INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Max Financial Services Limited (formerly known as 'MAX INDIA LIMITED")

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Max Financial Services Limited (formerly known as 'MAX INDIA LIMITED")** (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at 31 March, 2018, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at 31 March, 2018, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

The auditors of Max Life Insurance Company Limited ('MLIC'), subsidiary company have reported that the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March, 2018 is the responsibility of the MLIC's Appointed Actuary (the "Appointed Actuary"). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March, 2018 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the "IRDAI") and the Institute of Actuaries of India in concurrence with the IRDAI. MLIC's auditors have relied upon Appointed Actuary's certificate in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in Financial Statements of MLIC.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Holding Company as on 31 March, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies is disqualified as on 31 March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company, subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's/ subsidiary company's internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Note 29 to the consolidated financial statements.

ii. The liability for insurance contracts, is determined by the MLIC's Appointed Actuary as per Note 36 to the consolidated financial statements, and is covered by the Appointed Actuary's certificate, referred to in Other Matter paragraph above, on which we have placed reliance; and the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 41 to the consolidated financial statements.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India – Refer Note 42 to the consolidated financial statements.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Satpal Singh Arora
Partner
(Membership No. 98564)

Place: New Delhi
Date: 25 May, 2018

"ANNEXURE A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March, 2018, we have audited the internal financial controls over financial reporting of **Max Financial Services Limited (formerly known as 'MAX INDIA LIMITED")** (hereinafter referred to as "the Holding Company" / "Parent") and its subsidiary company, which includes internal financial controls over financial reporting of the Company's and its subsidiary as of that date.

The actuarial valuation of liabilities for life policies in force and policies where premium is discontinued but liability exists as at 31 March, 2018 is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the "IRDA Financial Statements Regulations", and has been relied upon by us, as mentioned in "Other Matter" para of our audit report on the financial statements of the Company as at and for the year ended 31 March, 2018. Accordingly, we have not audited the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company, its subsidiary company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of the subsidiary company, which is company incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company, its subsidiary company.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the branch auditors and other auditors referred to in the Other Matters paragraph below, the Holding Company, its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

The auditors of Max Life Insurance Company Limited ('MLIC'), subsidiary company have reported that the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March, 2018 is required to be certified by the MLIC's Appointed Actuary (the "Appointed Actuary") as per the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the "IRDA Financial Statements Regulations") and has been relied upon by them, as mentioned in "Other Matter" para of our audit report on the Consolidated Financial Statements of the Company as at and for the year ended 31 March, 2018. Accordingly, MLIC's auditors have not audited the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation.

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 1 subsidiary company, which is company incorporated in India, is based solely on the corresponding reports of the auditors of such company incorporated in India.

Our opinion is not modified in respect of the above matters.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Satpal Singh Arora
Partner
(Membership No. 98564)

Place: New Delhi
Date: 25 May, 2018

Consolidated Balance Sheet

as at March 31, 2018

(Rs. in Lakhs)

Particulars			Note No.	As at March 31, 2018	As at March 31, 2017
A.	**Equity and liabilities**				
1.	**Shareholders' funds**				
	(a)	Share capital	3	5,367.68	5,345.40
	(b)	Reserves and surplus	4	255,760.23	228,120.09
				261,127.91	**233,465.49**
2.	**Minority interest**			**77,132.22**	**74,897.13**
3.	**Non-current liabilities**				
	(a)	Deferred tax liabilities (net)	5	-	-
	(b)	Other long-term liabilities	6	9,869.05	5,778.55
	(c)	Long-term provisions	7	4,573.22	3,607.09
	(d)	Long-term policyholders' funds	8	4,361,320.73	3,680,947.73
	(e)	Funds for future appropriations - participating policies		186,554.42	155,648.24
				4,562,317.42	**3,845,981.61**
4.	**Current liabilities**				
	(a)	Trade payables	9		
		i. total outstanding dues of micro enterprises and small enterprises		33.90	-
		ii. total outstanding dues of creditors other than micro enterprises and small enterprises		84,171.53	86,481.06
	(b)	Other current liabilities	10	71,965.95	60,959.62
	(c)	Short-term provisions	11	5,879.46	16,629.56
	(d)	Short-term policyholders' funds	12	465,572.51	355,518.67
				627,623.35	**519,588.91**
		Total		**5,528,200.91**	**4,673,933.14**
B.	**Assets**				
1.	**Non-current assets**				
	(a)	Fixed assets			
		(i) Tangible assets	13	5,451.78	6,203.23
		(ii) Intangible assets	13	8,915.36	10,349.00
		(iii) Capital work-in-progress		2,026.13	327.61
	(b)	Goodwill on consolidation		65,908.05	52,525.44
	(c)	Non-current investments	14	4,618,964.61	3,942,461.43
	(d)	Long-term loans and advances	15	32,598.31	22,804.36
	(e)	Other non-current assets	16	3,933.90	2,419.16
				4,737,798.14	**4,037,090.23**
2.	**Current assets**				
	(a)	Current investments	17	573,329.03	468,295.91
	(b)	Trade receivables	18	66,168.78	53,083.85
	(c)	Cash and cash equivalents	19	44,338.70	35,623.34
	(d)	Short-term loans and advances	20	20,522.79	16,469.31
	(e)	Other current assets	21	86,043.47	63,370.50
				790,402.77	**636,842.91**
		Total		**5,528,200.91**	**4,673,933.14**
See accompanying notes forming part of the consolidated financial statements			1 to 44		

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Satpal Singh Arora
Partner
Membership No. 98564

Place : New Delhi
Date : May 25, 2018

For and on behalf of the Board of Directors

Naina Lal Kidwai
(Chairman)
DIN - 00017806
Place : New Delhi

Mohit Talwar
(Managing Director)
DIN - 02394694
Place : Gurugram

Sujatha Ratnam
(Chief Financial Officer)
Place : New Delhi

Sandeep Pathak
(Company Secretary)
M.No - FCS-5351
Place : New Delhi

Date : May 25, 2018

Consolidated Statement of Profit and Loss

for the year ended March 31, 2018

(Rs. in Lakhs)

Particulars			Note No	For the year ended March 31, 2018	For the year ended March 31, 2017
1.	**Income**				
	(a)	Revenue from operations (net)	22	1,657,735.32	1,522,788.76
	(b)	Other income	23	2,877.25	2,081.32
2.	**Total revenue**			**1,660,612.57**	**1,524,870.08**
3.	**Expenses**				
	(a)	Change in policy reserves	24	821,333.02	796,951.41
	(b)	Claims and other benefits payout		494,664.57	377,681.13
	(c)	Employee benefits expense	25	77,628.32	91,812.66
	(d)	Finance costs	26	1,102.75	893.26
	(e)	Depreciation and amortisation expense	27	6,277.40	6,252.83
	(f)	Legal and professional expenses		7,007.89	6,463.06
	(g)	Other expenses	28	198,793.06	174,659.34
4.	**Total expenses**			**1,606,807.01**	**1,454,713.69**
5.	**Profit before tax (2 - 4)**			53,805.56	70,156.39
6.	**Tax expense**				
	(a)	Current tax		8,754.54	10,829.00
	(b)	Deferred tax		-	-
				8,754.54	**10,829.00**
7.	**Profit after tax (5 - 6)**			**45,051.02**	**59,327.39**
8.	Share of profit attributable to Minority interest			**(15,433.86)**	**(19,791.11)**
9.	**Profit for the year arrtibutable to the shareholders of the Company (7+8)**			**29,617.16**	**39,536.28**
10.	**Earnings per equity share**		31		
	(Face value of Rs. 2 per share)				
	(a) Basic (Rs.)			**11.05**	**14.80**
	(b) Diluted (Rs.)			**10.99**	**14.67**
	See accompanying notes forming part of the consolidated financial statements		1 to 44		

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Satpal Singh Arora
Partner
Membership No. 98564

Place : New Delhi
Date : May 25, 2018

For and on behalf of the Board of Directors

Naina Lal Kidwai
(Chairman)
DIN - 00017806
Place : New Delhi

Mohit Talwar
(Managing Director)
DIN - 02394694
Place : Gurugram

Sujatha Ratnam
(Chief Financial Officer)
Place : New Delhi

Sandeep Pathak
(Company Secretary)
M.No - FCS-5351
Place : New Delhi

Date : May 25, 2018

Consolidated Cash flow statement

for the year ended March 31, 2018

			(Rs. in Lakhs)
Particulars		**For the year ended March 31, 2018**	**For the year ended March 31, 2017**
Cash flow from operating activities			
Profit before tax		53,805.56	70,156.39
Adjustments for:			
Depreciation and amortisation expense		6,277.40	6,252.83
Interest income		(268,452.99)	(222,235.64)
Amortisation of discount/(premium)		(60.83)	-
Dividend income on long term investments		(15,086.86)	(14,401.82)
Net loss / (profit) on sale/disposal of fixed assets		(28.48)	(55.58)
Profit on sale of current investments in:			
- mutual funds		(135,070.61)	(114,226.26)
- equity instruments		-	(2.78)
Unrealised (gain) / loss on long term investments		-	(103,750.11)
Fixed assets written off		-	97.09
Doubtful advances written off		-	49.20
Provision for doubtful debts and service tax credit receivable		351.82	443.61
Liabilities/provisions no longer required written back		(1.19)	(0.68)
Expense on employee stock option scheme		(3,914.62)	8,994.31
Net unrealised exchange loss		-	(1.51)
Change in policy reserves		821,333.02	796,951.49
Operating profit before working capital changes		**459,152.22**	**428,270.54**
Changes in working capital:			
Adjustments for (increase)/decrease in operating assets:			
Trade receivables		(13,618.08)	(553.96)
Short-term loans and advances		(10,617.86)	4,533.24
Long-term loans and advances		(966.96)	(4,873.03)
Other current assets		(3,532.29)	(3,405.22)
Other non-current assets		-	(749.46)
Interest Received		266,716.00	225,941.62
Dividend Received		-	0.28
		237,980.81	**220,893.47**
Adjustments for increase/(decrease) in operating liabilities:			
Short-term trade payables		(14,742.70)	18,449.13
Other current liabilities		7,478.45	(781.34)
Other long-term liabilities		2,602.27	(567.23)
Short-term provisions		11,876.05	(121.77)
Long-term provisions		(391.18)	(2,869.69)
		6,822.89	**14,109.10**
Net cash generated from operations		**703,955.92**	**663,273.11**
Net income tax paid		**(8,838.66)**	**(10,705.34)**
Net cash flow from operating activities	**(A)**	**695,117.26**	**652,567.27**
Cash flow from investing activities			
Capital expenditure on fixed assets including capital advances		(4,918.84)	(8,106.88)
Proceeds from sale of fixed assets		111.12	227.90
Purchase of non-current investments		(15,332.82)	(35,906.50)

			(Rs. in Lakhs)
Particulars		**For the year ended March 31, 2018**	**For the year ended March 31, 2017**
Proceeds from sale of non-current investment		-	3.43
Proceeds from loans against policies		(8,994.04)	(5,692.33)
Purchase of current investments		(52,152,374.35)	(40,136,218.83)
Proceeds from sale/maturity of current investments		51,506,738.25	39,556,721.18
Bank balances not considered as Cash and cash equivalents (net)		3.09	(17.94)
Net cash used in investing activities	**(B)**	**(674,767.59)**	**(628,989.97)**
Cash flow from financing activities			
Proceeds from ESOPs exercised (including share premium a/c)		2,763.34	5.72
Dividend paid on equity shares		-	(4,806.62)
Dividend paid to minority shareholders		(8,574.25)	(10,171.52)
Tax on equity dividend paid		(5,820.31)	(6,562.50)
Net cash used in financing activities	**(C)**	**(11,631.22)**	**(21,534.92)**
Net Increase/(decrease) in cash and cash equivalents (A + B + C)		8,718.45	2,042.88
Cash and cash equivalents at the beginning of the year		35,373.41	33,330.53
Cash and cash equivalents at the end of the year		**44,091.86**	**35,373.41**

			(Rs. in Lakhs)
Particulars		**For the year ended March 31, 2018**	**For the year ended March 31, 2017**
Components of cash and cash equivalent			
Cash on hand		366.57	550.91
Cheques on hand		5,681.72	6,353.02
Balance with banks in current account		37,475.97	28,153.00
Stamps on hand		567.60	316.48
Total cash and cash equivalents		**44,091.86**	**35,373.41**
See accompanying notes forming part of the consolidated financial statements	1 to 44		

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Satpal Singh Arora
Partner
Membership No. 98564

Place : New Delhi
Date : May 25, 2018

For and on behalf of the Board of Directors

Naina Lal Kidwai
(Chairman)
DIN - 00017806
Place : New Delhi

Mohit Talwar
(Managing Director)
DIN - 02394694
Place : Gurugram

Sujatha Ratnam
(Chief Financial Officer)
Place : New Delhi

Sandeep Pathak
(Company Secretary)
M.No - FCS-5351
Place : New Delhi

Date : May 25, 2018

Notes forming part of the consolidated financial statements

1. Corporate Information

Max Financial Services Limited [formerly known as MAX INDIA LIMITED] ("the Company") is a public limited company domiciled in India. The shares of the Company are listed on National Stock Exchange (NSE) and BSE Limited (BSE). The Company is primarily engaged in making business investments in its subsidiary and providing management advisory services to the group companies.

