2/2014-15/130

भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य लेखा परीक्षा बोर्ड-II
नई दिल्ली

INDIAN AUDIT & ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF
COMMERCIAL AUDIT & EX-OFFICIO MEMBER,
AUDIT BOARD - II, NEW DELHI

दिनांक / DATE 9.7.2014

सेवा में,

मुख्य कार्यकारी अधिकारी
एस.बी.आई कार्ड्स एंड पेमेंट्स सर्विस लि0
टावर इन्फिनिटी, टावर - सी
ब्लॉक-2, बिल्डिंग-3 डी एल एफ साईबर सिटी
गुडगाँव-122 002

विषय- कंपनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च 2014 को समाप्त वर्ष के लिए एस.बी.आई कार्ड्स एंड पेमेंट्स सर्विस लि0, के लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ।

महोदय,

मैं कम्पनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च 2014 को समाप्त हुए वर्ष के लिए एस.बी.आई कार्ड्स एंड पेमेंट्स सर्विस लि0, के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ अंग्रेषित करती हूँ। इन टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए।

भवदीया,
(सुपर्णा देब) 9/7/14

प्रधान निदेशक वाणिज्यिक लेखा परीक्षा
एवं पदेन सदस्य, लेखा परीक्षा बोर्ड-II
नई दिल्ली

संलग्नक:- यथोपरि

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED FOR THE YEAR
ENDED 31 MARCH 2014.**

The preparation of financial statements of SBI Cards and Payment Services Private Limited for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 April, 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of SBI Cards and Payment Services Private Limited for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to the inquiries of the Statutory Auditor and the Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

(A) Balance sheet

Equity and Liabilities

Current Liabilities

Other Current Liabilities: ₹ 201.10 crore

In view of changed accounting policy (as per note no. 41 (iv)) on treatment of stale cheques including those issued for Credit Balance Refund (CBR), unidentified credits and other trade liabilities outstanding for more than three years, income booked in earlier years needs to be reversed/adjusted. Non-reversal of previous years' income of ₹12.21 crore resulted in

understatement of Other Current Liabilities and overstatement of Reserves and Surplus by ₹12.21 crore.

Consequently, the disclosure under note no. 41 (iv) is also deficient and incorrect.

**For and on behalf of the
Comptroller and Auditor General of India**



(Suparna Deb)

**Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II
New Delhi**

**Place: New Delhi
Date: 9-7-2014**



GANDHI MINOCHA & CO.

CHARTERED ACCOUNTANTS

Office : # B-6, Shakti Nagar Extension, Near Laxmi Bai College, Delhi-110 052
Phone : 011-27303078, 42273690 | Fax : 011-27308800
E-mail : gandhica@yahoo.com

Ref. No.

Date:

INDEPENDENT AUDITORS' REPORT

To the Members of SBI Cards and Payment Services Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of SBI Cards and Payment Services Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act 1956 ("the Act") read with the general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of the section 133 of the Companies Act 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the



appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of the Matter

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- (a) Note No. 39 regarding the effect of adjustment, if any arising from the process of resolution of differences pertaining to accounts receivables and from the process of reconciliation of year end balances of Loans and advances.
- (b) Note No. 41 on change of Accounting Policy is having the following impacts

| Particular | Impact on profitability | |
|---|-------------------------|----------|
| | Decrease | Increase |
| Increase in provision on advances on account of change in NPA classification (refer note 41(i)) | 10,59,62,688.00 | 0 |
| Decrease in interest and fees income consequential to change in NPA classification (refer note 41(ii)) | 15,10,15,822.00 | 0 |
| Increase in Provision rate on standard assets (refer note 41(iii)) | 6,49,26,481.00 | 0 |
| Non recognition of income from Stale cheques including CBR Credits etc. outstanding for more than three years (refer note 41(iv)) | 1,23,86,760.00 | 0 |
| Total (Rs) | 33,42,91,751.00 | 0 |



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - e. On the basis of written representation received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

PLACE: *Delhi*
DATED: *20/4/14*

FOR GANDHI MINOCHA & CO
CHARTERED ACCOUNTANTS
FRN: 00458N



MANOJ BHARDWAJ
(PARTNER)
M.NO. 098606

**Annexure to Independent Auditors' Report
(Referred to in our report of even date)**

- i) In respect of fixed assets:
- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) The company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified once in a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - (c) According to the information and explanations given to us, the Company has not disposed off any substantial part of its fixed assets during the year.
- ii) The company does not hold any physical inventories. Thus paragraph 4(ii) of the order is not applicable.
- iii) (a) The Company has granted unsecured loans in form of credit cards to five directors who are parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 745,383/- and the year-end balance of such loans was Rs 151,568/-. The Company has not granted any loans, secured or unsecured, to companies covered in the register maintained under section 301 of the Companies Act, 1956. According to the information and explanations given to us, we are of the opinion that there are no firms covered in the register maintained under section 301 of the companies act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which credit cards have issued to parties covered in the register maintained under section 301 of the companies act, 1956 are not, prima facie , prejudicial to the interest of the company.
 - (c) In case of loans granted to parties listed in the register maintained under section 301 of the companies act, 1956, the borrower has been regular in repaying the principal amounts as stipulated and the payment of interest.
 - (d) There is no overdue amount of more than one lakh in respect of the parties listed in the register maintained under section 301.
 - (e) The Company has taken loan from one bank which is party covered in register maintained under section 301 of the Companies act, 1956. The maximum amount outstanding during the year was Rs 35,433,736,463/- and the year-end balance of such loans was Rs 33,471,472,611/-.
 - (f) In our opinion the rate of interest and other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 of the Companies act, 1956 are not, prima facie, prejudicial to the interest of the Company.



(g) In the case of loan taken from parties listed in the register maintained under section 301, the company has been regular in repaying the principal amounts as stipulated and in the payment of Interest.

iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of services. The operations of the company do not involve purchase of inventory and sale of goods. Further on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems.

v) According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.

In our opinion and as per the information & explanation given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with a party during the year are for specialized requirements of the company for which alternative sources are not available to obtain comparable quotations. Accordingly we are unable to comment upon the reasonableness or otherwise thereof.

vi) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975.

vii) According to the information and explanations given to us, the Company has outsourced its internal audit to an outside agency specifying the areas to be covered during the year. The internal audit system of the Company is generally commensurate with size and nature of its business.

viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies act, 1956 for any of the services rendered by the Company.

ix) (a) According to information & explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of the undisputed statutory dues including Provident fund, Employees State Insurance, Income tax, Sales-tax, Wealth tax, Service tax, Customs duty, Cess and material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Excise Duty.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other material statutory dues outstanding as at March 31, 2014 for a period of more than six months from the date they become payable.



(c) According to the information and explanations given to us, the particulars of Income Tax & Service Tax which have not been deposited on account of dispute are as under:

| Name of the Statue | Nature of the Dues | Amount (Rs.) | Period to which the amount relates | Forum where dispute is pending |
|--------------------|--|-----------------------|------------------------------------|--|
| Income Tax | Disallowance of Expenses | 43,594,967.00 | A. Y. 2002-03 | Commissioner of Income Tax(Appeal) |
| Income Tax | Disallowance of Expenses | 9,119,784.00 | A. Y. 2004-05 | Commissioner of Income Tax(Appeal) |
| Service Tax | Service Tax demand on Interchange Income | 215,173,542.00 | F.Y. 2001-02 to 2005-06 | Customs, Excise and Service tax appellate Tribunal |
| Service Tax | Service Tax demand on Incentive Income | 15,414,991.00 | F.Y. 2003-04 to 2006-07 | Customs, Excise and Service tax appellate Tribunal |
| Service Tax | Service Tax demand on Incentive Income | 3,843,078.00 | F.Y. 2007-08 to 2008-09 | Commissioner of Central Excise (Appeals) |
| Service Tax | Service Tax demand on Incentive Income | 1,954,280.00 | F.Y. 2009-10 | Customs, Excise and Service tax appellate Tribunal |
| Service Tax | Denial of Cenvat credit in proportion of income derecognized and Denial of Cenvat credit on certain input services | 132,653,046.00 | F.Y. 2009-10 | Customs, Excise and Service tax appellate Tribunal |
| | TOTAL | 421,753,689.00 | | |

- x) The accumulated losses of the company are less than 50% of Net Worth as at March 31, 2014. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or debenture holders. The Company has not taken any loans from financial institutions.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to information and explanation given to us, the Company is not a chit fund or a Nidhi/mutual benefit fund/ society. Therefore, provisions of clause (xiii) of Paragraph 4 of the Order are not applicable to the Company.



- xiv) In our opinion and according to the information and explanations given to us, the Company is not regularly dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of the Paragraph 4 of the Companies (Auditors' Report) Order 2003 are not applicable to the Company. However during the year the company has parked its surplus funds in units of mutual funds.
- xv) In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi) As per information and explanation given to us, the company has not raised any Term Loan during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to information and explanation given to us, debentures issued by the company are unsecured and do not require creation of charge.
- xx) The Company has not raised any money by way of public issue during the year. Therefore, provisions of clause (xx) of Paragraph 4 of the Companies (Auditors' Report) Order 2003 are not applicable to the Company.
- xxi) According to information and explanation given to us by the management, certain instances of customer frauds on the Company have been reported during the year. As informed, these primarily relate to fraudulent usage of credit cards issued by the company. The total amount involved in these frauds was Rs 25,109,525/- (previous Year Rs. 18,389,546/-).

PLACE: DELHI
DATED: 20/11/14

FOR GANDHI MINOCHA & CO
CHARTERED ACCOUNTANTS
FRN: 00458N



MANOJ BHARDWAJ
(PARTNER)
M.NO. 098606



GANDHI MINOCHA & CO.

CHARTERED ACCOUNTANTS

Office : # B-6, Shakti Nagar Extension, Near Laxmi Bai College, Delhi-110 052

Phone : 011-27303078, 42273690 | Fax : 011-27308800

E-mail : gandhica@yahoo.com

Ref. No.

Date:

Non-Banking Financial Companies Auditors' Report

The Board of Directors
SBI Cards and Payment Services Pvt. Ltd,
DLF Infinity Towers,
11th Floor,
Gurgaon-India

Dear Sir,

Subject:-Non Banking financial Companies Auditors Report (Reserve Bank) Directions

In addition to our report made under section 227 of Companies Act, 1956 (1 of 1956) on the Accounts of SBI Cards & Payment Services Private Limited ("The Company") for the year ending 31st March 2014 and as required by the Non-banking financial Companies Auditors Report (Reserve Bank) Directions, 1998 issued by Reserve Bank of India on the matters specified in Para 3 & 4 of the said Directions to extent applicable to the Company, we report that:

1. The Company had applied for Registration as provided in Section 45 IA of the Reserve Bank of India Act 1934 (2 of 1934) and has been granted certificate of registration (COR) by Reserve Bank of India on 06-10-1998 having registration number 14.01328.
2. According to the information & explanation given to us, the company is entitled to continue to hold COR in terms of its Assets/Income pattern as on 31st March 2014.
3. The Board Directors have passed the resolution not to accept public deposit during the year 1st April 2013 to 31st March 2014 as its board meeting held on 20th April 2013, accordingly company has not accepted any public deposit during the financial year ended 31st March 2014.
4. In our opinion and to the best of our information and according to explanation given to us, the Company has complied, in all material respect, with the prudential norms relating to income recognition, accounting standards, assets classification and Provisioning for Bad & doubtful debts as applicable to it in terms of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.