The name of the Company has been changed from MAX INDIA LIMITED to Max Financial Services Limited with effect from February 1, 2016.

Max Life Insurance Company Limited ('the Subsidairy Company') was incorporated on July 11, 2000 as a public limited company under the Companies Act, 1956 to undertake and carry on the business of life insurance and annuity. The Subsidiary Company obtained a license from the Insurance Regulatory and Development Authority of India ('IRDAI') for carrying on life insurance business on November 15, 2000. The license has been renewed regularly and is in force as at March 31, 2018. The Subsidiary Company offers a range of participating, non participating and linked products covering life insurance, pension and health benefits including riders for individual and group segments. These products are distributed by individual agents, corporate agents, banks, brokers and other channels.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements (CFS) comprises the financial statements of Max Financial Services Limited ("the Company") and its Subsidiary Company (together the "Group"). The CFS of the Group have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, and the relevant provisions of the Companies Act, 2013 ("the 2013 Act").

The financial statements of Max Life Insurance Company Limited, a subsidiary of the Company, which are included in these CFS, are prepared and presented under the historical cost convention, unless otherwise stated, and on accrual basis of accounting, in accordance with accounting principles generally accepted in India (Indian GAAP). The subsidiary has prepared the financial statements in compliance with the accounting standards notified under section 133 of the Companies Act 2013 and other accounting principles generally accepted in India, to the extent considered relevant and appropriate for the purpose of financial reporting and are consistent with the accounting principles as prescribed with the provisions of the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), Insurance Regulatory and Development Authority Act, 1999, Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, ('the Financial Statements Regulations'), the Master Circular on Preparation of Financial Statements and Filing of Returns of Life Insurance Business Ref No. IRDA/F&A/ Cir/232/12/2013 dated December 11, 2013, ('the Master Circular'), the regulations framed thereunder and various orders/directions/circulars issued by the IRDAI and the practices prevailing within the insurance industry in India.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Principles of Consolidation

The consolidated financial statements relate to Max Financial Services Limited ('formerly Max India Limited') (the 'Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

(i) The financial statements of the subsidiary company used in the consolidation are drawn upto the same reporting date as that of the Company i.e., 31 March, 2018.

(ii) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iii) The intra-group balances, intra-group transactions and unrealised profits or losses have been eliminated to the extent of the Group's share in the entity.

Notes forming part of the consolidated financial statements

(iv) The excess of cost to the Group of its investments in the subsidiary company over its share of equity of the subsidiary company, at the dates on which the investments in the subsidiary company were made, is recognised as 'Goodwill' being an asset in the consolidated financial statements and is tested for impairment on annual basis. On the other hand, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investments of the Group, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

(v) Minority Interest in the net assets of the consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary company were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / (loss) for the year of the subsidiary company attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to shareholders of the Company.

(vi) Goodwill arising on consolidation is not amortised but tested for impairment.

(vii) Subsidiary company have been considered in the preparation of the consolidated financial statements.

Name of the Subsidiary	Country of Incorporation	Proportion of ownership as at March 31, 2018	Proportion of ownership as at March 31, 2017
Max Life Insurance Company Limited	India	70.75%	70.01%

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported balances of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

2.6 Depreciation and amortisation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets of the Company and its subsidiary company has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of assets has been assessed as under based on technical advice, taking into account the nature of asset, the estimated usage of asset, the estimated usage of asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc:

(i) Vehicles - 5 to 8 years

(ii) Handheld devices (included in office equipment) - 1 year

Notes forming part of the consolidated financial statements

(iii) IT equipment including server and network - 4 years

(iv) Leasehold improvements are amortised over the duration of the lease.

Intangible assets are amortised over their estimated useful life on straight line method as follows:

(i) Software (excluding policy administration system and satellite systems) - 3 to 4 years

(ii) Policy administration and satellite systems - 6 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

In the subsidiary company, Assets individually costing upto rupees five thousands and not as part of a composite contract are fully depreciated in the month of acquisition. Fixed assets at third party locations and not under direct physical control of the subsidiary are fully depreciated over twelve months when it is available for use in the manner intended by management.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a) Income from services

Revenues from shared services contracts are recognised over the period of the contract as and when services are rendered.

b) Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

c) Dividend

Dividend income is recognised when the Company’s right to receive dividend is established by the reporting date.

For **Life Insurance Business (Subsidiary Company)**

a) Premium Income

Premium is recognised as income when due from policyholders. For linked business, premium income is recognised when the associated units are created. Premium on lapsed policies is recognised as income when such policies are reinstated. Top-up premiums are recognised as single premium.

b) Income from linked policies

Income on linked policies including fund management charges, policy administration charges, surrender penalty charges, mortality charges, and other charges, wherever applicable are recovered from the linked fund and recognised when due in accordance with the terms and conditions mentioned in the policies.

c) Income earned on investments

Other than Linked Business

Interest income from investments is recognised on accrual basis. Amortisation of premium/accretion of discount on debt securities including money market instruments is recognised over the maturity period on its intrinsic yield. Dividend income is recognised when the right to receive dividend is established. Realised gains/loss on debt securities is the difference between the sale consideration and the amortised cost computed on weighted average basis on the date of sale. Sale consideration for the purpose of realised gain/loss excludes interest accrued till transaction settlement date and is net of brokerage and statutory levies, if any.

In case of listed equity shares, mutual fund units, additional tier-I bonds and alternate investment funds the profit/loss on actual sale of investment includes the accumulated changes in the fair value, previously recognised under "Fair Value Change Account" in the Balance Sheet. Unrealised gains/losses due to change in fair value of listed equity shares ,mutual funds, additional tier-1 bonds and alternate investment funds units are credited / debited to the 'Fair Value Change Account'. Income from alternative investment fund is recognised when a right to receive payment is established.

Linked Business

Interest income from investments is recognised on an accrual basis. Amortisation of premium/accretion of discount on debt securities with a residual maturity upto 182 days and money

Notes forming part of the consolidated financial statements

market instruments is recognised uniformly over the remaining maturity period. Dividend income is recognised on the ex-dividend date.

Realised gain/loss on securities is the difference between the sale consideration and the book value, which is computed on weighted average basis, on the date of sale. Sale consideration for the purpose of realised gain/loss excludes interest accrued till transaction settlement date and is net of brokerage and statutory levies, if any. Unrealised gains and losses are recognised in the respective fund's Revenue Account.

d) Income earned on loans

Interest income on loans is recognised on an accrual basis. Fees and charges also include policy reinstatement fees and loan processing fees which are recognised on receipt basis.

e) Rental income on investment property

Lease rentals on investment property is recognised on accrual basis and include only the realisable rent. Costs related to operating and maintenance of investment property are recognised as expense in the Revenue Account.

2.8 Tangible fixed assets (Property, plant and equipment)

Fixed assets are carried at costs less accumulated depreciation, amortisation and impairment loss, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets upto the date the asset is ready for its intended use. Exchange difference arising on restatement/settlement of long term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining life of fixed assets. Subsequent expenditure on fixed assets after its purchase/ completion is capitalised only if such expenditure results in increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till the project is ready for its intended use.

Capital work-in-progress:

The assets which are not ready for their intended use and other capital work in progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

2.9 Intangible fixed assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.10 Foreign currency transactions and translations

Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year end rates. Non-monetary items of the Company are carried at historical cost.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

2.11 Investments

Long-term investments (excluding investment properties), are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments

Notes forming part of the consolidated financial statements

are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

Investment properties are carried individually at cost less accumulated depreciation and impairment, if any. Investment properties are capitalised and depreciated (where applicable) in accordance with the policy stated for Fixed assets. Impairment of investment property is determined in accordance with the policy stated for impairment of Assets.

For **Life Insurance Business (Subsidiary Company)**

Investments are made in accordance with the provision of the Insurance Act, 1938 and the Insurance Regulatory & Development Authority (Investment) Regulations, 2000 as amended and subsequent circulars/notifications issued by the IRDAI from time to time. Investments are recorded at cost on date of purchase, which includes brokerage and statutory levies, if any and excludes interest paid, if any, on purchase. Diminution in the value of investment (non-linked), other than temporary decline, is charged to Revenue Acccount / Profit and Loss Account as applicable.

Classification

Investments intended to be held for a period less than twelve months or maturing within twelve months from the balance sheet date are classified as short term investments. All other investments are classified as long-term investments.

Valuation - Shareholder's Investments and Non-linked Policyholder's Investments

Debt securities, which include government securities and redeemable preference shares are considered as 'held to maturity' and measured at historical cost subject to amortisation. The premium/discount, if any, on purchase of debt securities including money market instruments is recognised and amortised in the Statement of Profit and Loss, over the remaining period to maturity on the basis of their intrinsic yield.

Reverse repos are valued at cost. Fixed deposits are valued at cost till the date of maturity.

Listed shares, as at balance sheet date, are valued at fair value, being the last quoted closing price on National Stock Exchange (NSE) and in case the same is not available, then on the Bombay Stock Exchange Ltd (BSE). Unlisted equity shares (including awaiting listing) are stated at historical cost subject to diminution, if any, determined separately for each individual investment. Investments in Mutual fund units are valued at previous day's net asset value of the respective funds.

Alternate Investment Funds are valued at Net Asset Value (NAV) if applicable or Historical Cost less diminution in value of Investments.

Additional Tier-1 bonds are valued on the basis of values generated by bond valuer based on matrix released by Credit Rating Information Services of India Limited (CRISIL) on daily basis.

Infrastructure Investment Trusts are valued at Market Value or latest NAV published by trust, in case the market value is not available for last 30 days.

Money market instruments like Commercial Papers, Certificate of Deposit, Treasury Bills (T-Bills) and Collaterised Borrowing and Lending Obligation (CBLO) are valued at historical cost, subject to amortisation of premium or accretion of discount over the period of maturity/holding on a yield to maturity.

Land or building or part of a building or both held to earn rental income or capital appreciation or for both, if any, rather than for use in services or for administrative purposes is classified as real estate investment property and is valued at historical cost (including cost of improvements and other incidental costs) subject to revaluation on an annual basis. The change in the carrying amount of the investment property shall be taken to Revaluation Reserve. The depreciation charge shall be ignored for the valuation of Investment Property.

Rights are valued at fair value, being last quoted closing price on National Stock Exchange (NSE) and in case the same is not available, then on BSE. Unlisted rights are valued at a price computed as a difference between offer price and valuation price of the parent security.

Bonus entitlements are recognised as investments on the 'ex- bonus date'.

Valuation - Linked Investments

Government securities are valued at the prices obtained from CRISIL. Debt securities other than Government Securities are valued on the basis of

Notes forming part of the consolidated financial statements

values generated by bond valuer based on matrix released by the CRISIL on daily basis.

Listed shares are valued at fair value, being the last quoted closing price on National Stock Exchange (NSE) and in case the same is not available, then on the BSE Ltd (BSE). Unlisted equity shares (including awaiting listing) are stated at historical cost subject to diminution, if any, determined separately for each individual investment. Mutual fund units are taken at the previous day's net asset values.

Compulsory Convertible Debentures (CCD’s) are valued at fair value, being the last quoted closing price on National Stock Exchange (NSE) and in case the same is not available, then on the BSE Ltd(BSE).

Securities with call options are valued at the lower of the values as obtained by valuing the security to the final maturity date or to the call option date by using the benchmark rate based on the matrix released by CRISIL on daily basis. Securities with put options are valued at the higher of the value as obtained by valuing the security to the final maturity date or to the put option date by using the benchmark rate based on the matrix released by CRISIL on daily basis.

Reverse repos are valued at cost. Fixed deposits are valued at cost till the date of maturity.

Money market and debt securities with a residual maturity upto 182 days are valued at amortised cost being the difference between the redemption value and historical cost/last valuation price, spread uniformly over the remaining maturity period of the instrument.

Rights are valued at fair value, last quoted closing price on National Stock Exchange (NSE) and in case the same is not available, then on Bombay Stock Exchange (BSE). Unlisted rights are valued at a price computed as a difference between offer price and valuation price of the parent security.

Bonus entitlements are recognised as investments on the ‘ex- bonus date’.

Valuation of Derivative Instrument:-

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest by means of periodic payments, calculated on a specified notional amount and defined interest rates. Interest payments are netted against each other, with the difference between the fixed and floating rate payments paid by one party.

For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect Revenue/Profit or loss.

At the inception of the transaction, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Company also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Hedge effectiveness is the degree to which changes in cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the cash flows of the hedging instrument. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. The portion of fair value gain/loss on the Interest Rate Derivative that is determined to be an effective hedge is recognised directly in appropriate equity account i.e. ‘Hedge Fluctuation Reserve’ which is included in ‘Credit/(Debit) Fair Value Change Account’ under Policyholders funds in the balance sheet. The ineffective portion of the change in fair value of such instruments is recognised in the Revenue Account in the period in which they arise. If the hedging relationship ceases to be effective or it becomes probable that the expected forecast transaction will no longer occur, hedge accounting is discontinued and accumulated gains or losses that were recognised directly in the Hedge Fluctuation Reserve are reclassified into Revenue Account.

All derivatives are initially recognised in the Balance sheet at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do

Notes forming part of the consolidated financial statements

not represent the fair value of these transactions.

Transfer of Investments

Investments in debt securities are transferred from shareholders to policyholders at the lower of the market price and net amortised cost. Investments other than debt securities are transferred from shareholders to policyholders at lower of book value or market value. Transfers of investments between unit linked funds are effected at prevailing market price. No transfer of investments is carried out between different policyholders' funds.

Impairment of Investments

The Company assesses at each Balance Sheet date, using internal and external sources, whether there is any indication of impairment of investment or reversal of impairment loss earlier recognised. An impairment loss is accounted for an expense in the Revenue Account or the Profit and Loss Account to the extent of the difference between the remeasured fair value of the investments and its acquisition cost as reduced by any earlier impairment loss accounted for as an expense in the Revenue Account or the Profit and Loss Account. Any reversal of impairment loss earlier recognised, is accounted in Revenue/Profit and Loss Account.

2.12 Employee benefits

Employee benefits include provident fund, gratuity fund, compensated absences and long-term incentive plan.

a) Post employment benefit plan

Contributions to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to such benefits.

For defined benefit plan in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

b) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

c) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

d) Long term incentive

The liability towards Long Term Incentive Plan is accounted for on the basis of independent actuarial valuations carried out as per 'Projected Unit Credit Method' at the balance sheet date. Actuarial gains / losses related thereof are recognised in the revenue account.

2.13 Employee share based payments

The Company has formulated Employee Stock Option Schemes (ESOS) in accordance with the

Notes forming part of the consolidated financial statements

SEBI (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options to employees of the Company and its subsidiaries to acquire equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines; the excess, if any, of the closing market price on the day prior to the grant of the options under ESOS over the exercise price is amortised on a straight-line basis over the vesting period.

The Company had constituted a Phantom Stock option plan in 2016, to be settled in cash. The Company is required to make provisions for estimated cash requirement for settlement on the basis of Fair Market Value of equity shares of the Company, Max India Limited and Max Ventures and Industries Limited as at end of each financial period/year till the estimated life of phantom stocks. As and when any cash payment is made on account of settlement of phantom stock, the provision is accordingly adjusted.

The Company has constituted another Phantom Stock option plan in 2017, which will be settled in cash. The Company is required to make provisions for estimated cash requirement for settlement on the basis of Fair Market Value of equity shares of the Company as at end of each financial period/ year till the estimated life of phantom stocks. As and when any cash payment is made on account of settlement of phantom stock, the provision is accordingly adjusted.

For **Life Insurance Business (Subsidiary Company)**

The options are accounted for on an intrinsic value basis in accordance with the Guidance Note on Accounting for Employee Share based Payments, issued by the Institute of Chartered Accountants of India (ICAI). Intrinsic value of option, which is the difference between derived market price of the underlying stock and the exercise price on the grant date is amortised over the vesting period. The intrinsic value is being measured at each reporting date and at the date of settlement, with any changes in such value being recognised in the Statement of Profit and Loss. Options that lapse are reversed by a credit to Statement of Profit and Loss equal to the amortised portion of the value of the lapsed options.

In a cash settled employee share based payment plan, the Subsidiary company recognises expense for the services received, as employees render services over the vesting period.

2.14 Segment reporting

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under 'unallocated revenue / expenses / assets / liabilities'.

2.15 Leases

Where the Group as a lessor leases assets under finance leases, such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is recognised based on a constant rate of return on the outstanding net investment.

Assets leased by the Group in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially

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vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term.

2.16 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.17 Taxes on income

Current tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the applicable tax rates and the provisions of Income Tax Act, 1961 and other applicable tax laws.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and is likely to reverse in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

The Group offsets deferred tax assets and deferred tax liabilities, and advance income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the entity.

2.18 Impairment of assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists.

If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Consolidated Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Consolidated Statement of Profit and Loss, to the extent the amount was previously charged to the Consolidated Statement of Profit and Loss. In case of revalued assets such reversal is not recognised.

Notes forming part of the consolidated financial statements

2.19 Provisions and contingencies

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

2.20 Service tax / Goods and services tax input credit

GST input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

2.21 Operating cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

2.22 Other Life Insurance business specific accounting policies

a) Reinsurance Premium

Reinsurance premium ceded is accounted for at the time of recognition of premium income in accordance with the treaty or in-principle arrangement with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

b) Acquisition Costs

Acquisition costs include expenses which are incurred to solicit and underwrite insurance contracts such as commission, medical fee, stamp duty, policy printing expenses, and other related expenses. These costs are expensed in the year in which they are incurred. Clawback of the commission paid, if any, is accounted for in the year in which it becomes recoverable.

c) Benefits Paid

Benefits paid include policy benefit amount and the direct costs of settlement if any. Reinsurance recoverable thereon, if any, is accounted for in the same period as the related claim. Repudiated claims disputed before judicial authorities are provided for based on management judgement considering the facts and evidences available in respect of such claims.

Death and other claims are accounted for, when notified. Surrenders / withdrawal under non linked policies are accounted on the receipt of the consent from the policyholder. Surrenders / withdrawals under linked policies are accounted in the respective schemes when the associated units are cancelled. Surrenders, withdrawals and lapsation are disclosed net of charges recoverable. Amount payable on lapsed and discontinued policies are accounted for on expiry of lock in period.

Survival and maturity benefits are accounted for when due for payment to the policyholders.

d) Liability for Policies

The actuarial liability for policies in-force as at the valuation date is determined using appropriate methods and assumptions that conform to the regulations issued by the IRDAI and the Actuarial Practice Standards (APS) issued by the Institute of Actuaries of India (IAI). Specifically, the key principles considered for the valuation relate to the IRDAI (Assets & Liabilities and Solvency Margin of Life Insurance business) Regulations, 2016 and the APS 1, APS 2 and APS 7 issued by the IAI.

The liability, valued on a policy by policy basis, is so calculated that together with future premium payments and investment income, the Company is able to meet all future claims (including bonus entitlements to policyholders, if applicable) and expenses, on the basis of actuarial estimates.

A brief description of the methodology used for valuing key categories of products is provided below:

1. The liability for individual non-linked business is valued using gross premium reserving methodology. For participating

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business, a reference is also made to the asset share of the policies as at the valuation date in order to appropriately allow for policyholders' reasonable expectations. The liability is floored to zero or the surrender value payable under the policies, if any.

2. The liability for individual (and group) unit linked business comprises of two parts – a unit reserve and a non-unit reserve. Unit reserve represents the value of units using the net asset value at the valuation date. Non-unit reserve is calculated using a discounted cashflow method and is similar to gross premium reserves.

3. The liability for group one year renewable term business is calculated using an unearned premium approach where the premium representing the unexpired policy term is held as a liability. For longer term group business, gross premium reserving methodology is used.

4. The liability for riders attached to a non-linked policy is calculated as higher of gross premium reserves and unearned premium reserves.

   The liabilities above also allow (either explicitly or implicitly) for any cost of guarantees/options inherent in the products.

   The regulations also require the insurers to hold certain additional reserves. The key additional reserves cover the following sources of liability:

   i) Additional source of liability for policies which are lapsed as at the valuation date but represent a potential source of future liability if they revive within their revival period (generally termed as lapse revival reserves). The reserves are calculated using an assumption of revival probability, based on Company experience.

   ii) Additional source of liability for policies which may exercise their option of cancelling the policy within the free look period offered (generally termed as free look cancellation reserves). The reserves are calculated using an assumption of free look cancellation, based on Company experience.

   iii) Liability against policies for which the insured event has already occurred but the claim has not been reported to the Company (generally termed as incurred but not reported reserves).

e) Contribution to Policyholders' Account (Technical Account)

Contribution to Policyholders' Account (Technical Account), if any, is made as decided by the Board of Directors of the Subsidiary.

f) Loans

Loans against policies are valued at the aggregate of book values (net of repayments) plus capitalised interest, subject to provision for impairment, if any

g) Funds for future appropriations

Non-Linked:- Funds for future appropriations in non linked account represents funds, the allocation of which, either to participating policyholders or to shareholders, has not been determined at the balance sheet date. Transfers to and from the fund reflect the excess or deficit of income over expenses and appropriations in each accounting period arising in the Company's policyholder fund.

Unit-Linked:- The FFA in the linked segment represents an amount that is estimated by the Appointed Actuary in respect of lapsed unit linked policies and is set aside in the Balance Sheet. This amount is required to be held within the policyholder fund till the time policyholder are eligible for revival of their policies and this amount is not made available for distribution to Shareholders until the expiry of the maximum revival period. After expiry of the revival period, the Company may appropriate FFA amount as a surplus on the Appointed Actuary's recommendation.

Notes forming part of the consolidated financial statements

3. Share Capital

	Particulars	As at March 31, 2018		As at March 31, 2017	
		Number of shares	(Rs. in Lakhs)	Number of shares	(Rs. in Lakhs)
(a)	**Authorised**				
	Equity share capital				
	Equity shares of Rs. 2 (previous year: Rs. 2) each with voting rights	**300,000,000**	**6,000.00**	**300,000,000**	**6,000.00**
(b)	**Issued, subscribed and fully paid-up**				
	Equity share capital				
	Equity shares of Rs. 2 (previous year: Rs. 2) each with voting rights	**268,384,027**	**5,367.68**	**267,270,049**	**5,345.40**

Refer notes (i) to (v) below

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	(Rs. in Lakhs)	Number of shares	(Rs. in Lakhs)
Equity shares of with voting rights				
At the beginning of the year	267,270,049	5,345.40	266,983,999	5,339.68
Issued during the year relating to Employee Stock Option Scheme (Refer note 32)	1,113,978	22.28	286,050	5.72
Outstanding at the end of the year	**268,384,027**	**5,367.68**	**267,270,049**	**5,345.40**

(ii) The Company has only one class of equity shares having a par value of Rs. 2 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holder of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shares held by each shareholder holding more than 5% shares:

Name of the Shareholder	As at March 31, 2018		As at March 31, 2017	
	Number of shares	% held	Number of shares	% held
Equity shares of Rs. 2/- each fully paid				
(with voting rights)				
- ICICI Prudential Value Discovery fund	13,759,730	5.13%	4,517,866	1.69%
- Liquid Investment and Trading Company Private Limited	23,818,876	8.87%	23,818,876	8.91%
- Max Ventures Investment Holdings Private Limited	43,372,459	16.16%	43,372,459	16.23%
- Mohair Investment and Trading Company Private Limited	13,690,570	5.10%	8,086,560	3.03%
- Moneyline Portfolio Investments Limited	18,070,048	6.73%	26,570,048	9.94%
- Reliance Capital Trustee Co Ltd	18,368,381	6.84%	5,223,731	1.95%
- Xenok Limited	-	-	24,079,700	9.01%

Notes forming part of the consolidated financial statements

(iv) Shares reserved for issuance

As at March 31, 2018 1,132,767 (previous year: 2,246,745) shares of Rs. 2 each were reserved for issuance towards outstanding employee stock options granted under Employee Stock Option Plan 2003 (ESOP) of the Company. (Refer note 32)

(v) Aggregate number of share issued for consideration other than cash during the period of five years immediately preceding the reporting date

The Company has issued total 2,863,738 shares (previous year: 2,700,939 shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the ESOP plan wherein part consideration was received in the form of employees services.