5. The Capital Adequacy Ratio as at 31st March 2014 as disclosed in the notes to Accounts has been correctly arrived at 19.00 % which is compliance with the minimum CRAR prescribed by the Reserve Bank of India: and
6. The Company has yet to furnish RBI the annual settlement of capital fund, risk assets/exposure and risk asset ratio (NBS 7). Due Date for filing the return is 30th June 2014.

The Report has been prepared by Gandhi Minocha & Company & Co., under the requirement of Non-Banking Financial Company Auditor reports (Reserve Bank) Direction and is prepared solely for the purpose of providing selected information as required by the said directions. This report is not intended for the general circulation or Publication and is not to be duplicated for any purpose without prior written consent.

PLACE: *Delhi*
DATED: *20/4/14*

FOR GANDHI MINOCHA & CO
CHARTERED ACCOUNTANTS
FRN: 00458N



MANOJ BHARDWAJ
(PARTNER)
M.NO. 098606

SBI Cards & Payment Services Pvt. Ltd
Balance Sheet as at 31 March 2014

(Amounts in Indian Rupees)

| | Note no. | As at 31 March 2014 | As at 31 March 2013 |
|--------------------------------|----------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 7,850,000,020 | 7,850,000,020 |
| Reserves and surplus | 3 | (390,237,548) | (3,320,039,536) |
| | | <u>7,459,762,472</u> | <u>4,529,960,484</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 4 | 1,407,281,347 | 2,254,200,290 |
| Long-term provisions | 5 | 214,069,018 | 159,911,362 |
| | | <u>1,621,350,365</u> | <u>2,414,111,652</u> |
| Current liabilities | | | |
| Short-term borrowings | 6 | 34,319,472,611 | 25,780,658,911 |
| Trade payables | 7 | 83,388,609 | 166,828,719 |
| Other current liabilities | 8 | 2,010,978,981 | 767,148,983 |
| Short-term provisions | 9 | 1,753,433,534 | 1,272,977,806 |
| | | <u>38,167,273,735</u> | <u>27,987,614,419</u> |
| | | <u><u>47,248,386,572</u></u> | <u><u>34,931,686,555</u></u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 10 | 14,007,177 | 11,872,192 |
| Intangible assets | 11 | - | - |
| | | <u>14,007,177</u> | <u>11,872,192</u> |
| Deferred tax asset (net) | 12 | - | - |
| Long-term loans and advances | 13 | 5,538,417,664 | 3,891,735,380 |
| Current assets | | | |
| Current investments | 14 | - | - |
| Cash and cash equivalents | 15 | 1,521,373,969 | 836,677,028 |
| Short-term loans and advances | 16 | 39,544,020,720 | 29,698,105,155 |
| Other current assets | 17 | 630,567,042 | 493,296,800 |
| | | <u>41,695,961,731</u> | <u>31,028,078,983</u> |
| | | <u><u>47,248,386,572</u></u> | <u><u>34,931,686,555</u></u> |

Significant accounting policies & Notes to accounts

1 to 42

The accompanying notes are an integral part of the financial statements

As per our report of even date.

For **Gandhi Minocha & Co.**
Chartered Accountants
Firm Registration No.: 0004588

Manoj Bhardwaj
Partner
Membership No.: 98506

For and on behalf of the Board of Directors of
SBI Cards and Payment Services Private Limited

Director
00009653

Director

02719429

Company Secretary

Place:
Date:

Place: **Mumbai**
Date: **15-04-2014**

SBI Cards & Payment Services Pvt. Ltd
Statement of Profit and Loss for the quarter ended 31 March 2014

(Amounts in Indian Rupees)

| | Note no. | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|--|----------|------------------------------------|------------------------------------|
| INCOME | | | |
| Revenue from operations | 18 | 14,393,862,947 | 10,066,984,974 |
| Other income | 19 | 806,887,432 | 525,278,253 |
| Total Income | | 15,200,750,379 | 10,592,263,227 |
| EXPENDITURE | | | |
| Employee benefit expenses | 20 | 546,627,047 | 450,047,918 |
| Finance cost | 21 | 3,032,593,519 | 2,101,041,560 |
| Depreciation and Amortisation expenses | | 7,070,649 | 7,457,344 |
| Operating and other expenses | 22 | 6,897,648,991 | 5,463,074,145 |
| Bad debts written off / Provision for doubtful debt (Including Reversal of last year BD Provision Rs. 22,969,080 in Current Year) | | 1,798,341,579 | 1,215,559,997 |
| Total expenses | | 12,282,281,785 | 9,237,180,964 |
| Profit before tax & prior period items | | 2,918,468,594 | 1,355,082,263 |
| Prior Period Item - Interest on income tax refunds | | 12,395,098 | - |
| Profit before tax | | 2,930,863,692 | 1,355,082,263 |
| Tax expense | | | |
| Current tax charge / (credit) | | 807,263,723 | 177,903,229 |
| Current tax charge / (credit) - previous year | | 4,295,595 | - |
| MAT Credit | | (807,263,723) | (186,041,065) |
| MAT Credit - previous year | | (4,295,595) | - |
| Profit for the period from Continuing Operations | | 2,930,863,692 | 1,363,220,099 |
| Earnings per equity share (par value Re. 10 per share) | | | |
| - Basic | | 3.73 | 1.74 |
| - Diluted | | 3.73 | 1.74 |

Significant accounting policies & Notes to accounts 1 to 42
The accompanying notes are an integral part of the financial statements

As per our report of even date.

For Gandhi Minocha & Co.
Chartered Accountants
Firm Registration No.: 000458N

Manoj Bhargava
Partner
Membership No.: 98806

Place:
Date:

For and on behalf of the Board of Directors of
SBI Cards and Payment Services Private Limited

Director

00009653

Director

02719429

Company Secretary

Place: Mumbai
Date: 15-04-2014

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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
Cash Flow Statement for the year ended 31st March 2014

| | (Amounts in Indian Rupees) | |
|--|------------------------------------|------------------------------------|
| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before tax | 2,930,863,692 | 1,355,082,263 |
| Adjustments for : | | |
| Depreciation | 7,070,649 | 7,457,344 |
| (Profit)/ Loss on sale of assets (net) | (362,801) | 119,064 |
| Employees stock options | (1,061,704) | 1,485,758 |
| Liabilities written back | (3,313,348) | (20,596,206) |
| FBT write off | 1,517,373 | - |
| Bad debts written off / provision for doubtful debts | 1,798,341,579 | 1,215,559,997 |
| Provision for doubtful advances | 266,952 | (7,696,742) |
| Unamortised card acquisition costs | (54,187,184) | (73,919,331) |
| Unamortised membership fees and subvention income | 26,725,983 | 105,571,428 |
| Profit on sale of Investment | (7,709,658) | (9,827,787) |
| Debtore issue expenses expensed off during the year | 973,967 | 968,015 |
| Amortisation on commercial papers | 2,313,228,421 | 1,307,733,636 |
| Commercial Paper Issuing Cost | 29,069,507 | 19,294,815 |
| Interest on debentures | 227,959,753 | 204,415,479 |
| Interest on short term borrowing Including CC and OD | 461,361,871 | 568,629,615 |
| Foreign exchange loss (net) | 4,119,875 | 3,761,643 |
| Operating profit before working capital changes | 7,734,864,927 | 4,678,038,991 |
| Changes in Assets & Liabilities: | | |
| (Increase)/ decrease in current assets | | |
| - Loans and advances | (12,549,833,214) | (12,509,145,166) |
| Increase/ (decrease) in current liabilities and provisions | | |
| - Current liabilities | 1,144,062,345 | 117,677,257 |
| - Provisions | 459,029,604 | 510,533,920 |
| Cash from/ (used) in operations | (3,211,876,338) | (7,202,894,998) |
| Fringe benefit tax | | |
| Income-tax paid | (763,687,096) | (174,854,911) |
| Net cash generated/ (used) in operating activities | (3,975,563,434) | (7,377,749,909) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets (except assets taken on lease) | (695,898) | (515,024) |
| Investment purchased | (14,010,000,000) | (12,750,000,000) |
| Investment sold | 14,017,709,658 | 12,759,827,787 |
| Dividend received from other investments | - | - |
| Sale of assets | 3,377,017 | 3,078,832 |
| Net cash from investing activities | 10,390,777 | 12,391,595 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Secured Loans raised during the year | 23,500,000,000 | 11,050,000,000 |
| Secured Loans repaid during the year | (16,000,000,000) | (25,140,000,000) |
| cash credit raised/ (repaid) during the year | 3,058,718,979 | 15,987,517,798 |
| Interest paid on Short term loans | (461,361,871) | (615,340,985) |
| Finance Lease paid during the year | (9,574,303) | (8,017,340) |
| Debentures issued during the year | - | 500,000,000 |
| Interest paid on debentures | (227,710,000) | (180,698,932) |
| Commercial Papers raised during the year | 112,468,866,300 | 79,855,999,750 |
| Commercial Paper Issuing Cost | (29,069,507) | (19,294,815) |
| Commercial Papers (repaid) during the year | (117,650,000,000) | (73,550,000,000) |
| Net cash from/ (used) in financing activities | 4,649,869,598 | 7,880,165,476 |
| D. Net increase / (decrease) in cash and cash equivalents (A+B+C) | 684,696,941 | 514,807,162 |
| Cash and cash equivalents as at the beginning of the year (Refer to Note no. 15) | 836,677,028 | 321,869,866 |
| Cash and cash equivalents as at the end of the year (Refer to Note no. 15) | 1,521,373,969 | 836,677,028 |
| | 684,696,941 | 514,807,162 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
Cash Flow Statement for the year ended 31st March 2014

(Amounts in Indian Rupees)

| | |
|------------------------------------|------------------------------------|
| For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|------------------------------------|------------------------------------|

Note:

1. The cash flow statement has been prepared in accordance with the 'Indirect Method' as set out in the Accounting Standard (AS - 3) on 'Cash Flow Statement' issued by the Companies (Accounting Standards), Rules, 2006.

2. Cash and cash equivalents includes cash in hand, balances with scheduled banks in current and deposit accounts (Refer to Note no. 15 of the notes to the

3. Cash and cash equivalents includes Rs.2,00,000 (Previous year Rs.1,00,000) under lien with the bank for guarantees issued to Tax Authorities and Rs.NIL (Previous year Rs.NIL) under lien with the Bank for Overdraft facility.

4. Cash and cash equivalents include:

Amount (In Rs.)

Cash in hand

Balance with Scheduled banks on

- Current accounts

1,521,173,969

- Deposit accounts

-

Cash and cash equivalents at the end of the year

1,521,173,969

Add : Fixed deposit with original maturity of more than 90 days

200,000

Cash and bank balances at the end of the year

1,521,373,969

As per our report of even date
For Gandhi Minocha & Co.
Chartered Accountants

Partner
Membership No.: 98600

Place:
Date:

For and on behalf of the Board of Directors of
SBI Cards and Payment Services Private Limited

Director

Director

Company Secretary

00091653 02719429

Place: Mumbai

Date: 15-04-2014



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

Background

SBI Cards and Payment Services Private Limited ('the Company') is an unlisted non-deposit accepting systemically important non-banking financial company ('NBFC-ND-SI') registered with the Reserve Bank of India ('RBI'). The Company is a joint venture between State Bank of India and GE Capital Corporation, USA. The Company is engaged in issuing credit cards to consumers in India.

1. Significant accounting policies

a. Basis of preparation of financial statements

The financial statements of the Company are prepared under the historical cost convention, as a going concern and in accordance with the Companies (Accounting Standards) Rules, 2006 notified by the Central Government, Non-Banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ('Prudential Norms'), generally accepted accounting principles in India ('GAAP') and the provisions of the Companies Act, 1956, as applicable to the Company and applied consistently.

b. Use of estimates

The preparation of financial statements in conformity with the financial reporting framework applicable to the Company requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include provision for doubtful debts and estimated useful life of Tangible Assets. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any changes in estimates are recognised prospectively.

c. Revenue recognition

(i) Interest income

Interest income on dues from credit card holders is recognised on accrual basis except for customers defaulting in payment of minimum amount due for a period exceeding 120 days, in respect of which income is recognised upon realisation. Income derecognised on customer accounts defaulting in payment of minimum amount due for a period exceeding 120 days is netted off from income.

(ii) Income from membership fees and services

- Joining membership fee and first annual fee is recognised over a period of one year as this more closely reflects the period to which the fee relates to.
- Interchange income is recognised on accrual basis.
- Interest & Subvention Income are recognised over the tenure of loans.
- All other service income/ fees are recorded at the time of occurrence of the respective events.

- (iii) Recovery from bad debts written off is recognised as income on the basis of actual realisations from customers.**



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

d. Provision & write-off of non-performing assets

The accounts of the customers making payment of the minimum amount due on or before the due date of the billing cycle and for customers defaulting up to 120 days are classified as standard assets. Provision @ 25% is created for the principal amount outstanding for the customers in 120 to 180 days past due category. 100% provision is recognised in respect of receivables identified as cases of fraud & insolvent. Principal amount outstanding for the customers more than 180 days past due is written off.

e. Provision on Standard Assets

The company has created a Provision @ 0.40% on standard assets.

f. Expenditure

Expenses are recognised on accrual basis. Expenses incurred on behalf of other companies, for sharing personnel, etc. are allocated to them at cost and reduced from respective expense classifications. Similarly, expense allocation received from other companies is included within respective expense classifications.

i) Amortisation of card acquisition cost

The productive sales force compensation, card acquisition cost (sales service provider expenses, incentives related to card acquisition, credit investigation cost and application printing cost), consumption of plastic cards and delivery charges are amortised over a period of one year. In the opinion of the management, the period of one year more closely reflects the period to which the costs relates to.

ii) Miscellaneous expenditure

Expenditure on issue of debentures is amortised over the tenure of the debentures on the straight-line method.

g. Tangible Assets

Tangible Assets are stated at cost less accumulated depreciation. All costs related to the acquisition and installation of Tangible Assets are capitalised. Tangible Assets under construction, advances paid towards acquisition of Tangible Assets and cost of assets not ready for use before year-end, are disclosed as capital work-in-progress.

Intangible assets comprise purchase of software, recognised at cost and amortised over a period of 2 years, which represents the period over which the Company expects to derive the economic benefits from the use of the asset.

h. Depreciation & amortization

Depreciation or amortization is provided on the straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956, or at the rates based on the useful life of the assets, whichever is higher. In case of addition during the month, depreciation or amortization is provided for the complete month in which the asset is put to use and in case of retiral, depreciation or amortization for the month of retiral is not considered. The depreciation rates used are as follows:

| Description | Depreciation rate per annum (%) |
|--|---------------------------------|
| Furniture and Fixtures | 6.33 |
| Furniture and fixtures - modular furniture | 16.67 |
| Plant and Machinery - office equipment | 4.75 |
| Computers | 33.33 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

Assets acquired under finance lease are depreciated over the lease term or useful life, whichever is shorter.

For assets given to employees under the Company Asset Scheme and to the deputees from State Bank of India, 90% of the original cost is charged off over the period of four years.

All other assets costing less than Rs. 5,000 are fully depreciated in the year of acquisition.

i. Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is recorded only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

j. Finance Lease

Assets acquired under finance leases are recognised at the fair value of leased asset at inception of the lease. However, in cases where the fair value of the leased asset from the standpoint of the lessee exceeds the present value of minimum lease payments, the asset is recognised at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

k. Income-tax expense

Income-tax expense comprises current tax, and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is an unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

l. Transactions in foreign exchange

Foreign currency transactions are accounted for at the exchange rate prevailing on the date of the transaction. Exchange differences arising due to the differences in the exchange rate between the transaction date and the date of settlement of any monetary items are taken to the Profit and Loss Account.

Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet and resultant gain / loss, if any, is recorded as an income or any expense in the period in which they arise.

m. Employee benefits

The Company's obligation towards various employee benefits as per Accounting Standard 15 on Employee Benefits, prescribed under the Companies (Accounting Standards) Rules, 2006 has been recognised as follows:



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

Short-term employee benefits

All employee benefits payable/ available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

Defined contribution plans

Contribution to Provident fund is defined contribution plan. Contribution to provident fund is deposited with the Regional Provident Fund Commissioner and charged to the Profit and Loss Account.

Defined benefit plans

Gratuity is a defined benefit plan. The present value of obligations under such defined benefit plan is determined, based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation.

The gratuity plan is funded through a Gratuity Trust administered by the Life Insurance Corporation of India. The contributions to the Trust are charged to the Profit and Loss Account.

The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Other long term benefits

Cost of long term benefit by way of accumulating compensated absences arising during the tenure of the service is calculated taking into account the pattern of avilment of leave. In respect of encashment of leave, the defined benefit is calculated taking into account all types of decrements and qualifying salary projected up to the assumed date of encashment. The present value of obligations under such long term benefit plan is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method as at year end.

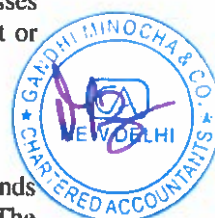
The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Treatment of actuarial gains and losses

Actuarial gains and losses are recognized immediately in the Profit and Loss Account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs.

n. Provision for reward points redemption

The Company has a reward point program which allows card members to earn points based on spends through the cards that can be redeemed for discounts on retail merchandise and other gifts. The Company makes payments to its reward partners when card members redeem their points and creates provisions to cover the cost of future reward redemptions. The liability for reward points outstanding as at the year-end and expected to be redeemed in the future is estimated on the basis of an actuarial valuation.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

o. Earnings per share

In accordance with Accounting Standard 20 prescribed under the Company's (Accounting Standards) Rules, 2006, basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed using the weighted average number of equity and dilutive potential shares outstanding during the year, except where the results would be anti-dilutive.

p. Provisions, contingent liabilities and contingent assets

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

2. Share Capital

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Authorised 1,000,000,000 (Previous year 1,000,000,000) equity shares of Rs.10 each | 10,000,000,000 | 10,000,000,000 |
| Issued, subscribed and fully paid-up 785,000,002 (Previous year 785,000,002) equity shares of Rs.10 each | 7,850,000,020 | 7,850,000,020 |
| Total | 7,850,000,020 | 7,850,000,020 |

a) **Shares held by holding/ultimate holding company and/or their subsidiaries/associates**
471,000,002 (Previous year 471,000,002) equity shares of Rs.10 each fully paid are held by State Bank of India, the holding company.

b) **Details of shareholders holding more than 5% shares of the Company**

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Equity shares of Rs. 10 each fully paid up 471,000,002 (Previous Year 471,000,002) held by State Bank of India | 60% | 60% |
| 314,000,000 (Previous year 314,000,000) held by GE Capital Mauritius Overseas Investment | 40% | 40% |
| Total | 100% | 100% |

c) **Reconciliation between opening and closing share capital**

| | As at 31 March 2014 | As at 31 March 2013 |
|------------------------------|------------------------|------------------------|
| At the beginning of the year | 7,850,000,020 | 7,850,000,020 |
| Add: Issued during the year | - | - |
| At the end of the year | 7,850,000,020 | 7,850,000,020 |

d) The company has only one class of equity share having par value of Rs.10 per share. Each holder of the equity share is entitled to one vote per share. In the liquidation of the company, the holders of the equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amount exist currently.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

3. Reserve and Surplus

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| General reserve | | |
| At the beginning of the year | 47,661,018 | 47,661,018 |
| Add: Transferred from Profit and Loss Account | - | - |
| Less: Utilized During the year | - | - |
| At the end of the year | 47,661,018 | 47,661,018 |
| Capital Reserve [(Share based employee compensation cost)] | | |
| At the beginning of the year | 5,476,556 | 3,990,798 |
| Add: Share based Employee compensation cost for the year | - | 1,485,758 |
| Less: Utilized During the year | 1,061,704 | - |
| At the end of the year | 4,414,852 | 5,476,556 |
| Statutory reserve under Section 45-IC of the Reserve Bank of India Act, 1934 (Refer to note 35) | | |
| Opening balance | 735,581,114 | 462,937,095 |
| Add: Transferred from Profit and Loss Account @ 20% | 586,172,738 | 272,644,019 |
| At the end of the year | 1,321,753,853 | 735,581,114 |
| (Deficit)/ surplus in the Statement of Profit and Loss | | |
| Balance at the beginning of the year | (4,108,758,224) | (5,199,334,304) |
| Add/ (less): Profit/ (loss) for the year | 2,930,863,692 | 1,363,220,099 |
| Less: Appropriations | | |
| Transfer to Statutory Reserves during the year | (586,172,738) | (272,644,019) |
| Balance at the end of the year | (1,764,067,271) | (4,108,758,224) |
| Total | (390,237,548) | (3,320,039,536) |

Share-Based Compensation (amounts in absolute)

As prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India and related interpretations, the Company applies the fair value based method of accounting to account for stock options and restricted stock units issued by General Electric Company, USA, to the employees of the Company. The fair market value of such instruments is recognised as an expense over the period in which the related services are received. Accordingly, fair value of the stock options and restricted stock units is amortised on a straight-line basis over the vesting period of the stock options and stock appreciation rights.

GE Stock options

Employees of the Company are entitled to shares of General Electric Company, USA, under an equity-settled share-based compensation plan. Details of these plans are given below.

The General Electric Company, USA, adopted the 2007 Long-term Incentive Plan ("the option plan") under which an initial amount of common stock was reserved for issuance to employees. Options granted under the Option Plan could be stock options, restricted stock units (RSU) or performance stock units (PSU). Incentive stock options can be granted only to employees.

The employees' compensation expense for Stock options and RSU's during the year ended 31 March 2014 amounts to Rs. 1,176,537 (Previous year Rs. 1,485,758).