4. Reserves and Surplus

(Rs. in Lakhs)

Particulars		As at March 31, 2018	As at March 31, 2017
(a)	**Capital redemption reserve**		
	Opening balance	2,587.84	2,587.84
	Add: Addition during the year	-	-
	Closing balance	**2,587.84**	**2,587.84**
(b)	**Securities premium account**		
	Opening balance	32,265.01	31,709.03
	Add : Premium on shares issued during the year	3,241.59	555.98
	Closing balance	**35,506.60**	**32,265.01**
(c)	**Employee stock option outstanding**		
	Opening balance	803.61	927.43
	Add : Compensation expensed during the year	246.24	432.16
	Less : Transferred to securities premium account on excercise	500.53	555.98
	Closing balance	**549.32**	**803.61**
(d)	**Hedging Reserve**		
	Opening balance	(568.50)	69.77
	Add: Additions during the year	(1,292.33)	(638.27)
	Closing balance	**(1,860.83)**	**(568.50)**
(e)	**General reserve**		
	Opening balance	15,358.07	15,358.07
	Add: Additions during the year	-	-
	Closing balance	**15,358.07**	**15,358.07**
(f)	**Surplus in consolidated statement of profit and loss**		
	Opening balance	177,674.06	140,579.93
	Add: Profit for the year	29,617.16	39,536.28
	Add: Adjustment for change in minority and cost of control	402.81	(444.86)
	Final dividend of earlier year	-	(0.91)
	Corporate dividend tax	(4,074.80)	(1,996.38)
	Total appropriations	**(4,074.80)**	**(1,997.29)**
	Closing balance	**203,619.23**	**177,674.06**
	Total reserves and surplus	**255,760.23**	**228,120.09**

Notes forming part of the consolidated financial statements

5. Deferred tax liabilities (net)

The Group has carried out its tax computation in accordance with Accounting Standard 22 'Accounting for Taxes on Income'. In view of absence of virtual certainty of realisation of unabsorbed tax losses, deferred tax assets have been recognised only to the extent of deferred tax liabilities. The major components of deferred tax assets / liabilities as recognised in the consolidated financial statements are as follows:

		(Rs. in Lakhs)
Particulars	**As at March 31, 2018**	**As at March 31, 2017**
Deferred tax liabilities (DTL)		
Tax impact on difference between carrying amount of fixed assets in the financial statements and the income tax return	(125.11)	(108.87)
Total (A)	**(125.11)**	**(108.87)**
Deferred tax assets (DTA)		
Carry forward business loss to be adjusted in future years	125.11	108.87
Total (B)	**125.11**	**108.87**
Deferred tax liabilities (net) (A+B)	**-**	**-**

6. Other long-term liabilities

			(Rs. in Lakhs)
Particulars		**As at March 31, 2018**	**As at March 31, 2017**
(a)	Trade payables	8,684.44	4,954.66
(b)	Others		
	- Lease equalisation reserve	1,184.61	823.89
Total		**9,869.05**	**5,778.55**

7. Long-term provisions

		(Rs. in Lakhs)
Particulars	**As at March 31, 2018**	**As at March 31, 2017**
Provision for employee benefits		
(i) Provision for compensated absences	2,537.08	2,049.38
(ii) Provision for gratuity (Refer note 30)	1,391.84	717.55
(iii) Provision for employee stock appreciation rights	644.30	840.16
Total	**4,573.22**	**3,607.09**

8. Long-term policyholders' funds

		(Rs. in Lakhs)
Particulars	**As at March 31, 2018**	**As at March 31, 2017**
Opening balance	3,680,947.73	2,947,821.00
Add : Change in valuation of liability against life policies in force (net)	680,373.00	733,126.73
Closing balance	**4,361,320.73**	**3,680,947.73**

Notes forming part of the consolidated financial statements

9. Trade payables

(Rs. in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Other than acceptances		
i. total outstanding dues of micro enterprises and small enterprises (Refer note 40)	33.90	-
ii. total outstanding dues of creditors other than micro enterprises and small enterprises	84,171.53	86,481.06
Total	**84,205.43**	**86,481.06**

10. Other current liabilities

(Rs. in Lakhs)

	Particulars	As at March 31, 2018	As at March 31, 2017
(a)	Unclaimed / unpaid dividend (Refer note 19)	246.84	249.93
(b)	Others:		
	(i) Advance from customers and policyholders	21,989.43	31,316.50
	(ii) Claims outstanding (includes claims pending investigation)	8,782.39	4,713.34
	(iii) Unclaimed amount - policyholders	3,816.65	4,988.31
	(iv) Payable to policyholder	18,220.22	11,962.10
	(v) Security deposit received	3.91	7.94
	(vi) Statutory remittances (Contributions to PF, Service Tax, Withholding Taxes etc.)	13,085.00	4,613.53
	(vii) Payable on purchase of fixed assets	3,094.25	2,184.06
	(viii) Derivative Liabilities	2,617.70	806.85
	(ix) Lease equalisation reserve	3.87	14.11
	(x) Other payables	105.69	102.95
	Total	**71,965.95**	**60,959.62**

11. Short term provisions

(Rs. in Lakhs)

	Particulars	As at March 31, 2018	As at March 31, 2017
(a)	**Provision for employee benefits:**		
	(i) Provision for compensated absences	397.83	356.03
	(ii) Provision for gratuity (Refer note 30)	77.60	180.94
	(iii) Provision for employee stock appreciation rights	5,307.72	15,927.77
(b)	**Provision - Others:**		
	(i) Provision for income tax (net of advance tax)	96.31	164.82
	Total	**5,879.46**	**16,629.56**

Notes forming part of the consolidated financial statements

12. Short-term policyholders' funds

(Rs. in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Opening balance	355,518.67	301,713.93
Add : Change in valuation of liability against life policies in force (net)	1,605.50	(31,557.88)
Add : Policyholder bonus provided	108,448.35	85,362.62
Closing balance	**465,572.51**	**355,518.67**

13. Fixed Assets

(Rs. in Lakhs)

	Particulars	Gross block				Accumulated depreciation and amortisation				Net block
		As at April 1, 2017	Additions	Deletions/ adjust-ments	As at March 31, 2018	As at April 1, 2017	Depreci-ation and amor-tisation expense for the year	Deletions/ adjust-ments	As at March 31, 2018	As at March 31, 2018
A	**TANGIBLE ASSETS - OWNED**									
(a)	Building	50.83	-	-	50.83	21.76	0.80	-	22.56	28.27
		50.83	*-*	*-*	*50.83*	*20.96*	*0.80*	*-*	*21.76*	*29.07*
(b)	Furniture and fixtures	4,151.54	50.08	170.32	4,031.30	3,231.15	218.70	145.68	3,304.17	727.13
		4,076.52	*199.23*	*124.21*	*4,151.54*	*3,023.63*	*313.29*	*105.77*	*3,231.15*	*920.39*
(c)	Vehicles	886.36	60.25	150.33	796.28	484.48	116.87	109.55	491.80	304.48
		935.71	*53.98*	*103.33*	*886.36*	*412.53*	*136.59*	*64.64*	*484.48*	*401.88*
(d)	Office equipment	5,974.99	192.58	386.20	5,781.37	4,884.84	361.47	371.96	4,874.35	907.02
		5,663.78	*577.84*	*266.63*	*5,974.99*	*4,723.76*	*414.85*	*253.77*	*4,884.84*	*1,090.15*
(e)	Leasehold improvements	12,260.12	272.48	428.65	12,103.95	10,504.12	359.50	428.51	10,435.11	1,668.84
		11,840.14	*755.01*	*335.03*	*12,260.12*	*9,957.60*	*782.70*	*236.18*	*10,504.12*	*1,756.00*
(f)	Computers	13,565.26	1,028.69	1,386.24	13,207.71	11,559.52	1,215.52	1,383.37	11,391.67	1,816.04
		12,230.60	*1,752.08*	*417.42*	*13,565.26*	*10,552.39*	*1,421.08*	*413.95*	*11,559.52*	*2,005.74*
	Total (A)	**36,889.10**	**1,604.08**	**2,521.74**	**35,971.44**	**30,685.87**	**2,272.86**	**2,439.07**	**30,519.66**	**5,451.78**
	Previous year (C)	*34,797.58*	*3,338.14*	*1,246.62*	*36,889.10*	*28,690.87*	*3,069.31*	*1,074.31*	*30,685.87*	*6,203.23*
B	**INTANGIBLE ASSETS - OWNED**									
(a)	Computer software	31,496.66	2,527.65	-	34,024.31	21,147.66	3,961.29	-	25,108.95	8,915.36
		25,817.67	*5,678.99*	*-*	*31,496.66*	*18,007.39*	*3,140.27*	*-*	*21,147.66*	*10,349.00*
	Total (B)	**31,496.66**	**2,527.65**	**-**	**34,024.31**	**21,147.66**	**3,961.29**	**-**	**25,108.95**	**8,915.36**
	Previous year (D)	*25,817.67*	*5,678.99*	*-*	*31,496.66*	*18,007.39*	*3,140.27*	*-*	*21,147.66*	*10,349.00*

Note: Amouns in italics represent previous year figures.

14. Non- current investments

(Rs. in Lakhs)

	Particulars	As at March 31, 2018	As at March 31, 2017
A.	**Non-trade investments (valued at cost unless stated otherwise)**		
	Life Insurance Business:		
(i)	Investment in equity instruments (quoted)	935,187.19	932,482.58
(ii)	Investment in preference shares (unquoted)	110.53	137.39
(iii)	Investment in bonds (quoted)	375,631.86	175,332.30
(iv)	Investment in government and trust securities (quoted)	2,354,220.21	1,892,415.34
(v)	Investment in term deposits (unquoted)	1,850.00	3,848.00
(vi)	Investment in infrastructure & social sector (quoted)	769,883.11	697,054.67
(vii)	Investment in other approved securities (quoted)	177,234.43	236,300.62
	Total non-trade investments	**4,614,117.33**	**3,937,570.90**

Notes forming part of the consolidated financial statements

	Particulars	As at March 31, 2018	As at March 31, 2017
			(Rs. in Lakhs)
B.	**Other investments**		
	Investment property (net of accumulated depreciation)		
	Cost of building given on operating lease	5,010.45	5,010.45
	Less: accumulated depreciation (Refer note below)	163.17	119.92
	Total - Other investment	**4,847.28**	**4,890.53**
	Total	**4,618,964.61**	**3,942,461.43**
Aggregate amount of quoted investments (Market value: Rs. 47,03,556.80 Lakhs) (previous year Rs. 40,68,291.35 Lakhs)		4,612,156.80	3,933,585.51
Aggregate amount of unquoted investments		1,960.53	3,985.39

Depriciation for the year aggregated to Rs. 43.25 Lakhs (Previous year: Rs. 43.25 Lakhs)

15. Long term loans and advances

	Particulars	As at March 31, 2018	As at March 31, 2017
			(Rs. in Lakhs)
(a)	Capital Advances		
	Unsecured, considered good	20.00	1.16
(b)	Security Deposits		
	Unsecured, considered good	2,969.24	3,068.24
(c)	Loan to policyholders		
	Secured, considered good	22,018.07	13,274.03
(d)	Loans and advances to employees		
	Unsecured, considered good	70.54	82.93
(e)	Prepaid expenses		
	Unsecured, considered good	185.85	1,635.32
(f)	Balances with statutory/government authorities (unsecured, considered good)		
	(i) Deposit against cases with service tax authorities	12.00	12.00
	(ii) Others	5,245.48	2,722.78
		5,257.48	2,734.78
(g)	Advances recoverable in cash or in kind		
	Considered doubtful	303.00	303.00
		303.00	303.00
	Less: Provision for doubtful advances	(303.00)	(303.00)
		-	-
(h)	Advance income tax - Unsecured, considered good (net of provisions Rs. 22,829.43 Lakhs (previous year Rs. 22,829.43 Lakhs)	2,077.13	2,007.90
	Total	**32,598.31**	**22,804.36**

16. Other non-current assets

	Particulars	As at March 31, 2018	As at March 31, 2017
			(Rs. in Lakhs)
(a)	Accruals		
	(i) Interest accrued on deposits	2.40	1.80
	(ii) Interest accrued on investments	1,699.63	2,409.78
		1,702.03	**2,411.58**
(b)	Others		
	(i) Balances held as margin money against guarantee*	2,231.87	7.58
		2,231.87	**7.58**
	Total	**3,933.90**	**2,419.16**

* Includes deposits with remaining maturity of more than 12 months from the balance sheet date.