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. RSUs give the recipients the right to receive shares of the ultimate holding company upon the lapse of their related restrictions. Restrictions on RSUs lapse in various increments and at various dates, beginning after three years from date of grant through grantee retirement. Although the plan permits the ultimate holding company to issue RSUs settle able in cash, it has only issued RSUs settle able in shares of General Electric Company, USA.

Following stock options were granted during the year ended 31 March 2014.

| Type of arrangement | Date of grant | Shares granted | Fair market value on the grant date (In USD) | Vesting conditions | Weighted average remaining contractual life |
|---------------------|---------------|----------------|--|--------------------------|---|
| Stock Options | 13-Sep-13 | 2,500 | 4.52 | Over a period of 5 years | 6.37 |

The estimated fair value of each stock option granted in the Option plan on 09th June 2011 is USD 3.99. The estimation of fair value on the date of the grant was made using the Black-Scholes option pricing model with the following assumptions:

| | |
|--|-----------|
| Grant date | 13-Sep-13 |
| Weighted average share price at grant date | 23.78 |
| Expected volatility for stock options* | 28.00% |
| Dividend yield * | 4.00% |
| Risk-free interest rate * | 2.50% |
| Exercise price of options (\$) | 23.78 |

A summary of activity under the Option plan for the year ended 31 March 2014 is given below:

| | Stock options (numbers) | Weighted-average exercise price (USD) | Weighted-average remaining contractual life (years) | RSU's (numbers) | Weighted-average exercise price (USD) | Weighted-average remaining contractual life (years) |
|---|-------------------------|---------------------------------------|---|-----------------|---------------------------------------|---|
| Outstanding, beginning of the year | 25,190 | 18.63 | 7.62 | 54 | - | 5.31 |
| Granted during the year | 2,500 | 23.78 | 6.37 | - | - | - |
| Forfeited during the year | 750 | 18.58 | - | - | - | - |
| Exercised during the year | 600 | 11.70 | - | 54 | - | - |
| Deletion: Transferred to other GE companies | 750 | - | - | - | - | - |
| Addition: Transferred from other GE companies | - | - | - | - | - | - |
| Lapsed during the year | - | - | - | - | - | - |
| Outstanding at the end of the year | 25,590 | 19.30 | 6.90 | - | - | 0 |
| Exercisable at the end of the year | 11,460 | 19.22 | 6.37 | - | - | - |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

* As the Guidance Note is applicable for options granted post 1 April 2005, information stated above is only with effect from such date.

The disclosures for the year ended 31 March 2013 have been given below:

No stock options and RSU's were granted during the year ended 31 March 2013.

A summary of activity under the Option plan for the year ended 31 March 2013 is given below:

| | Stock options (numbers) | Weighted- average exercise price (USD) | Weighted- average remaining contractual life (years) | RSU's (numbers) | Weighted- average exercise price (USD) | Weighted- average remaining contractual life (years) |
|---|-------------------------------|--|--|--------------------|---|--|
| Outstanding, beginning of the year | 25,940 | 18.63 | 8.64 | 108 | - | 6.31 |
| Granted during the year | - | - | - | - | - | - |
| Forfeited during the year | 1,500 | 18.58 | - | - | - | - |
| Exercised during the year | - | - | - | 54 | 19.92 | - |
| Deletion: Transferred to other GE companies | - | - | - | - | - | - |
| Addition: Transferred from other GE companies | 750 | 18.63 | 8.64 | - | - | - |
| Lapsed during the year | - | - | - | - | - | - |
| Outstanding at the end of the year | 25,190 | 18.63 | 7.62 | 54 | - | 5.31 |
| Exercisable at the end of the year | 7,670 | 19.06 | 7.14 | - | - | - |

* As the Guidance Note is applicable for options granted post 1 April 2005, information stated above is only with effect from such date.

* Risk free interest rates reflect the yield on zero-coupon U.S. Treasury securities. Expected dividend yields presume a set dividend rate. Expected volatilities are based on implied volatilities from traded options and historical volatility of our stock.

The fair value of each restricted stock unit is the market price of the stock on the date of Grant.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

4. Long term borrowings

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| Debentures | | |
| 9.50% Unsecured non-convertible debenture of Rs 1,000,000 each (Redeemable at par in September, 2019) | 500,000,000 | 500,000,000 |
| 9.85% Unsecured non-convertible debenture of Rs 1,000,000 each (Redeemable at par in March, 2019) | 500,000,000 | 500,000,000 |
| 9.95% Unsecured non-convertible debenture of Rs 1,000,000 each (Redeemable at par in January, 2018) | 400,000,000 | 400,000,000 |
| 10.75% Unsecured non-convertible debenture of Rs 1,000,000 each (Redeemable at par in June, 2014) | - | 848,000,000 |
| | 1,400,000,000 | 2,248,000,000 |
| Finance lease obligation (secured by way of hypothecation of vehicles taken on finance lease) (Refer to note 29) | 7,281,347 | 6,200,290 |
| Total | 1,407,281,347 | 2,254,200,290 |

5. Long-term provisions

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Provision for employee benefits | | |
| Compensated absences (Refer to Note 37) | 7,040,499 | 6,596,173 |
| | 7,040,499 | 6,596,173 |
| Provision for reward points redemption (Refer to Note 24) | 190,156,050 | 144,981,656 |
| Provision on Standard assets [Refer to Note 1(e)] | 16,872,469 | 8,333,533 |
| | 207,028,519 | 153,315,189 |
| Total | 214,069,018 | 159,911,362 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

6. Short-term borrowings

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Secured working capital loans | | |
| Loans repayable on demand | | |
| From banks | - | - |
| From banks (Related Parties) ^{1,2} | 27,528,167,040 | 16,969,448,061 |
| From others | - | - |
| Secured Commercial papers-From Bank(Related Parties) ^{1,2} | 5,943,305,571 | 8,811,210,850 |
| [Net of unamortised discount of Rs. 56,694,429 (Previous Year- 38,789,150)] | | |
| 10.75% Unsecured non-convertible debenture of Rs 1,000,000 each (Redeemable at par in June, 2014) | 848,000,000 | - |
| Total | 34,319,472,611 | 25,780,658,911 |

¹Secured by:

a) Primary Security - First Charge over the entire Current Assets of the Company (present & future),

b) Collateral Security- First Charge on entire Fixed Assets of the Company (present and future),

²Interest rate on Loan repayable on demand is @ 10% p.a. & for Commercial paper, it ranges from 8.70% to 9.05%, p.a.

7. Trade Payables

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| Sundry Creditors* | 76,654,886 | 77,469,490 |
| Sundry Creditors - Payable to related party (Ref to Note 28) | 6,733,723 | 89,359,229 |
| Total | 83,388,609 | 166,828,719 |

*Refer Note No. 32 for disclosure of Micro, Small & Medium Enterprise as per MSMED Act 2006.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

8. Other current liabilities

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| Interest accrued but not due on Debentures | 104,567,397 | 104,317,644 |
| Finance lease obligation (secured by way of hypothecation of vehicles taken on finance lease) (Refer to Note 29) | 5,730,776 | 4,862,184 |
| Unamortised membership fees and subvention income | 183,727,129 | 157,001,146 |
| Other liabilities* | 1,685,276,463 | 456,967,481 |
| Statutory Liabilities | 31,677,216 | 44,000,528 |
| Total | 2,010,978,981 | 767,148,983 |

* Includes Rs. 1,137,765,387 payable to Network Partners.

9. Short-term provisions

| | As at 31 March 2014 | As at 31 March 2013 |
|--|------------------------|------------------------|
| Provision for employee benefits | | |
| Gratuity (Refer to Note 36) | (638,002) | 8,247,694 |
| Compensated absences (Refer to Note 37) | 5,657,537 | 5,011,552 |
| | 5,019,535 | 13,259,246 |
| Provision for reward points redemption (Refer to Note 24) | 468,420,669 | 351,357,584 |
| Provision on Standard assets [Refer to Note 1(e)] | 156,264,813 | 74,026,063 |
| Provision for doubtful debts (Refer to Note 25) | 112,752,038 | 37,168,258 |
| Provision for expenses* | 1,010,976,479 | 797,166,655 |
| [Includes salary, wages and bonus payable amounting to Rs.109,811,310 (Previous year Rs.17,223,108)] | | |
| | 1,748,413,999 | 1,259,718,560 |
| Total | 1,753,433,534 | 1,272,977,806 |

* Includes payable to related party (Refer note no 28).



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

10. Tangible assets

| Description | Cost | | | | Depreciation | | | Net Block | |
|---------------------------|--------------------------|-------------------|---------------------------|---------------------------|--------------------------|------------------|---------------------------|---------------------------|---------------------------|
| | As at 1 April 2013 | Additions | Deletions/ adjustments | As at 31 March 2014 | As at 1 April 2013 | For the year | Deletions/ adjustments | As at 31 March 2014 | As at 31 March 2013 |
| Furniture and fixtures | 798,256 | 115,058 | 196,482 | 716,832 | 480,145 | 87,153 | 140,335 | 426,963 | 318,111 |
| Vehicles on Finance Lease | 27,981,259 | 11,523,953 | 4,454,795 | 35,050,417 | 17,870,133 | 6,390,354 | 1,621,116 | 22,639,371 | 10,111,126 |
| Office equipment | 2,221,426 | 574,939 | 499,467 | 2,296,898 | 1,224,625 | 307,643 | 466,040 | 1,066,228 | 996,801 |
| Computer | 16,240,969 | 5,901 | 153,937 | 16,092,933 | 15,794,815 | 285,499 | 62,973 | 16,017,341 | 446,154 |
| Total | 47,241,910 | 12,219,851 | 5,304,681 | 54,157,080 | 35,369,718 | 7,070,649 | 2,290,464 | 40,149,903 | 11,872,192 |
| Previous year | 51,984,715 | 6,114,576 | 10,857,381 | 47,241,910 | 36,232,275 | 6,796,928 | 7,659,485 | 35,369,718 | 15,752,440 |

11. Intangible assets

| Description | Cost | | | | Amortisation | | | | Net Block | |
|----------------------|--------------------------|-----------|---------------------------|---------------------------|--------------------------|----------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 1 April 2013 | Additions | Deletions/ adjustments | As at 31 March 2014 | As at 1 April 2013 | For the year | Deletions/ adjustments | As at 31 March 2014 | As at 31 March 2014 | As at 31 March 2013 |
| Computer software | 8,060,808 | - | - | 8,060,808 | 8,060,808 | - | - | 8,060,808 | - | - |
| Total | 8,060,808 | - | - | 8,060,808 | 8,060,808 | - | - | 8,060,808 | - | - |
| Previous year | 12,223,306 | - | 4,162,498 | 8,060,808 | 11,562,887 | 660,419 | 4,162,498 | 8,060,808 | - | 660,419 |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

12. Deferred taxation

The break-up of the tax impact of deferred tax assets/liabilities and reconciliation of current year deferred tax charge as at 31 March 2014 is as follows:

| Particulars | As at 31 March 2014 | As at 31 March 2013 |
|---|---------------------|----------------------|
| Deferred tax assets | | |
| Provision for doubtful debts | 101,233,011 | 44,601,212 |
| Staff benefits & Stat. Dues | 283,639,438 | 318,620,364 |
| Reward points | 223,850,227 | 168,705,708 |
| Unabsorbed business losses | 325,925,825 | 1,399,748,662 |
| Membership Fees & Subvention | 62,448,851 | 53,364,689 |
| Depreciation net of Lease Adjustment | 1,316,944 | 1,617,975 |
| Total | 998,414,296 | 1,986,658,610 |
| Deferred tax liabilities: | | |
| Depreciation | - | - |
| Card acquisition & debenture issue expenses | 131,235,797 | 113,777,979 |
| Total | 131,235,797 | 113,777,979 |
| Net deferred tax asset | 0* | 0* |

* In view of the unabsorbed business losses and pursuant to the policy of the Company on deferred tax mentioned in note 1(k), the deferred tax asset has been recognised by the Company only to the extent of deferred tax liability amounting to Rs. 131,235,797 (previous year Rs. 113,777,979)

13. Long-term loans and advances

| | As at 31 March 2014 | As at 31 March 2013 |
|--|----------------------|----------------------|
| Security deposits | | |
| Unsecured, considered good | 950,792 | 1,142,346 |
| | 950,792 | 1,142,346 |
| Loans and advances (Refer to Note 25) | | |
| To customers (Secured by Lien on Fixed deposits, considered good) | 7,294,279 | 2,876,507 |
| Loans and advances to customers (Unsecured, considered good) | 4,210,823,049 | 3,330,536,706 |
| | 4,218,117,328 | 3,333,413,213 |
| Other loans and advances | | |
| Advance tax including tax deducted at source [Net of provision for tax Rs. 2,543,598,485 (previous year Rs.1,539,764,206)] | 321,749,161 | 369,621,383 |
| MAT credit receivable | 997,600,383 | 186,041,065 |
| Advance FBT | - | 1,517,373 |
| | 1,319,349,544 | 557,179,821 |
| Total | 5,538,417,664 | 3,891,735,380 |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

14. Current Investment

During the year ending on 31st March'14, the Company has purchased and sold the units of SBI Mutual Funds, the details of which are as follows:

| Fund Name | Units Purchased | Purchase Amount | Sale Amount |
|---|------------------|-----------------------|-----------------------|
| SBI Magnum Insta Cash Fund | 132,280 | 370,000,000 | 370,545,963 |
| SBI Magnum Insta Cash Fund Liquid Floater | 2,554,407 | 5,410,000,000 | 5,412,450,684 |
| SBI Premier Liquid Fund | 4,318,588 | 8,230,000,000 | 8,234,713,011 |
| Total | 7,005,275 | 14,010,000,000 | 14,017,709,658 |

The details of units purchased and sold during the previous year are as follows:

| Fund Name | Units Purchased | Purchase Amount | Sale Amount |
|--|-------------------|-----------------------|-----------------------|
| Magnum Income Fund FR Long Term | 4,043,718 | 70,000,000 | 70,071,574 |
| Magnum Insta Cash Fund | 1,304,188 | 3,260,000,000 | 3,262,561,764 |
| Magnum Insta Cash Fund Liquid Floater Plan | 1,109,248 | 2,160,000,000 | 2,160,879,561 |
| Premier Liquid Fund | 3,160,080 | 5,620,000,000 | 5,624,503,301 |
| Premier Liquid Fund - Institutional | 760,481 | 1,340,000,000 | 1,341,438,461 |
| Ultra Short Term Debt Fund | 204,587 | 300,000,000 | 300,373,126 |
| Total | 10,582,301 | 12,750,000,000 | 12,759,827,787 |

15. Cash and cash equivalents

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Balance with banks in : | | |
| Current accounts* | 1,521,173,969 | 836,577,028 |
| Fixed Deposits (under Lien for guarantees issued to Tax Authorities)* | 200,000 | 100,000 |
| Total | 1,521,373,969 | 836,677,028 |

* It includes balance with related parties (Refer note no. 28).



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

16. Short-term loans and advances

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Loans & advances to Customers (Refer to Note 25) | | |
| Secured, considered good (Lien on Fixed deposits,) | 1,116,631,837 | 1,032,247,251 |
| Unsecured, considered good | 37,949,571,433 | 28,578,178,076 |
| Unsecured, considered doubtful | 433,851,093 | 37,168,258 |
| | 39,500,054,363 | 29,647,593,585 |
| Other Advances | | |
| To Vendors (Unsecured, considered good) | 28,505,686 | 32,932,892 |
| Prepaid expenses | 15,460,671 | 17,578,678 |
| | 43,966,357 | 50,511,570 |
| Total | 39,544,020,720 | 29,698,105,155 |

17. Other current assets

| | As at 31 March 2014 | As at 31 March 2013 |
|---|------------------------|------------------------|
| Unsecured considered good, unless otherwise stated | | |
| Unamortised card acquisition costs | 382,033,451 | 327,846,268 |
| Other receivable* | 202,270,309 | 129,109,565 |
| Balance with Statutory Authorities | 46,263,281 | 36,340,967 |
| Other receivable, considered doubtful | 11,942,428 | 11,675,476 |
| | 642,509,470 | 504,972,276 |
| Less: Provision for doubtful advances | (11,942,428) | (11,675,476) |
| Total | 630,567,042 | 493,296,800 |

* Includes receivable from related party (Refer note no 28),

18. Revenue from Operations

| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|--|---------------------------------------|---------------------------------------|
| Income from membership fees and services | 5,657,574,509 | 3,963,869,188 |
| Interest income | 8,564,938,246 | 6,013,510,505 |
| Business development incentive income | 171,350,192 | 89,605,281 |
| Total | 14,393,862,947 | 10,066,984,974 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

19. Other income

| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|--------------------------------------|---------------------------------------|---------------------------------------|
| Profit on sale of Investment | 7,709,658 | 9,827,787 |
| Service Charges | 114,994,573 | 82,501,699 |
| Bad Debts Recovered | 676,118,495 | 411,772,275 |
| Profit on sale of fixed assets | 362,801 | - |
| Miscellaneous Income | 4,388,557 | 580,286 |
| Liabilities / Provision written back | 3,313,349 | 20,596,206 |
| Total | 806,887,432 | 525,278,253 |

20. Employee benefit expense

| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|---|---------------------------------------|---------------------------------------|
| Salaries and other allowances | 492,485,400 | 401,237,990 |
| Employee stock option expense (Refer to Note 3) | 1,176,537 | 1,486,181 |
| Staff welfare expenses | 32,213,937 | 20,979,563 |
| Contribution to provident fund | 21,326,100 | 16,962,616 |
| Contribution to other funds | (574,927) | 9,381,568 |
| Total | 546,627,047 | 450,047,918 |

* Employee benefit expenses includes year end provision for FY 2013-14 amounting to Rs. 111,169,095 and reversal of year end provision for FY 2012-13 amounting to Rs.29,360,393.

21. Finance charges

| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|-------------------------------------|---------------------------------------|---------------------------------------|
| Interest on Debentures | 227,959,753 | 204,415,479 |
| Interest expense | | |
| - on Working Capital loans(secured) | 2,686,832,706 | 1,580,727,605 |
| - on others (unsecured) | 117,801,060 | 315,898,476 |
| Total | 3,032,593,519 | 2,101,041,560 |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

22. Operating and other expenses

| | For the Year Ended 31 Mar' 2014 | For the Year Ended 31 Mar' 2013 |
|--|---------------------------------------|---------------------------------------|
| Consumption of plastic cards | 76,625,935 | 57,834,697 |
| Rent and hire charges | 70,768,192 | 43,896,553 |
| Travelling and conveyance | 38,987,431 | 31,010,814 |
| Cash advance service charges | 3,840,052 | 3,400,536 |
| Telephone, fax and postage | 149,381,233 | 140,174,759 |
| VISA / Master Card transaction charges | 558,567,885 | 415,443,816 |
| Advertisement | 240,181,410 | 127,154,458 |
| Sales Promotion | 1,467,576,368 | 1,016,878,815 |
| Insurance expense | 16,679,342 | 12,303,219 |
| Professional & Consulting fees | 211,605,773 | 195,734,540 |
| Processing Charges | 2,639,675,657 | 2,279,762,023 |
| Rates and taxes | 19,239,614 | 9,955,267 |
| Collection charges | 490,408,116 | 330,255,876 |
| Repairs and maintenance-others | 4,060,691 | 5,787,294 |
| Auditor's remuneration (Refer to Note 22) | 3,305,000 | 3,275,000 |
| Power and fuel | 18,457,035 | 11,759,558 |
| Printing, stationery and office supplies | 102,627,622 | 108,168,961 |
| Royalty Expenses | 58,617,274 | 27,820,564 |
| Reward points redemption | 487,165,035 | 430,276,465 |
| Surcharge Waiver to Customer | 210,622,504 | 177,586,670 |
| Bank charges | 18,179,263 | 19,941,556 |
| Loss on exchange fluctuation | 4,119,875 | 3,761,643 |
| Loss on sale of tangible assets | - | 119,064 |
| Other Advances written off / provision for doubtful advances | 1,656,273 | 7,450,986 |
| Other Expenses | 5,301,411 | 3,321,012 |
| Total | 6,897,648,991 | 5,463,074,145 |

* Operating & other expenses includes year end provision for FY 2013-14 amounting to Rs. 1,558,384,116 and reversal of year end provision for FY 2012-13 amounting to Rs.1,383,157,885.



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

23. Auditors' remuneration (excluding service tax)

Professional fee includes auditors' remuneration as follows:

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------------------------|-----------------------------|-----------------------------|
| Audit fees | 2,050,000 | 2,050,000 |
| Quarterly Limited Review fees | 450,000 | 410,000 |
| Tax audit fees | 250,000 | 250,000 |
| Fee for other services | 350,000 | 360,000 |
| Reimbursement of expenses | 205,000 | 205,000 |
| Total | 3,305,000 | 3,275,000 |

24. Movement of provision for reward points redemption and legal cases in accordance with Accounting Standard 29; Provisions, contingent liabilities and contingent assets, prescribed under the Companies (Accounting Standards) Rules, 2006; is as under:

Reward Points Movement:

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| a. Provision at the beginning of the year* | 496,339,240 | 243,048,095 |
| b. Additions made during the year | 547,958,752 | 357,759,420 |
| c. Interest Cost for the period | 22,254,665 | 12,234,755 |
| d. Amount redeemed/Paid during the year | (324,927,556) | (176,985,320) |
| e. Amounts lapsed during the year | (269,755,243) | (200,553,701) |
| f. Actuarial Gain / (Loss) | 179,046,508 | 215,495,843 |
| g. Movement on account of unpaid vendor liability | 7,660,353 | 45,340,148 |
| h. Provision at the end of the year* (a+b+c+d+e+f+g) | 658,576,718 | 496,339,240 |

* Provision for reward points as at 31 March 2014 of Rs. 658,576,718 (previous year Rs. 496,339,240) includes provision as per actuarial valuation of Rs.584,353,020 (previous year Rs. 429,775,884) and provision for unpaid claims of Rs. 74,223,698 (previous year Rs. 66,563,346)

Legal Claims:

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|--|-----------------------------|-----------------------------|
| a. Provision at the beginning of the year | 2,463,538 | 5,023,984 |
| b. Additions / (Reduction) made during the year | 1,924,193 | (684,445) |
| c. Amount Paid during the year | 1,438,037 | 1,876,000 |
| d. Provision at the end of the year (a+b-c) | 2,949,694 | 2,463,538 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

25. Loans and advances

Following table shows the classification of dues from credit card holders as at 31 March 2014:

The classification of dues as at 31 March 2014 is as follows:

| Particulars | Considered good | Considered doubtful | Total |
|---|-----------------------|---------------------|-----------------------|
| Dues outstanding up to 120 days | 43,284,320,598 | - | 43,284,320,598 |
| Dues outstanding up to 120 days to 180 days | - | 428,132,073 | 428,132,073 |
| Fraud Loss | - | 5,719,020 | 5,719,020 |
| Total | 43,284,320,598 | 433,851,093 | 43,718,171,690 |

The classification of dues as at 31 March 2013 is as follows:

| Particulars | Considered good | Considered doubtful | Total |
|---------------------------------|-----------------------|---------------------|-----------------------|
| Dues outstanding up to 180 days | 32,943,838,531 | 22,969,080 | 32,966,807,611 |
| Fraud Loss | - | 14,199,178 | 14,199,178 |
| Total | 32,943,838,531 | 37,168,258 | 32,981,006,788 |

The management is of the view that the provisions of section 370(1-B) of the Companies Act, 1956 for the purpose of identification of companies under the same management have to be considered in reference to the immediate holding entity alone. Advances recoverable in cash or kind include dues from SBI Life Insurance Limited, a company under the same management within the meaning of section 370(1-B) of the Companies Act, 1956.

| Particulars | As at | | Maximum balance during the year ended | |
|---|-----------|-----------|---------------------------------------|-----------|
| | 31-Mar-14 | 31-Mar-13 | 31-Mar-14 | 31-Mar-13 |
| Advances recoverable in cash or in kind | 1,683,138 | 3,107,782 | 8,147,047 | 7,308,581 |

26. Segment Reporting

In the opinion of the management, there is only one reportable segment ("Credit Cards") as envisaged by AS 17 "Segment reporting" of the Company (Accounting Standards) Rules, 2006. Accordingly, no separate disclosure for segment reporting is required to be made in the financial statements of the Company.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

27. Income and expenditure in foreign currency

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Expenditure in foreign currency (on accrual basis) | | |
| Network and other service charges | 118,895,440 | 99,199,916 |
| Purchase of Plastic Cards (CIF Value) | 511,041 | 142,722 |
| Professional fees | 1,718,968 | 7,337,418 |
| Travel & Conveyance | - | 1,052,414 |
| Others | 38,266,533 | 26,862,175 |
| Income in foreign currency (on accrual basis) | | |
| Business development incentive income | - | 84,661,351 |
| Interchange income | 25,420,992 | 20,503,315 |

28. Related party disclosures

List of parties who have controlling interest or with whom transactions have taken place during the year.

a. List of related parties

i. Holding Entity

- State Bank of India

ii. Joint venture

- GE Capital Corporation, USA

iii. Entity holding substantial interest in voting power of the Company

- GE Capital Mauritius Overseas Investments

iv. Fellow subsidiaries and entities

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore
- SBI Capital Markets Ltd
- SBICAP Securities Ltd
- SBICAP Trustee Company Ltd
- SBICAPS Ventures Ltd
- SBI DFHI Ltd
- SBI Mutual Fund Trustee Company Pvt Ltd



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

- SBI Global Factors Ltd
- SBI Pension Funds Pvt Ltd
- SBI –SG Global Securities Services Pvt. Ltd
- SBI General Insurance Company Ltd
- SBI Payment Services Pvt. Ltd.
- SBI Cards and Payment Services Pvt Ltd
- SBI Funds Management Pvt Ltd
- SBI Funds Management (International) Private Ltd
- SBI Life Insurance Company Ltd
- State Bank of India (Canada)
- State Bank of India (California)
- SBI (Mauritius) Ltd
- PT Bank SBI Indonesia
- SBICAP (UK) Ltd
- Commercial Indo Bank Llc , Moscow
- Nepal SBI Bank Ltd.
- SBICAP (Singapore) Ltd
- State Bank of India (Botswana) Ltd.
- C - Edge Technologies Ltd
- GE Capital Business Process Management Services Pvt Ltd
- SBI Macquarie Infrastructure Management Pvt. Ltd.
- SBI Macquarie Infrastructure Trustee Pvt. Ltd
- Macquarie SBI Infrastructure Management Pte. Ltd.
- Macquarie SBI Infrastructure Trustee Ltd.
- Oman India Joint Investment Fund – Trustee Company Pvt. Ltd.
- Oman India Joint Investment Fund – Management Company Pvt. Ltd.

v. *Entity under common significant influence*

- GE Capital Business Process Management Services Private Limited

vi. *Key management personnel*

- Pallav Mohapatra, Manager



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

a. Transactions/balances outstanding with related parties Year ended 31 March 2014

| Particulars | Holding Entity | Company Holding Substantial interest | Fellow Subsidiaries and entities (Note 1) | Entity under common significant influence | Key Management Personnel |
|--|-----------------|--------------------------------------|---|---|--------------------------|
| | 2013-14 | 2013-14 | 2013-14 | 2013-14 | 2013-14 |
| a. Transactions during the year | | | | | |
| Finance charges | 2,660,740,370 | - | - | - | - |
| Advertisement and sales promotion (incentives) | 41,378,585 | - | 1,611,620 | - | - |
| Cost allocations received* | 40,266,978 | - | - | 90,138,523 | - |
| Processing charges paid | - | - | - | 2,639,675,657 | - |
| Cost allocations made* | - | - | - | 32,101,554 | - |
| Bank charges, fees & Commission Paid | 79,007,616 | - | 1,622,614 | - | - |
| Commission Received | - | - | 2,320,210 | - | - |
| Personnel Cost (Managerial remuneration) | - | - | - | - | 3,347,694 |
| Borrowings made | 222,635,190,172 | - | - | - | - |
| Borrowings repaid | 214,921,007,631 | - | - | - | - |
| Investments made | - | - | 14,010,000,000 | - | - |
| Investments repaid | - | - | 14,017,709,658 | - | - |
| Allotment of Share Capital | - | - | - | - | - |
| Royalty expenses | 58,617,274 | - | - | - | - |
| b. Balances Outstanding at Year End | | | | | |
| Trade Payables & Other liabilities | 112,620,634 | - | 1,313,801 | 155,074,215 | - |
| Borrowings | 33,471,472,611 | - | - | - | - |
| Cash & Bank Balances/(Book overdraft)** | 1,456,178,457 | - | 31,817,123 | - | - |
| Loans & Advances*** | 854,900 | - | 2,262,081 | - | - |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

* The amounts are included/ adjusted in the respective expense line items of operating and other expenses.

** These amounts represent year-end balances outstanding as at 31 March 2014.

*** These amounts represent year-end balances outstanding as at 31 March 2014 on credit cards issued. Debit and credit transactions done during the year have not been disclosed due to high volume of transactions.

(1) For party-wise disclosure as required by AS- 18, Related Party Disclosures, refer to Annexure I of Note 28.



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

b. Transactions/balances outstanding with related parties Year ended 31 March 2013

| Particulars | Holding Entity | Company Holding Substantial interest | Fellow Subsidiaries and entities (Note 1) | Entity under common significant influence | Key Management Personnel (Note 2) |
|--|-----------------|--------------------------------------|---|---|-----------------------------------|
| | 2012-13 | 2012-13 | 2012-13 | 2012-13 | 2012-13 |
| a. Transactions during the year | | | | | |
| Finance charges | 1,359,702,943 | - | 221,024,662 | - | - |
| Advertisement and sales promotion (incentives) | 68,363,742 | - | 1,569,401 | - | - |
| Cost allocations received* | 20,968,511 | - | - | 32,585,344 | - |
| Processing charges paid | - | - | - | 2,279,762,023 | - |
| Cost allocations made* | - | - | - | 32,393,765 | - |
| Bank charges, fees & Commission Paid | 30,387,889 | - | 1,140,996 | - | - |
| Commission Received | - | - | 2,815,228 | - | - |
| Personnel Cost (Managerial remuneration) | - | - | - | - | 3,760,414 |
| Borrowings made | 130,310,284,238 | - | 9,007,558,814 | - | - |
| Borrowings repaid | 112,050,194,626 | - | 16,048,458,814 | - | - |
| Investments made | - | - | 12,750,000,000 | - | - |
| Investments repaid | - | - | 12,759,827,787 | - | - |
| Allotment of Share Capital | - | - | - | - | - |
| Royalty expenses | 27,820,564 | - | - | - | - |
| b. Balances Outstanding at Year End | | | | | |
| Trade Payables | 36,683,430 | - | 6,135,138 | 89,359,229 | - |
| Borrowings | 25,780,658,911 | - | - | - | - |
| Cash & Bank Balances/(Book overdraft)** | 971,054,026 | - | 761,222 | - | - |
| Loans & Advances*** | 854,900 | - | 3,287,782 | - | - |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

* The amounts are included/ adjusted in the respective expense line items of operating and other expenses.

** These amounts represent year-end balances outstanding as at 31 March 2013.

*** These amounts represent year-end balances outstanding as at 31 March 2013 on credit cards issued. Debit and credit transactions done during the year have not been disclosed due to high volume of transactions.

(1) For party-wise disclosure as required by AS- 18, Related Party Disclosures, refer to Annexure I of Note 28.

(2) Managerial Remuneration: Rs. 3,760,414 pertains to Mr. Narahari Kadambi (Chief Executive Officer till Sep'12) & Mr. Pallav Mohapatra (Chief Executive Officer – Oct'12 onwards)



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

Annexure I to Note 28

Transactions/Balances Outstanding with Fellow Subsidiaries (Parties constituting 10% or more in each category)

| Particulars | Year Ended 31st March 2014 | Year Ended 31st March 2013 |
|---|-------------------------------|-------------------------------|
| Interest expense and finance charges | | |
| Others | - | 221,024,662 |
| Total | - | 487,485,390 |
| Borrowings made | | |
| Others | - | 9,007,558,814 |
| Total | - | 9,007,558,814 |
| Borrowings repaid | | |
| Others | - | 16,048,458,814 |
| Total | - | 16,048,458,814 |
| Investments made | | |
| SBI Funds Management Pvt Limited | 14,010,000,000 | 12,750,000,000 |
| Investments repaid | | |
| SBI Funds Management Pvt Limited | 14,017,709,658 | 12,759,827,787 |

| b. Balances Outstanding at Year End | | |
|---|-------------------------------|-------------------------------|
| Particulars | Year Ended 31st March 2014 | Year Ended 31st March 2013 |
| Trade Payables & Other liabilities | | |
| Others | 1,313,801 | 6,135,138 |
| Total | 1,313,801 | 6,135,138 |
| Cash and bank Balances | | |
| Others | 31,817,123 | 761,222 |
| Total | 31,817,123 | 761,222 |
| Loans and Advances | | |
| SBI Life Insurance Company Limited | 2,262,081 | 3,287,782 |



SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
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Notes forming part of the financial statements

Significant accounting policies and notes to accounts

29. Finance lease obligations

The Company has acquired vehicles on finance lease during current and earlier years. The present value of total minimum lease payment liability as at 31 March 2014 is Rs. 13,012,123. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest varying between 14% to 16% on the outstanding balance.