Notes forming part of the consolidated financial statements

17. Current Investments

Particulars		As at March 31, 2018 (Nos.)	As at March 31, 2018 (Rs. in Lakhs)	As at March 31, 2017 (Nos.)	As at March 31, 2017 (Rs. in Lakhs)
A.	**Current portion of long-term investments (valued at cost)**				
	Life Insurance Business:				
(i)	Investment in infrastructure and social sector (quoted)		79,734.44		37,485.97
(ii)	Investment in government and trust securities (quoted)		36,136.63		38,399.44
(iii)	Investment in bonds (quoted)		22,591.10		14,380.87
(iv)	Investment in term deposits (unquoted)		39,844.55		1,295.62
(v)	Investment in other approved securities (quoted)		29,272.85		22,377.08
(vi)	Investment in unit in mutual funds (unquoted)		207,631.30		265,841.07
(vii)	Investment in certificate of deposit (quoted)		16,581.83		9,970.22
(viii)	Investment in commercial paper (quoted)		47,562.80		-
(ix)	Reverse Repo		59,353.96		52,106.24
(x)	Other investments		30,394.86		23,599.40
	Total (A)		**569,104.32**		**465,455.91**
B.	**Other current investments (At lower of cost and fair value, unless otherwise stated)**				
(a)	**Investment in mutual funds (unquoted)**				
(i)	Aditya Birla Sun Life Cash Plus Fund - Direct Plan Growth- Face value Rs. 100 per unit	532,783.20	1,451.59	-	-
(ii)	DHFL Pramerica Insta Cash Plus Fund - Direct Plan Growth- Face value Rs. 100 per unit	-	-	265,084.74	560.00
(iii)	DSP BlackRock Liquidity Fund - Direct Plan Growth- Face value Rs. 1,000 per unit	-	-	1,548.45	36.00
(iv)	Invesco India Liquid Fund - Direct Plan Growth- Face value Rs. 1,000 per unit	6,285.51	150.00	25,383.40	568.00
(v)	JM High Liquidity Fund - Direct Plan Growth- Face value Rs. 10 per unit	-	-	1,276,613.47	568.00
(vi)	L&T Liquid Fund - Direct Plan Growth- Face value Rs. 1,000 per unit	-	-	25,481.92	568.00
(vii)	UTI Money Market Fund - Institutional Plan - Direct Plan Growth - Face value Rs. 1000/- per unit	139,919.89	2,623.12	29,616.49	540.00
	Total (B)		**4,224.71**		**2,840.00**
	Total (A+B)		**573,329.03**		**468,295.91**
	Aggregate amount of quoted investments (Market value: Rs. 232,279.05 Lakhs) (previous year Rs. 123,334.07 Lakhs)		231,879.65		122,613.58
	Aggregate amount of unquoted investments		341,449.38		345,682.33

Notes forming part of the consolidated financial statements

18. Trade receivables (unsecured)

			(Rs. in Lakhs)
Particulars		**As at March 31, 2018**	**As at March 31, 2017**
(a)	Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	- Considered good	128.87	320.69
		128.87	**320.69**
(b)	Other trade receivables		
	- Considered good	66,039.91	52,763.16
	- Considered doubtful	332.08	272.07
		66,371.99	53,035.23
	Less: Provision for doubtful receivables	(332.08)	(272.07)
		66,039.91	**52,763.16**
	Total	**66,168.78**	**53,083.85**

19. Cash and cash equivalents

			(Rs. in Lakhs)
Particulars		**As at March 31, 2018**	**As at March 31, 2017**
A.	**Cash and cash equivalents (As per AS 3 cash flow statement)**		
(a)	Cash on hand	366.57	550.91
(b)	Cheques/drafts on hand	5,681.72	6,353.02
(c)	Balances with banks in current accounts	37,475.97	28,153.00
(d)	Stamps on hand	567.60	316.48
	Total - Cash and cash equivalents (As per AS 3 cash flow statement)	**44,091.86**	**35,373.41**
B.	Other bank balances		
	- In earmarked accounts - unpaid dividend accounts (Refer note 10)	246.84	249.93
	Total - Other bank balances	**246.84**	**249.93**
	Total	**44,338.70**	**35,623.34**

20. Short-term loans and advances

			(Rs. in Lakhs)
Particulars		**As at March 31, 2018**	**As at March 31, 2017**
(a)	Security deposits		
	- Unsecured, considered good	882.05	639.16
(b)	Advances recoverable in cash or in kind - unsecured		
	(i) Considered good	13,083.73	10,077.44
	(ii) Considered doubtful	656.80	587.43
		13,740.53	10,664.87
	Less: Provision for doubtful advances	(656.80)	(587.43)
		13,083.73	10,077.44
(c)	Loan to policyholders		
	- Secured, considered good	307.69	57.69
(d)	Balances with statutory/government authorities (unsecured)		
	- Input tax credit receivable		
	(i) Considered good	3,446.45	3,648.37
	(ii) Considered doubtful	-	443.61
		3,446.45	4,091.98
	Less: Provision for doubtful balances	-	(443.61)
		3,446.45	3,648.37
(e)	Prepaid expenses		
	- Unsecured, considered good	2,790.62	2,033.85
(f)	Loans and advances to employees		
	- Unsecured, considered good	12.25	12.80
	Total	**20,522.79**	**16,469.31**

Notes forming part of the consolidated financial statements

21. Other current assets

(Rs. in Lakhs)

Particulars		As at March 31, 2018	As at March 31, 2017
(a)	**Accruals**		
	- Interest accrued on investments	75,915.60	58,382.19
(b)	**Others**	10,127.87	4,988.31
	Total	**86,043.47**	**63,370.50**

22. Revenue from operations (net)

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Sale of services		
	(i) Life insurance premium (net)	1,237,944.91	1,068,015.65
	(ii) Income from shared services	1,144.31	1,228.75
(b)	Other operating revenues (Refer note below)	418,646.10	453,544.36
	Revenue from operations	**1,657,735.32**	**1,522,788.76**
	Note:		
	Other Operating revenue comprise:		
	(i) Dividend income on long term investments	15,086.86	14,401.82
	(ii) Interest income on		
	(a) Government securities	210,008.01	178,764.40
	(b) Bonds	56,153.74	40,460.69
	(c) Fixed deposits	715.51	579.55
	(d) Others	1,550.54	1,358.75
	(iii) Amortisation of discount/(premium)	60.83	-
	(iv) Unrealised gain on long term investments	-	103,750.11
	(v) Profit on sale of current investments in:		
	(a) mutual funds	135,070.61	114,226.26
	(b) equity instruments	-	2.78
Total other operating revenues		**418,646.10**	**453,544.36**

23. Other Income

(Rs. in Lakhs)

Particulars			For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	**Interest income on:**			
	(i)	income tax refund	21.75	78.72
	(ii)	loans to employees	3.44	3.95
	(iii)	policy loan	1,729.51	989.58
(b)	**Other non operating income:**			
	(i)	Liabilities/provisions no longer required written back	1.19	5.15
	(ii)	Policy reinstatement charges	766.69	810.96
	(iii)	Net profit on sale/disposal of fixed assets	34.08	56.13
	(iv)	Net gain on foreign currency transactions and translation	-	10.45
	(v)	Scrap sales	12.28	48.49
	(vi)	Rental income	42.00	42.00
	(vii)	Miscellaneous income	266.31	35.89
		Total	**2,877.25**	**2,081.32**

Notes forming part of the consolidated financial statements

24. Change in policy reserves

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Change in policy reserves	790,426.84	786,931.47
(b)	Transfer to/from Fund for future appropriations-participating policies	30,906.18	10,019.94
	Total	**821,333.02**	**796,951.41**

25. Employee benefits expense

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Salaries, wages and bonus	76,089.69	78,503.21
(b)	Contribution to provident and other funds (Refer note 30)	3,283.83	2,860.36
(c)	Expense on employee stock option scheme (Refer note 32)	(3,914.62)	8,994.31
(d)	Staff welfare expenses	2,169.42	1,454.78
	Total	**77,628.32**	**91,812.66**

26. Finance costs

(Rs. in Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bank charges	1,102.75	893.26
Total	**1,102.75**	**893.26**

27. Depreciation and amortisation expense

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Depreciation of tangible assets (Refer note 13)	2,272.86	3,069.31
(b)	Amortisation of intangible assets (Refer note 13)	3,961.29	3,140.27
(c)	Depreciation of investment property (Refer note 14)	43.25	43.25
	Total	**6,277.40**	**6,252.83**

28. Other expenses

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(a)	Agents' commission for insurance business	89,287.52	93,642.73
(b)	Policy issuance cost	9,680.30	17,675.23
(c)	Power and fuel	2,689.47	2,587.35
(d)	Unrealised loss on long term investment	20,599.10	-
(e)	Recruitment and training expenses	12,769.30	8,573.31
(f)	Rent including lease rentals (Refer note 33)	7,272.81	6,865.07
(g)	Insurance	664.41	524.23
(h)	Rates and taxes	13,475.51	11,134.56
(i)	Repairs and maintenance:		
	- Building	0.13	0.86
	- Others	7,399.30	6,385.02
(j)	Printing and stationery	642.57	1,074.95
(k)	Travelling and conveyance	5,851.18	5,062.39

Notes forming part of the consolidated financial statements

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
(l)	Communication	4,339.54	4,044.52
(m)	Directors' sitting fee	81.99	83.42
(n)	Freight and forwarding expenses	235.95	607.52
(o)	Branding, advertisement and publicity	21,150.28	13,652.60
(p)	Allowances on advances and service tax credit receivable*	481.20	492.81
(q)	Net loss on sale/disposal of fixed assets	5.60	0.55
(r)	Fixed assets written off	-	97.09
(r)	Charity and donation	79.61	106.00
(s)	Net loss on foreign currency transactions and translation	14.33	4.36
(t)	Expenditure on corporate social responsibility (Refer note (i) below)	1,173.87	1,003.97
(u)	Miscellaneous expenses	899.09	1,040.80
	Total	**198,793.06**	**174,659.34**

Note:

(i) As per Section 135 of the Companies Act, 2013, the subsidiary company has provided for and spent Rs. 1,173.87 Lakhs (March 31, 2017: Rs. 1,003.97 Lakhs) on various CSR initiatives, during the year, which are as given below:

CSR Project/Activity		Sector in which project is covered	Amount spent 2017-18	Amount spent 2016-17
(a)	Village adoption	Rural Development	347.70	361.63
(b)	Surgeries and treatments	Health	254.95	214.08
(c)	NGO work on healthcare platform	Health	248.93	207.17
(d)	Immunization/Health camp/Blood donation camp	Health	58.78	88.32
(e)	Health centre	Health	50.49	54.50
(f)	Artificial limb and polio calipers	Health	35.63	18.00
(g)	Health awareness	Health	55.98	36.35
(h)	Training in health programs	Health	14.00	16.36
(i)	Mobile health clinic	Health	4.54	-
(j)	Financial literary CSR	Rural Development	100.00	-
(k)	Donations	Others	2.87	7.56
Total			**1,173.87**	**1,003.97**

* Allowances on advances and service tax credit receivable

(Rs. in Lakhs)

Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017
a.	Doubtful advances and service tax credit receivable written off	795.43	49.20
b.	Allowance for service tax credit receivable written back	(443.61)	-
		351.82	49.20
c.	Allowance for doubtful advances and service tax credit receivable	129.38	443.61
		481.20	**492.81**

Notes forming part of the consolidated financial statements

29 Commitments and contingent liabilities

(Rs. in Lakhs)