The maturity profile of the finance lease obligation as at 31 March 2014 was as follows:

| Particulars | Total minimum lease payments outstanding at 31 March 2014 | Interest | Present value of minimum lease payments as at 31 March 2014 |
|---|---|------------------|---|
| Due within one year | 7,233,602 | 1,502,826 | 5,730,776 |
| Due later than one year and not later than five years | 8,320,941 | 1,039,594 | 7,281,347 |
| Total | 15,554,542 | 2,542,420 | 13,012,123 |

The present value of total minimum lease payment liability as at 31 March 2013 was Rs. 11,062,473. The maturity profile of the finance lease obligation as at 31 March 2013 was as follows:

| Particulars | Total minimum lease payments outstanding at 31 March 2013 | Interest | Present value of minimum lease payments as at 31 March 2013 |
|---|---|------------------|---|
| Due within one year | 6,173,822 | 1,289,739 | 4,862,184 |
| Due later than one year and not later than five years | 7,026,236 | 825,950 | 6,200,290 |
| Total | 13,200,057 | 2,115,689 | 11,062,473 |

30. Earnings/ (loss) per equity share

| Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|--------------------------|--------------------------|
| a. Net Profit After Tax | 2,930,863,692 | 1,363,220,099 |
| b. Weighted average of number of equity shares used in computing basic and diluted earnings per share | 785,000,002 | 785,000,002 |
| c. Basic and diluted earning per share (a/b) | 3.73 | 1.74 |

31. Transfer pricing

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961 ('Act'). Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the domestic and international transactions entered into with the associated enterprises during the financial



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

year and expects such records to be in existence latest before the due date for filing of return under the Act. The management is of the opinion that its domestic and international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

32. The Company has sought information from the vendors who have registered themselves under Micro, Small and Medium Enterprises Development Act, 2006. Based on the information available in company, following are the details of dues to Micro, Small & Medium Enterprise as per MSMED Act 2006.

| Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006 | Year Ended 31 March 2014 | Year Ended 31 March 2013 |
|--|--------------------------------|--------------------------------|
| The principle amount (interest-nil) remaining unpaid to any supplier as at the end of each accounting year | Nil | Nil |
| The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprises Development Act,2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | Nil | Nil |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006. | Nil | Nil |
| The amount of interest accrued and remaining unpaid at the end of each accounting year; and | Nil | Nil |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006 | Nil | Nil |

33. Contingent liabilities

- 1) Based on Demand notices received from the income-tax department & service tax authorities, the Company is contingently liable for Rs. 429,355,739 (Previous year Rs. 542,243,086), against which it had deposited an amount of Rs. 16,721,834 (Previous year Rs. 58,315,434).The Company has challenged these demands of the tax authorities. While the ultimate outcome of the above mentioned appeals cannot be ascertained at this time, based on current knowledge of the applicable law, management believes that these laws suits should not have a material adverse affect on the Company's financial statements or business operations. Accordingly, no provision has been made in the books of account.
 - 2) Estimated claims against the Company which arise in the ordinary course of business not acknowledged as debt. Such claims as at 31 March 2014 are Rs. 53,118,523 (Previous year Rs. 60,972,281).
34. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounted to Rs. Nil (previous year Rs. Nil).
35. During the year ended 31 March 2014 the company appropriated Rs 586,172,737 (previous year Rs. 272,644,019) towards the Statutory Reserve (Reserve Fund) in accordance with Section 45-IC of the Reserve Bank of India Act, 1934.



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(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

36. The following table sets out the status of the gratuity plan as required under AS-15 (revised), "Employee Benefits" as at 31 March 2014:

(A) Reconciliation of benefit obligations & plan assets for the period

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Opening defined benefit obligation | 34,736,316 | 25,121,803 |
| Current service cost | 5,299,192 | 4,178,746 |
| Interest cost | 2,583,668 | 2,015,574 |
| Actuarial losses / (gain) | (5,813,264) | 3,891,885 |
| Liabilities Assumed on Acquisition / (Settled on Divestiture) | - | - |
| Benefits paid | (268,693) | (471,692) |
| Closing defined benefit obligation | 36,537,219 | 34,736,316 |
| Change in the fair value of plan assets | | |
| Opening fair value of plan assets | 26,488,622 | 17,855,153 |
| Expected return on plan assets | 1,688,043 | 1,172,608 |
| Actuarial gains / (losses) | 1,019,554 | 665,903 |
| Contributions by employer | 8,247,694 | 7,266,650 |
| Benefits paid | (268,693) | (471,692) |
| Closing fair value of plan assets | 37,175,220 | 26,488,622 |

(B) Reconciliation of present value of the obligations and the fair value of the plan assets

| | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------------------------------|-----------------------------|-----------------------------|
| Present value of funded obligations | 36,537,219 | 34,736,316 |
| Fair value of plan assets | (37,175,220) | (26,488,622) |
| Net asset/liability | (638,001) | 8,247,694 |

(C) Gratuity Cost for the period

| | Year Ended 31 March 2014 | Year Ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Current service cost | 5,299,192 | 4,178,746 |
| Interest cost | 2,583,668 | 2,015,574 |
| Expected return on plan assets | (1,688,043) | (1,172,608) |
| Net actuarial losses / (gains) recognized in year | (6,832,818) | 3,225,982 |
| Net gratuity cost | (638,001) | 8,247,694 |
| Actual return on plan assets | 2,707,597 | 1,838,511 |



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SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

| Experience adjustments | Year Ended 31 March 2014 | Year Ended 31 March 2013 | Year Ended 31 March 2012 | Year Ended 31 March 2011 | Year Ended 31 March 2010 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Defined benefit obligation | 36,537,219 | 34,736,316 | 25,121,803 | 17,479,264 | 10,382,513 |
| Plan assets | 37,175,220 | 26,488,622 | 17,855,153 | 11,131,117 | 6,304,290 |
| Surplus / (Deficit) | 638,001 | (8,247,694) | (7,266,650) | (6,348,147) | (4,078,223) |
| Experience adjustments on plan liabilities | (1,440,578) | 3,386,132 | 4,447,398 | 1,309,708 | 1,397,913 |
| Experience adjustments on plan assets | 1,019,554 | 665,903 | 147,290 | 279,806 | (148,127) |

100% of the plan assets are with the Insurer managed funds.

| | Year Ended 31 March 2014 | Year Ended 31 March 2013 |
|---|-----------------------------|-----------------------------|
| Discount rate | 8.70% per annum | 7.70% per annum |
| Estimated rate of return on plan assets | 9.40% per annum | 7.50% per annum |
| Salary Escalation Rate | 9.0% per annum | 12.0% per annum |

Investment details of the plan assets

100% of the plan assets are with the Insurer managed funds.

The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Demographic assumptions

- a) **Retirement Age:** The employees of the Company are assumed to retire at the age of 60 years.
- b) **Mortality:** Published rates under the LIC (1994-96) mortality tables. Rates of LIC (1994 - 1996) mortality table at specimen ages are as shown below:

| Age (Years) | Rates |
|-------------|----------|
| 18 | 0.000800 |
| 23 | 0.000961 |
| 28 | 0.001017 |
| 33 | 0.001164 |
| 38 | 0.001549 |
| 43 | 0.002350 |
| 48 | 0.003983 |
| 53 | 0.006643 |
| 58 | 0.009944 |



2/9

SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

- c) **Leaving Service:** A withdrawal rate of 35% p.a. has been assumed at all ages in this valuation.
- d) **Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service (paragraph (c) above).

37. Compensated absences

An actuarial valuation of compensated absences has been carried out by an independent actuary on the basis of the following assumptions:

Assumptions

| | Year Ended 31 March 2014 | Year Ended 31 March 2013 |
|------------------------|-----------------------------|-----------------------------|
| Discount rate | 8.70% per annum | 7.70% per annum |
| Salary Escalation Rate | 9.0% per annum | 12.0% per annum |

The defined benefit obligation of compensated absences in respect of employees of the Company as at 31 March 2014 amounts to Rs. 12,698,036 (previous year Rs. 11,607,725).

Demographic assumptions

- a) **Retirement Age:** The employees of the Company are assumed to retire at the age of 60 years.
- b) **Mortality:** Published rates under the LIC (1994-96) mortality tables. Rates of LIC (1994 - 1996) mortality table at specimen ages are as shown below:

| <u>Age (Years)</u> | <u>Rates</u> |
|--------------------|--------------|
| 18 | 0.000800 |
| 23 | 0.000961 |
| 28 | 0.001017 |
| 33 | 0.001164 |
| 38 | 0.001549 |
| 43 | 0.002350 |
| 48 | 0.003983 |
| 53 | 0.006643 |
| 58 | 0.009944 |



- c) **Leaving Service:** A withdrawal rate of 35% p.a. has been assumed at all ages in this valuation.
- d) **Leave Availment Pattern:** Based on the past experience of the Company in respect of the leave availment pattern of the employees each year, the Company have assumed for the purposes of this exercise, that 5% of leave balance as at the valuation date and each subsequent year following the valuation date is availed by the employee. The balance leave is assumed to be available for encashment on separation from the Company.
- e) **Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service.(paragraph c above)

SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED
(All amounts in Indian Rupees)

Notes forming part of the financial statements

Significant accounting policies and notes to accounts

38. Un-hedged foreign currency exposure

The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March 2014 by derivative instruments or otherwise is USD 324,507 (Rs. 19,502,778) [Previous year USD 388,416 (Rs. 21,108,571)]. Similar amount for Payable & other liabilities is USD 1,86,229 & AUD 163,858 (Rs. 20,277,311) [Previous year USD 1,522,335 (Rs. 82,798, 755)].

39. In respect of accounts receivables, the Company is regularly generating and dispatching customer statements on periodic interval wherever transactions or outstandings are there. In case of disputes with regard to billing, there is a process of resolution and adjustments are carried out on regular basis. Moreover, in respect of accounts payable, the Company has a process of receiving regular balance confirmation from its vendors. The balances are reconciled with the balance confirmation received and discrepancies, if any are accounted on regular basis. For the year end balances of Account Receivables, Account Payables and Loans & Advances, the management is of the opinion that adjustments, if any required through the above mentioned process, will not have any material impact on the financials of the company.