	Particulars	As at March 31, 2018	As at March 31, 2017
(a)	**Commitment**		
	(i) Estimated amount of contracts remaining to be executed on tangible assets and not provided for (net of advances)	595.34	620.13
	(ii) The Company has entered into tripartite agreement between Axis Bank Limited, Mitsui Sumitomo Insurance Company Limited and the Company, whereby the Company is required to buy back the stake held by Axis Bank Limited in Max Life Insurance Company Limited, upon exercise of put option by Axis Bank Limited in 5 equal tranches at a price linked to fair market value		
(b)	**Contingent liabilities**		
	(i) Claims against the Company not acknowledged as debts (Refer note a)		
	- Demand from custom authorities	429.40	418.26
	- Demand raised by service tax authorities (Refer note b and c)	26,554.07	44,085.52
	- Legal claims	1,236.17	1,104.25
	- Partly paid-up investment	779.67	-
	- Potential liability in respect of repudiated policyholders claims	1,872.76	1,034.30
	- Litigation against the Group on Company Law matters (Refer note d)		
	- Demand raised by income tax authorities (Refer note e and g)	159.04	159.04
	- Penalty levied under section 271(1)(c) of the Income Tax Act, 1961 (Refer note e)	-	33.42
	- Litigation in an erstwhile subsidiary of the Company, Max Telecom Ventures Limited ("MTVL") (since merged with the group with effect from December 1, 2005) (Refer note f)		

Notes:

a. Claims against the Group not acknowledged as debts represent the cases pending with judicial forums/ authorities. Based on management estimation and opinions from legal advisors, management believes that its position will likely to be upheld in appellate process. The Group has not made any provisions for the demand since the management believes that the ultimate outcome of the proceedings will not have material adverse effect on the Group's financial position and result of operations.

b. Service tax demands against show cause cum demand notices received by Max Life Insurance Company Limited (MLIC) from the Central Excise & Service Tax, Office of Commissioner and Directorate General Central Excise Intelligence (DGCEI), vide show cause notice dated March 30, 2013, April 22, 2013, April 16, 2014, October 14, 2014 and December 19, 2014. Further, Commissioner vide its order dated March 24, 2015, against one of such SCNs, confirmed demand of service tax. MLIC has filed a writ before High court and stay was granted by the honourable court on April 29, 2015 towards service tax demand of Rs 10,005.79 Lacs and penalty thereon. Given that MLIC is strong on merit and available precedence, it does not expect future liability. Also appeal has been filed before CESTAT on remaining matters. Further, Commissioner confirmed service tax demand for Rs 6,202.95 lacs vide its order dated Sept 01, 2015 against SCN dated April16, 2014. Company has filed appeal to CESTAT.

c. The Group has not made any provision for the demands in Excise, Service Tax, Sales Tax, Customs, Entry Tax and legal claims as the Group believes that they have a favourable case based on existing judicial pronouncements. The advance paid against the above is Rs. 12.00 Lacs (previous year: Rs. 12.00 Lacs).

d. On an inspection carried out by the Ministry of Corporate Affairs in the year 2006, certain technical offences were alleged by the Inspection Officer based on which prosecution proceedings were initiated against the Company, its erstwhile Whole-time Directors and the Company Secretary at Chief Judicial Magistrate, Chandigarh. The

Notes forming part of the consolidated financial statements

group filed writ petitions against the prosecution proceedings with the Hon'ble High Court of Punjab & Haryana. The High Court stayed the proceedings and listed the case for arguments. The amount of liability/fine or penalty on account of the above is currently unascertainable. Based on the legal opinion obtained by the group management believes that the group have a good case and no provision is required to be made in the financials statements.

e. Income tax cases represent the cases pending with Income Tax authorities/Appellate authorities. Based on management estimation, future cash outflow in respect of these cases are determinable only on receipt of judgments / decisions pending with various courts/authorities. The Company has not made any provision for the demands in income tax cases as the group believes that they have a good case based on existing judicial pronouncements.

f. Litigation in an erstwhile subsidiary of the Company, Max Telecom Ventures Limited ("MTVL") (since merged with the Company with effect from December 1, 2005)

S. No.	Assessment Year	Brief Description	Pending Before
1	1998-99	The capital gains realised by MTVL from the sale of shares of Hutchison Max Telecom Limited ("HMTL") [1st Stake Sale] were denied exemption under section 10(23G) of the Income-tax Act, 1961 ("the Act") by the Assessing Officer vide order dated March 28, 2001 and the sale transaction was held to be chargeable to tax in the financial year relevant to Assessment Year 1998-99 (MTVL had claimed that it pertained to AY 1999-2000). This resulted in a demand of Rs. 9,503.93 lakhs. On appeal by MTVL, the CIT (Appeals) vide order dated March 18, 2002 [while concluding that the sale transaction pertained to financial year relevant to Assessment Year 1998-99], quashed the order of the Assessing Officer denying exemption under section 10(23G), thereby cancelling the demand. The Tax Department has filed an appeal with the Income-tax Appellate Tribunal (ITAT) against this order which is pending as on date.	ITAT
2	1999-2000	Subsequently, in the next Assessment Year i.e. 1999-00, the above-mentioned transaction was once again sought to be taxed both as capital gains and under a different head of income (i.e. business income) on a protective basis by the Assessing Officer vide order dated March 28, 2002 as MTVL had claimed that the transaction pertained to Assessment Year 1999-00 and not Assessment Year 1998-99. This, along with a few other additions, resulted in creation of a further demand of Rs. 24,993.19 lakhs which included the demand of Rs. 24,368.00 lakhs on protective basis. On appeal by MTVL, the CIT (Appeals) decided in favour of MTVL vide order dated December 18, 2002 and the demand was cancelled. The Tax Department has filed appeal against this order with the ITAT, which is pending as on date.	ITAT

Notes forming part of the consolidated financial statements

S. No.	Assessment Year	Brief Description	Pending Before
3	1998-99	MTVL also filed an appeal before ITAT for Assessment Year 1998-99 contending that the aforesaid sale transaction pertained to financial year relevant to Assessment Year 1999-2000. This was disposed off by ITAT vide order dated March 23, 2007 by applying a circular of Tax Department applicable only to capital gains and holding, as a result, that the transaction of sale of shares pertained to financial year relevant to Assessment Year 1998-99. However, the Tax Authorities filed a petition before the ITAT requesting a review of the said order of the ITAT on the ground that all the matters pertaining to the aforesaid sale transaction should have been clubbed and heard together. The said petition of the Department was accepted by the ITAT vide order dated March 27, 2009 by recalling its earlier order. Aggrieved, the Company filed a writ petition to the Hon'ble High Court of Punjab and Haryana (HC) challenging the above action of ITAT on the ground that the same was beyond jurisdiction. The HC vide order dated May 04, 2009 admitted the writ petition and stayed the operations of the said order of ITAT. The ITAT, thereafter, adjourned sine-die all the matters pending operation of the stay imposed by the HC. The Department, subsequently, moved a Special Leave Petition (SLP) to Hon'ble Supreme Court against the stay granted by Hon'ble HC. The SLP was dismissed by the Hon'ble Supreme Court vide order dated May 12, 2010 with a direction to the HC to expeditiously dispose the writ petition filed by MTVL, which is pending as of date.	High Court
4	2006-07	The capital gains realised from the sale of remaining shares of HMTL [2nd Stake Sale] were taxed by holding the gains from sale transaction to be in the nature of business income and not capital gains and as a consequence exemption under Section 10(23G) of the Act was denied by the Assessing Officer vide order dated December 31, 2009 and a demand of Rs. 15,585.17 Lacs was raised. MTVL filed an appeal against the said order. The CIT(Appeals), vide order dated March 22, 2011, had quashed the assessment framed by the Assessing Officer, holding that the assessment was nullity in law and in view of the fact that the order was framed in the name of MTVL, an entity which had ceased to exist w.e.f. December 1, 2005. As a consequence, the demand stood cancelled.	High Court
		The Department had filed an appeal to ITAT against the said order of CIT(Appeals). The ITAT vide its order dated March 8, 2013 has upheld the order of CIT(Appeals). The Tax Department has filed appeal against this order with the Hon'ble HC, which is pending as on date.	
5	2006-07	Consequent to quashing of the first proceedings in the name of MTVL, the Department initiated proceedings against Max India Limited as Successor of MTVL u/s 147 of the Act vide notice dated April 26, 2011. These proceedings had been completed on March 26, 2013 by holding the gains from sale transaction to be in the nature of business income and not capital gains and consequently denying exemption under Section 10(23G) of the Act and a demand of Rs. 19,816.25 Lacs had been raised. The company had filed an appeal against the same on April 25, 2013 and obtained stay of demand on May 27, 2013. The CIT(Appeals), vide order dated November 18, 2013, held on merits that the gain arising from sale of shares of HMTL be treated as long term capital gains and allowed the exemption u/s 10(23G) of the Act in respect of long term capital gain arising on sale of shares of HMTL be allowed to MTVL. The CIT(A), however, upheld reassessment proceedings by the Assessing Officer under section 147 of the Act as valid. As a consequence, the demand stood cancelled. Pursuant to this, the Tax Department has filed appeal against this order and MTVL has also filed cross objections before the ITAT against the action of the CIT(A) upholding the validity of re-assessment proceedings. Both appeals are pending as on date.	ITAT

Notes forming part of the consolidated financial statements

g. Max Life Insurance Company Limited ("MLIC")

S. No.	Assessment Year	Brief Description	Pending Before
1	2002-2003	The Assessing Officer has reduced the returned loss of Rs. 6,684.09 Lacs to Rs. 6,482.08 Lacs by making disallowance of Rs. 202.01 Lacs u/s 92CA(3) of the Income-tax Act, 1961 relating to Transfer Pricing.	High Court
2	2003-04	The returned losses have been reduced from Rs. 7,408.37 lakhs to Rs. 7,331.92 lakhs by the Assessing Officer by making disallowance of Rs. 76 lakhs u/s 92CA(3) of the Income-tax Act, 1961 relating to Transfer Pricing.	Appeal to be filed before High Court
3	2004-05	The returned losses have been reduced from Rs. 7,563.42 lakhs to Rs. 7,285.17 lakhs by the Assessing Officer by making disallowance of Rs. 278 lakhs u/s 92CA(3) of the Income-tax Act, 1961 relating to Transfer Pricing.	Appeal to be filed before High Court
4	2005-06	The returned loss has been reduced from Rs. 9,427.20 lakhs to Rs. 8,999.80 lakhs by making disallowance of Rs. 121.70 lakhs u/s 92CA(3) of the Income Tax Act, 1961 relating to Transfer Pricing and Rs. 105.70 lakhs due to disallowance of loss on sale of investment. CIT (Appeals) has passed favourable orders for all the above mentioned assessment years i.e 2002-03 to 2005-06. The department has appealed on the applicability of TP provisions. The ITAT has referred the case to AO to recompute the Arms Length price.	Appeal to be filed before High Court
5	2006-07	The returned loss has been reduced from Rs. 5,805.44 lakhs to Rs. 5414.09 lakhs by making disallowance of Rs. 11.83 lakhs u/s 92CA(3) of the Income Tax Act, 1961 relating to Transfer Pricing, Rs. 90.48 lakhs due to disallowance of loss on sale of investment, Rs. 255.75 lakhs on provision for FBT and Rs. 33.28 lakhs on provision for bad & doubtful debts.	ITAT
6	2007-08	The returned loss has been reduced from Rs. 5,671.22 lakhs to Rs. 5023.02 lakhs by making disallowance of Rs. 270.19 lakhs on account of loss on sale of investment, Rs. 311.43 lakhs on provision for FBT and Rs. 58.08 lakhs on provision for bad & doubtful debts & Rs. 8.50 lakhs on donation paid. CIT(A) has decided in favour of company except on disallowance of FBT provision & income on sale of investment. The company has filled the appeal with ITAT also we have filed cross objections with ITAT against the appeal filed by DCIT to ITAT.	ITAT
7	2008-09	The returned loss for AY 2008-09 has been reduced from Rs. 14,684.45 lakhs to Rs. 13,471.61 lakhs by making disallowance of Rs. 635.02 lakhs on account of loss on sale of investment, Rs. 468.91 lakhs on provision for FBT and Rs. 100.03 lakhs on provision for bad & doubtful debts & Rs. 8.88 lakhs on donation paid. CIT(A) has decided in favour of company except on disallowance of FBT provision & income on sale of investment. The company has filled the appeal with ITAT also we have filed cross objections with ITAT against the appeal filed by DCIT to ITAT.	ITAT
8	2009-10	The returned loss has been reduced from Rs. 32,270.85 lakhs to Rs. 30,449.38 lakhs by making disallowance of Rs. 653.53 lakhs on account of loss on sale of investment, Rs. 794.30 lakhs for provision for FBT, Rs. 132.13 lakhs for provision for bad & doubtful debts & Rs.241.51 lakhs for donation paid. CIT(A) has decided in favour of company except on disallowance of FBT provision & income on sale of investment. The company has filled the appeal with ITAT also we have filed cross objections with ITAT against the appeal filed by DCIT to ITAT.	ITAT

Notes forming part of the consolidated financial statements

S. No.	Assessment Year	Brief Description	Pending Before
8	2010-11	Assessing Officer has increased the returned income from Rs. 4,005.06 Lacs to Rs. 5,684.41 Lacs by adding back Rs. 710.43 Lacs on account of profit on sale of investment & making disallowance of Rs. 21.60 Lacs for provision for Bad debts, Rs.250 Lacs for donation paid, Rs. 695.65 Lacs for Short deduction and payment of TDS and Rs. 1.67 Lacs for Penalties/Fine paid & Share issue expenses. CIT(A) has passed order whereby allowed Income on Sale of Investments, Provision for bad Debts in PH account, short deduction of TDS. CIT(A) has raised certain other additional issues on which Max Life has approached ITAT. ITAT has passed the Order in favour of the Company	Favourable ITAT order
9	2011-12	Assessing Officer has increased the returned income from Rs. 27,141.14 Lacs to Rs. 28,586.14. Lacs by adding back Rs. 751.62 Lacs on account of profit on sale of investment & making disallowance of Rs. 314.71 Lacs for provision for Bad debts, Rs.250.01 Lacs for donation paid and Rs. 128.66 Lacs for Short deduction and payment of TDS.	CIT (Appeals)
10	2012-13	Assessing Officer has increased the returned income from Rs. 49,182.04 Lacs to Rs. 51,931.77. Lacs by adding back Rs. 1505.52 Lacs on account of profit on sale of investment & making disallowance of Rs. 194.21 Lacs for provision for Bad debts, Rs.1050.00 Lacs for donation paid .	CIT (Appeals)
11	2013-14	Assessing Officer has increased the returned income from Rs. 44,927.02 Lacs to Rs. 47,249.28 Lacs by adding back Rs. 1,845.42 Lacs on account of profit on sale of investment, disallowance of Rs. 276.84 Lacs for provision for Bad debts & Rs.200.00 Lacs for donation paid .	CIT (Appeals)
12	2014-15	Assessing Officer has increased the returned income from Rs. 47,419.55 Lacs to Rs. 95,367.68 Lacs by making certain disallowances- Rs. 31,074 lacs for Incremental FFA, Rs 38,973 lacs for allocation of Bonus, treatment of Shareholders income as Non Life Insurance for Rs 22,177 lacs, disallowance of Rs. 57 Lacs for provision for Bad debts & Rs 300 lacs for donation	ITAT
13	2015-16	Assessing Officer has increased the returned income from Rs. 44,732 Lacs to Rs. 10,243 Lacs by making certain disallowances - Rs. 92,295 lacs for Incremental FFA and Bonus, treatment of Shareholders income as Non Life Insurance for Rs 23,814 lacs, disallowance of Rs. 241 Lacs for reversal of provision for Bad debts.	CIT (Appeals)

The Company is hopeful that above appeals will be disposed off in its favour.

30 Retirement benefit plans

(i) Defined contribution plans

The Group makes provident fund and employees state insurance scheme contributions which are defined contribution plans for qualifying employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The contribution as specified under the law are paid to the provident fund trust set up by the Group. The Group is liable for annual PF contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employees' Provident Fund Scheme, 1952 and recognises, if any, as an expense in the year it is determined.

As of 31 March, 2018, the fair value of the assets of the fund and the accumulated members' corpus is Rs. 25,222.06 lacs (previous year: Rs. 22,333.65 lacs) and Rs. 24,972.51 lacs (previous year: Rs. 22,076.76 lacs) respectively. In accordance with an actuarial valuation, there is no deficiency in the interest cost as the present value of the expected future earnings on the fund is greater than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of 8.55% (previous year: 8.65%). The actuarial assumptions include discount rate of 7.18% (Previous year: 6.67%) and an average expected future period of 27.11 years (previous year: 27.11 years).

Notes forming part of the consolidated financial statements

The Group recognised Rs. 2,080.08 lacs (previous year: Rs. 1,949.79 lacs) for provident fund and Rs. 533.89 lacs (previous year: Rs. 153.06 lacs) for employee state insurance scheme contribution in the Statement of Profit and Loss. The contribution payable to these plans by the Group are at rates specified in the rules to the scheme.

(ii) Defined benefit plans

The Company and its subsidiary makes annual contribution to their Employees Gratuity Fund maintained with Life Insurance Corporation of India and Max Life Insurance Company Limited respectively, a funded defined benefit plan for eligible employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date.

The following tables set out the funded status of the defined benefit scheme and amounts recognised in the Company financial statements as at March 31, 2018:

(Rs. in Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Components of employer expense		
Current service cost	561.96	525.40
Interest cost	253.37	227.40
Expected return on plan assets	(213.67)	(153.92)
Actuarial losses/(gains)	(30.52)	75.59
Adjustment in fair value of plan assets	-	(9.89)
Total expense recognised in the Statement of Profit and Loss	**571.14**	**664.58**
Actual contribution and benefit payments for year		
Actual benefit payments	(403.02)	(447.22)
Actual contributions	-	-
Net asset / (liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	(3,910.76)	(3,546.86)
Fair value of plan assets	2,441.33	2,648.37
Net asset / (liability) recognised in the Balance Sheet	**(1,469.43)**	**(898.49)**
Net liability has been classified under:		
Long-term provisions	1,391.83	717.55
Short-term provisions	77.60	180.94
Change in defined benefit obligations (DBO) during the year		
Present value of DBO at beginning of the year	3,546.86	3,281.14
Current service cost	561.96	525.40
Interest cost	253.37	227.40
Actuarial loss/(gains)	(69.27)	111.75
Benefits paid	(382.16)	(598.83)
Present value of DBO at the end of the year	**3,910.76**	**3,546.86**
Change in fair value of assets during the year		
Plan assets at the beginning of the year	2,648.37	1,071.68

Notes forming part of the consolidated financial statements

(Rs. in Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Expected return on plan assets	213.67	153.92
Adjustment in fair value of plan assets	-	9.89
Actual group contributions	21.06	1,827.24
Actuarial (loss)/gains	(38.75)	35.42
Benefits paid	(403.02)	(449.78)
Plan assets at the end of the year	**2,441.33**	**2,648.37**
Principal actuarial assumptions for gratuity and compensated absences:		
Discount rate	7.20%-7.60%	6.50%-7.40%
Expected return on plan assets	8.35%-8.70%	8.35%-8.70%
Salary escalation	7.50%-10%	7.50%-10%
Retirement age	58 - 65 years	58 years
Mortality tables	IALM (2006 - 08)	IALM (2006 - 08)
Attrition (%)		
All Ages	5%-25% per annum	5%-25% per annum
Estimate of amount of contribution in the immediate next year Rs. in lacs	1,171.62	692.32

Notes:

a. The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

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

c. The planned assets of the Group are managed by the Life Insurance Corporation of India in terms of an insurance policy taken to fund obligations of the Group with respect to its gratuity plan. Information on categories of plan assets is not available with the Group.

d. Experience on actuarial gain/(loss) for benefit obligations and plan assets:

(Rs. in Lakhs)

Particulars	Gratuity				
	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Present value of DBO	3,910.76	3,546.86	3,281.14	4,725.49	3,693.83
Fair value of plan assets	2,441.33	2,648.37	1,071.68	2,107.09	2,260.44
Funded status [Surplus / (Deficit)]	(1,469.43)	(898.49)	(2,209.46)	(2,618.40)	(1,433.39)
Experience gain / (loss) adjustments on plan liabilities	(69.27)	111.75	153.89	57.67	143.21
Experience gain / (loss) adjustments on plan assets	35.42	35.42	153.18	153.19	32.67

(iii) Other long term benefit

During the year, Max Life Insurance Company Limited has recognised the following expenses in the statement of profit and loss representing deferred compensation (long term incentive plan): amounting to Rs 2,945.22 Lakhs (previous year: Rs 3,041.78 Lakhs).

Notes forming part of the consolidated financial statements

31. Calculation of Earnings per share (EPS) - Basic and Diluted

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Basic EPS		
Profit attributable to shareholders (Rs. in lakhs)	29,617.16	39,536.28
Weighted average number of equity shares outstanding during the year (Nos.)	267,948,970	267,137,946
Face value per equity share (Rs.)	2.00	2.00
Basic Earnings Per Share (Rs.)	**11.05**	**14.80**
Diluted EPS		
Equivalent weighted average number of employee stock options outstanding (Nos.)	1,567,824	2,378,848
Weighted average number of equity shares outstanding during the year for dilutive earnings per share (Nos.)	269,516,794	269,516,794
Diluted Earnings Per Share (Rs.)	**10.99**	**14.67**

32. Employee Stock Option Plan

32.1. Employee Stock Option Plan – 2003 ("the 2003 Plan"):

The Company had instituted the 2003 Plan, which was approved by the Board of Directors in August 25, 2003 and by the shareholders in September 30, 2003. The 2003 Plan provides for grant of stock options aggregating not more than 5% of number of issued equity shares of the Company to eligible employees of the Company. The 2003 Plan is administered by the Nomination and Remuneration Committee appointed by the Board of Directors. Under the plan, the employees receive shares of the Company upon completion of vesting conditions such as rendering of services across vesting period. Vesting period ranges from one to five years and options can be exercised within two years from vesting date. As amended in the 2003 Plan and approved the shareholders in Annual General Meeting held on September 30, 2014, the Option Price will be determined by the Nomination and Remuneration Committee, from time to time, in accordance with the provisions of applicable law, provided that the Option Price shall not be below the face value of the equity shares of the Company.

Particulars	March 31, 2018		March 31, 2017	
	Number of options	Weighted Average exercise price (Rs.)	Number of options	Weighted Average exercise price (Rs.)
Outstanding at the start of the year	2,246,745	246.05	2,503,560	221.02
Granted during the year	-	-	29,235	2.00
Exercised during the year	(1,113,978)	248.11	(286,050)	2.00
Outstanding at the end of the year	1,132,767	244.03	2,246,745	246.05

For the period, the weighted average share price at the exercise date was Rs. 601.93 (previous year: Rs. 531.30)

The weighted average remaining contractual life for the stock options outstanding as at March 31, 2018 is 1.14 years (March 31, 2017: 1.63 years). The range of exercise prices for options outstanding at the end of the year was 2.00 to 311.34 (March 31, 2017: 2.00 to 311.34).

Stock compensation expense under the Fair Value method has been determined based on fair value of the stock options. The fair value of stock options was determined using the Black Scholes option pricing model with the following assumptions.

Notes forming part of the consolidated financial statements

Particulars	March 31, 2018	March 31, 2017
Date of option granted	-	1-Apr-16
Stock Price Now (in Rupees)	-	344.05
Exercise Price (X) (in Rupees)	-	2.00
Expected Volatility (Standard Dev - Annual)	-	36.82%
Life of the options granted (Vesting and exercise period) in years	-	3.00-6.00
Expected Dividend	-	0.51%
Average Risk- Free Interest Rate	-	7.49%-7.91%
Weighted average fair value of options granted	-	332.46 - 337.24

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

32.2. Employees Phantom Stock Plan (PSP Plan)

The Company had instituted PSP Plans, which were approved by the Board of Directors. The PSP Plans provide for issue of units to eligible employees of the Compay. Under the Plans, eligible employees receive cash equivalent to fair market value of units upon completion of vesting conditions, as administered by the Nomination and Remuneration Committee including rendering of services across vesting period. Vesting period ranges from 1 to 4 years.

Accordingly Rs. 720.49 Lacs (previous year: Rs. 380.42 Lacs) has been accrued as an expense in the Statement of Profit and Loss account as applicable. The details of the units granted during the year are as under:

Particulars	March 31, 2018		March 31, 2017	
	Number of options	Weighted Average exercise price (Rs.)	Number of options	Weighted Average exercise price (Rs.)
Outstanding at the start of the year	143,052	6.00	-	-
Granted during the Year	115,189	5.38	143,052	6.00
Forfeited during the year	-	-	-	-
Exercised during the year	(35,763)	6.00	-	-
Outstanding at the end of the year	222,478	5.68	143,052	6.00

For the period, the weighted average share price at the exercise date was Rs. 765.90 (previous year: Rs. Nil)

The weighted average remaining contractual life for the stock options outstanding as at March 31, 2018 is 1.00 years (March 31, 2017: 1.59 years).