40. Provision for current year taxation includes an amount of Rs. NIL written back (Previous year charge Rs. 8,137,836).

41. During the year ending on 31st March'14, the Company has made certain changes in accounting policies. The policy changes have resulted in to lower profit by Rs.334,291,751 with following details:-

i) NPA classification has been changed from 180 days to 120 days past due. A provision @ 25% is created for the principal amount outstanding for the customers in 120 to 180 days past due category. This has resulted into additional provision of Rs 105,962,688/- for the year ending on 31st March'14.

ii) The income is de-recognised for all these customers in 120 to 180 days past due category which was earlier being de-recognised at 180 days past due. This has resulted into additional income de-recognition for Rs.151,015,822/- for the year ending on 31st March'14.

iii) The rate of Standard Asset Provision has been increased from 0.25% to 0.40%. This has resulted into additional provision of Rs.64,926,481/- for the year ending on 31st March'14.

iv) Till 31st March 2013, Stale cheques including CBR Credits, unidentified credits & other trade liabilities outstanding for more than three years were being recognised as income. Income recognition has been discontinued for these cases. This has resulted into reduced income by Rs 12,386,760 for the year ending on 31st March'14.

42. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

For and on behalf of the Board of Directors of

SBI Cards and Payment Services Private Limited

Director

Director

Company Secretary

Date:

Mumbai, 15-04-2014

Place: 15



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Schedule to the Balance Sheet of a non-deposit taking non-banking financial company(as required in terms of Paragraph 13 of Non-Banking Financial(Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007) as at 31 March 2014

(Rs. in Lakhs)

| Particulars | | Year Ended 31 March 2014 | | Year Ended 31 March 2013 | |
|---------------------------|---|--------------------------|----------------|--------------------------|----------------|
| Liabilities side : | | | | | |
| (1) | Loans and advances availed by the NBFCs (inclusive of interest accrued thereon but not paid: | Amount outstanding | Amount overdue | Amount outstanding | Amount overdue |
| | (a) Debentures : Secured | | | | |
| | Unsecured | 23,526 | | 23,523 | |
| | (other than falling within the meaning of public deposits*) | | | | |
| | (b) Deferred Credits | | | | |
| | (c) Term Loans | | | | |
| | (d) Inter-corporate loans and borrowing | | | | |
| | (e) Commercial Paper (Net of unamortised discount) | 59,433 | | 88,112 | |
| | (f) Other Loans (specify nature) | | | | |
| | - Working Capital | 275,282 | | 169,694 | |
| | - Finance Lease Obligation | 130 | | 111 | |
| Assets side : | | | | | |
| (2) | Break-up of Loans and Advances including bills receivables (other than those included in (4) below): | Amount outstanding | | Amount outstanding | |
| | (a) Secured | | 11,239 | | 10,351 |
| | (b) Unsecured (Net of Provisions) | | 427,740 | | 321,247 |
| (3) | Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities | | | | |
| | (i) Lease assets including lease rentals under sundry debtors : | | | | |
| | (a) Financial lease | | | | |
| | (b) Operating lease | | | | |
| | (ii) Stock on hire including hire charges under sundry debtors: | | | | |
| | (a) Assets on hire | | | | |
| | (b) Repossessed Assets | | | | |
| | (iii) Hypothecation loans counting towards AFC activities | | | | |
| | (a) Loans where assets have been repossessed | | | | |
| | (b) Loans other than (a) above | | | | |
| (4) | Break-up of Investments : | | | | |
| | Current 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) | | | | |
| | 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 | | | | |
| | 67,504 (Previous year 67,504) Class C (Series I) equity shares of Visa Inc., USA. The face value of each equity share is US\$ 0.0001 equivalent to Rs. 0.00397. (NIL shares allotted and redeemed during the year). | | | | |
| | (b) Preference | | | | |
| | (ii) Debentures and Bonds | | | | |
| | (iii) Units of mutual funds | | | | |
| | (iv) Government Securities | | | | |
| | (v) Others (please specify) | | | | |



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| | | | | | | |
|-----|--|--|--------------------------------|--|--------------------------------|-----------|
| (5) | Borrower group-wise classification of assets, financed as in (2) and (3) above | | | | | |
| | Category | Amount net of provisions Secured | Unsecured | Total | Amount net of provisions | |
| | | | | | Secured | Unsecured |
| | | | | | | Total |
| | 1. Related Parties | | | | | |
| | (a) Subsidiaries | - | - | - | - | - |
| | (b) Companies in the same group | - | 31 | 31 | - | 41 |
| | (c) Other related parties | - | - | - | - | - |
| | 2. Other than related parties | - | 438,948 | 438,948 | - | 331,557 |
| | Total | - | 438,979 | 438,979 | - | 331,598 |
| (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) | Market Value / Break up or fair value or NAV | Book Value (net of Provisions) | |
| | | | | | | |
| | 1. Related Parties | | | | | |
| | (a) Subsidiaries | - | - | - | - | NIL |
| | (b) Companies in the same group | - | - | - | - | |
| | (c) Other related parties | - | - | - | - | |
| | 2. Other than related parties | - | - | - | - | NIL |
| | Total | - | - | - | - | |
| (7) | Other Information | | | | | |
| | | | Amount | Amount | | |
| | | | | | | |
| | (i) Gross Non-Performing Assets | | 4,339 | 372 | | |
| | (a) Related parties | | - | - | | |
| | (b) Other than related parties | | 4,339 | 372 | | |
| | (ii) Net Non-Performing Assets | | 3,211 | (0) | | |
| | (a) Related parties | | - | - | | |
| | (b) Other than related parties | | 3,211 | (0) | | |
| | (iii) Assets acquired in satisfaction of debt | | NIL | NIL | | |



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Asset Liability Management

Maturity pattern of certain items of assets and liabilities as at 31 March 2014

| Item | 1 day to 30/31 days (one month) | Over one month to 2 months | Over 2 months upto 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|-----------------------|---------------------------------|----------------------------|-----------------------------|---------------------------|-------------------------|------------------------|-------------------------|--------------|---------|
| Liabilities | | | | | | | | | |
| Borrowings from banks | 240,127.06 | 75,000 | - | 19,587.67 | - | - | - | - | 334,715 |
| Market Borrowings | 5 | 5 | 8,485 | 14 | 29 | 36 | 9,036 | 5,000 | 22,610 |
| Assets | | | | | | | | | |
| Advances | - | - | - | - | - | - | - | - | - |
| Investments | 122,362 | 64,225 | 43,945 | 88,409 | 76,020 | 41,094 | - | - | 436,054 |
| | - | - | - | - | - | - | - | - | - |

Maturity pattern of certain items of Assets and liabilities as at 31 March 2013

| Item | 1day to 30/31 days (one month) | Over one month to 2 months | Over 2 months upto 3 months | Over 3 months upto 6 months | Over 6 months upto 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | Total |
|-----------------------|--------------------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|------------------------|-------------------------|--------------|---------|
| Liabilities | | | | | | | | | |
| Borrowings from banks | 257,807 | - | - | - | - | 800 | - | - | 258,607 |
| Market Borrowings | 4 | 6 | 6 | 11 | 10 | 7,723 | 4,033 | 10,000 | 21,791 |
| Assets* | | | | | | | | | |
| Advances | - | - | - | - | - | - | - | - | - |
| Investments | 80,979 | 43,068 | 27,850 | 54,235 | 44,571 | 78,735 | - | - | 329,438 |
| | - | - | - | - | - | - | - | - | - |



Capital Funds, risks assets/exposure and risk asset ratio as at 31 March 2014

| Sr. No. | Item | Year Ended 31 March 2014 | Year Ended 31 March 2013 |
|---------|----------------------------|-----------------------------|-----------------------------|
| 1 | CRAR (%) | 19.00% | 17.26% |
| 2 | CRAR - Tier I capital (%) | 16.02% | 12.55% |
| 3 | CRAR - Tier II Capital (%) | 2.97% | 4.70% |

Exposures

Exposure to Real Estate Sector

(Rs. in Lakhs)

| Sr.No. | Category | Current year | Previous Year |
|--------|--|--------------|---------------|
| a) | Direct exposure | | |
| (i) | Residential Mortgages - | | |
| | Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately) | NA | NA |
| 1 | More than 15 lakh | - | - |
| 2 | Less than 15 lakh | - | - |
| | Sub Total | - | - |
| (ii) | Commercial Real Estate - | | |
| | Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development & construction etc.). Exposure would also include non-fund based (NFB) limits; | NA | NA |
| (iii) | Investments in Mortgage Backed Securities (MBS) and other securitised exposures - | | |
| 1 | Residential, | - | - |
| 2 | Commercial Real Estate. | - | - |
| | Sub Total | - | - |
| b) | Indirect Exposure | | |
| | Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | NA | NA |
| | Total | - | - |



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संख्या / No. : एम.ए.बी.आई/सी.ए.डी.आई/१७-२/२०१४-१५/१३०

भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य लेखा परीक्षा बोर्ड-II
नई दिल्ली

INDIAN AUDIT & ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF
COMMERCIAL AUDIT & EX-OFFICIO MEMBER,
AUDIT BOARD - II, NEW DELHI

दिनांक / DATE १०.७.२०१४

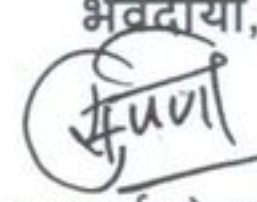
सेवा में,

मुख्य कार्यकारी अधिकारी
एस.बी.आई कार्डस एंड पेमेंट्स सर्विसिस लि०
टावर इनफिनिटी, टावर - सी
ब्लॉक-२, बिल्डिंग-३ डी एल एफ साईबर सिटी
गुडगाँव-१२२ ००२

विषय- कंपनी अधिनियम १९५६ की धारा ६१९ (४) के अधीन ३१ मार्च २०१४ को समाप्त वर्ष के लिए एस.बी.आई कार्डस एंड पेमेंट्स सर्विसिस लि०, के लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ।

महोदय,

मैं कम्पनी अधिनियम १९५६ की धारा ६१९ (४) के अधीन ३१ मार्च २०१४ को समाप्त हुए वर्ष के लिए एस.बी.आई कार्डस एंड पेमेंट्स सर्विसिस लि०, के वार्षिक लेखों पर भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ अंग्रेषित करती हूँ। इन टिप्पणियों को कम्पनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए।

भवदीया,

(सुपर्णा देब) १०/७/१४

प्रधान निदेशक वाणिज्यिक लेखा परीक्षा
एवं पदेन सदस्य, लेखा परीक्षा बोर्ड-II
नई दिल्ली

संलग्नक:- यथोपरि

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED FOR THE YEAR
ENDED 31 MARCH 2014.**

The preparation of financial statements of SBI Cards and Payment Services Private Limited for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 April, 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of SBI Cards and Payment Services Private Limited for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to the inquiries of the Statutory Auditor and the Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

(A) Balance sheet

Equity and Liabilities

Current Liabilities

Other Current Liabilities: ₹ 201.10 crore

In view of changed accounting policy (as per note no. 41 (iv)) on treatment of stale cheques including those issued for Credit Balance Refund (CBR), unidentified credits and other trade liabilities outstanding for more than three years, income booked in earlier years needs to be reversed/adjusted. Non-reversal of previous years' income of ₹12.21 crore resulted in

understatement of Other Current Liabilities and overstatement of Reserves and Surplus by ₹12.21 crore.

Consequently, the disclosure under note no. 41 (iv) is also deficient and incorrect.

**For and on behalf of the
Comptroller and Auditor General of India**


(Suparna Deb)

**Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II
New Delhi**

**Place: New Delhi
Date: 9-7-2014**