Stock compensation expense under the fair value method has been determined based on fair value of the stock options. The fair value of stock options was determined using the Black Scholes option pricing model with the following assumptions.

Particulars	March 31, 2018	March 31, 2018	March 31, 2017
Date of option granted	1-Apr-17	1-Apr-17	8-Aug-16
Stock price now (in rupees)	565.55	734.62	551.60
Exercise price (X) (in rupees)	2.00	6.00	6.00
Expected volatility (standard dev - annual)	36.82%	36.82%	49.00%
Life of the options granted (vesting and exercise period) in years	3.00-5.00	3.00-5.00	3.00-5.65
Expected dividend	0.31%	0.24%	0.32%
Average risk- free interest rate	6.68%-6.88%	6.68%-6.88%	7.05%-7.32%
Weighted average fair value of options granted	555.44 - 558.68	721.65 - 724.48	537.84 - 541.52

Notes forming part of the consolidated financial statements

32.3. Max Life Insurance Company Limited

Employee Phantom Stock Plan (Cash settled):

During the year ended March 31, 2013, the Company had instituted Employee Phantom Stock Plan (EPOP) w.e.f. August 1, 2012.

During the year ended March 31, 2015, the Company had issued Employee Phantom Stock Plan (EPOP) w.e.f. July 01, 2014, September 25, 2014 and December 01, 2014. Further, during the year ended March 31, 2016, the Company issued Employee Phantom Stock Plan (EPOP) w.e.f. October 30th, 2015 and January 1st, 2016. Accordingly Rs. 4,881.35 Lakhs (previous year Rs. 8,181.73 Lakhs) has been accrued as expense in the statement of profit & loss account as applicable The details of the scheme are as under:

Particulars	March 31, 2018		March 31, 2017	
	Number of options	Weighted Average exercise price (Rs.)	Number of options	Weighted Average exercise price (Rs.)
Outstanding at the start of the year	23,916,000	32.09	34,681,000	32.09
Granted during the Year	-	-	-	-
Forfeited during the year	(1,163,000)	32.09	(2,896,000)	32.09
Exercised during the year	(10,452,000)	32.09	(7,869,000)	32.09
Outstanding at the end of the year	12,301,000	32.09	23,916,000	32.09

The Key assumptions used to estimate fair value of options are:

Particulars	March 31, 2018	March 31, 2017
Risk-free interest rate	6.63%-7.31%	6.44%-6.85%
Expected life	1.00-3.68 Years	1.25-4.67 Years
Expected Volatility	29.21%	36.82%
Expected dividend yield	1.64%	1.22%

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The Group measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Net Profit after tax and minority interest as reported (Rs. in lakhs)	29,617.16	39,536.28
Add: Employee stock compensation under intrinsic value method (Rs. in lakhs)	(3,914.62)	8,994.31
Less: Employee stock compensation under fair value method (Rs. in lakhs)	4,261.01	(10,114.80)
Performa profit (Rs. in lakhs)	**29,963.55**	**38,415.79**
Earnings Per Share (Rupees)		
Basic		
- As reported	11.05	14.80
- Performa	11.18	14.38
Diluted		
- As reported	10.99	14.67
- Performa	11.12	14.25

Notes forming part of the consolidated financial statements

33. Leases

Lease rentals recognised in the Consolidated Statement of Profit and Loss for the year is Rs. 7,272.81 Lakhs (previous year: Rs. 6,865.07 Lakhs).

The Group has entered into operating leases for its office and for employees' residence, that are renewable on a periodic basis. The average life of lease is from 3 to 10 years. The total of future minimum lease payments under non-cancellable leases are as follows:

(Rs. in Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Not later than one year	19.09	61.70
Later than one year and not later than five year	-	19.09
Later than five year	-	-
Total	**19.09**	**80.79**

34. Segment Information

34.1. Business Segments

The Company has considered business segment as the primary segment for disclosure. The products/ services included in each of the reported business segments are as follows:

a. Life Insurance – This segment relates to the life insurance business carried out pan India, by one of the Company's subsidiary.
b. Business Investments – This segment is represented by treasury investments.

The above business segments have been identified considering:

(i) The nature of products and services
(ii) The differing risks and returns
(iii) Organizational structure of the group, and
(iv) The internal financial reporting systems

Segment Revenue consists of segment revenue from external customers and revenue from other segments.

Segment Result is the difference of segment revenue and segment operating expenses.

Unallocated Assets include assets pertaining to the holding company's corporate office such as, loans, advance and deposits.

Unallocated Liabilities include tax provisions and interest bearing loans not directly related to any business segment.

Unallocated Expenses - Expenses incurred at corporate office of the holding company relate to various business segments. As there is no reasonable basis of allocating this expenditure to various segments, the same are shown as unallocated reconciling expenses. Interest expense is not treated as part of a segment expense and is reflected as a separate line item.

34.2. Geographical Segments

The Company has considered geographical segment as secondary reporting segment for disclosure. For this purpose, the revenues are bifurcated based on location of customers in India and outside India.

Notes forming part of the consolidated financial statements

34.3. Segment Information

(Rs. in Lakhs)

Primary Segments		Business Investments	Life Insurance business	Others	Total
a.	**Segment Revenue from**				
	Service Income	**-**	**1,237,944.91**	**1,144.31**	**1,239,089.22**
		-	*1,068,015.65*	*1,228.75*	*1,069,244.40*
	Service/Interest Income from inter segments	**20,016.07**	**9.89**	**979.23**	**21,005.19**
		22,064.81	*8.29*	*892.90*	*22,966.00*
	Income from investment activities	**734.19**	**417,911.91**	**-**	**418,646.10**
		1,304.97	*452,239.39*	*-*	*453,544.36*
	Total Segment Revenue	**20,750.26**	**1,655,866.71**	**2,123.54**	**1,678,740.51**
		23,369.78	*1,520,263.33*	*2,121.65*	*1,545,754.76*
	Less: Inter segment revenue	**20,016.07**	**9.89**	**979.23**	**21,005.19**
		22,064.81	*8.29*	*892.90*	*22,966.00*
	Revenue from operations	**734.19**	**1,655,856.82**	**1,144.31**	**1,657,735.32**
		1,304.97	*1,520,255.04*	*1,228.75*	*1,522,788.76*
b.	**Segments Results**	**734.19**	**61,869.65**	**193.05**	**62,796.89**
		1,304.97	*77,617.94*	*192.88*	*79,115.79*
	Interest Income				**1,754.70**
					1,072.25
	Sub-total				**64,551.59**
					80,188.04
	Less:				
	Unallocated Expenses (Net of unallocated income)				**9,643.28**
					9,138.39
	Interest Expenses				**1,102.75**
					893.26
	Profit before tax				**53,805.56**
					70,156.39
	Provision for taxation (includes provision for Deferred Tax)				**8,754.54**
					10,829.00
	Profit after tax				**45,051.02**
					59,327.39
	Minority Interest				**(15,433.86)**
					(19,791.11)
	Profit after tax (after adjusted minority interest)				**29,617.16**
					39,536.28
c.	**Carrying amount of segment assets**	**4,224.71**	**5,451,875.66**	**668.74**	**5,456,769.11**
		3,827.82	*4,611,204.46*	*769.06*	*4,615,801.34*
	Add: Unallocated assets				**5,523.75**
					5,606.36
	Goodwill				**65,908.05**
					52,525.44
	Total Assets				**5,528,200.91**
					4,673,933.14

Notes forming part of the consolidated financial statements

					(Rs. in Lakhs)
Primary Segments		**Business Investments**	**Life Insurance business**	**Others**	**Total**
d.	**Segment Liabilities**	**-**	**5,186,589.53**	**-**	**5,186,589.53**
		-	*4,362,544.86*	*-*	*4,362,544.86*
	Add: Unallocated liabilities				**3,351.25**
					3,025.66
	Total Liabilities				**5,189,940.78**
					4,365,570.52
e.	**Cost to acquire tangible and intangible fixed assets**	**-**	**5,830.21**	**-**	**5,830.21**
		-	*5,605.64*	*-*	*5,605.64*
	Unallocated				**-**
					4.83
	Total Addition				**5,830.21**
					5,610.47
f.	**Depreciation and amortisation expenses**	**-**	**6,085.41**	**-**	**6,085.41**
		-	*6,057.10*	*-*	*6,057.10*
	Unallocated depreciation and amortisation				**191.99**
					195.73
	Total depreciation and amortisation				**6,277.40**
					6,252.83
g.	**Non-cash expenses other than depreciation and amortisation**	**-**	**(4,881.35)**	**-**	**(4,881.35)**
		-	*8,181.73*	*-*	*8,181.73*
	Unallocated non cash expenses				**966.73**
					812.58
	Total				**(3,914.62)**
					8,994.31

SECONDARY SEGMENT

				(Rs. in Lakhs)
		India	**Outside India**	**Total**
a.	Revenue from external customers	**1,657,735.32**	-	**1,657,735.32**
		1,522,788.77	-	*1,522,788.77*
b.	Carrying amount of segment assets by location of assets	**5,456,769.11**	-	**5,456,769.11**
		4,615,801.34	-	*4,615,801.34*
c.	Cost to acquirer tangible and intangible fixed assets by location of assets	**5,830.21**	-	**5,830.21**
		5,605.64	-	*5,605.64*

Note: Amount in italics represents previous year figures

35. Related parties disclosures as per Accounting Standard-18

Names of other related parties with whom transactions have taken place during the year		
Key Management Personnel (KMP)	-	Mr. Mohit Talwar (Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	-	Max India Foundation
Employee benefit funds	-	Max Financial Services Limited Employees' Provident Fund Trust

Notes forming part of the consolidated financial statements

35.1 Transactions with related parties during the year:

(Rs. in Lakhs)

Particulars	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)		Enterprises owned or significantly influenced by key management personnel or their relatives		Employee Benefit Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Managerial Remuneration								
Mohit Talwar	1,436.52	676.23	-	-	-	-	**1,436.52**	**676.23**
Donation Paid and CSR activities								
Max India Foundation	-	-	1,248.00	1,051.41	-	-	**1,248.00**	**1,051.41**
Company's contribution to Provident Fund Trust	-	-	-	-	2,258.99	2,042.72	**2,258.99**	**2,042.72**

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

36. Actuarial Assumptions

Life Insurance Business

MLIC's Appointed Actuary has determined valuation assumptions that conform to the relevant regulations issued by the IRDAI and the Actuarial Practice Standards issued by the Institute of Actuaries of India (IAI). Details of assumptions are given below:

(a) Interest rate:

It is based upon the current and projected yields on the fund basis the projected yields on 10 year government bonds. A valuation rate of interest of 7.05% (previous year: 6.8%) for participating business and 7.35% (previous year: 7.1%) for non-participating, health business and riders has been used.

The valuation rate of interest rate was reduced by margin for adverse deviation (MAD) of 1.65% (previous year: 1.40%) for the participating business and 1.65% (previous year: 1.40%) for the major non-participating products.

For linked products, unit growth rate of 7.35% (previous year: 7.1%) has been used which was further reduced by MAD of 1.65% (previous year: 1.40%). For unit-linked products where there is a premium related bonus payable, the MAD for unit growth rate has been used as 2.35% (previous year: 2.10%).

(b) Mortality:

Mortality assumptions for valuation purposes in general are set at levels above the current experience. These rates were further increased by MAD of 10% (previous year: 10%) for participating business and 20% (previous year: 20%) for the non-participating, unit linked and health business.

(c) Morbidity:

The IAI has recommended the CIBT93 study of UK for morbidity incident rates, due to lack of any published Indian experience.

Notes forming part of the consolidated financial statements

Proportions of 100% (previous year: 100%) of these tables or reinsurance rates have been used which were further increased by MAD of 20% (previous year: 20%)

(d) Expenses:
The maintenance expense assumptions are based on the current expense levels of the company. For prudence, assumptions do not allow for future expected savings in expenses. The assumptions were increased by MAD of 10% (previous year: 10%) for participating business and 10% (previous year: 10%) for non-participating, health and unit-linked business.

(e) Inflation:
An assumption of 6.00% pa (previous year: 6.00% pa) for expense inflation has been used.

(f) Commission:
It is based on the actual commission rates paid.

(g) Lapses:
Lapse assumptions for valuation purposes in general are set at levels below the current experience. Further, MAD of 20% (previous year: 20%) for participating business, 50% (previous year: 50%) for non-participating and unit-linked business and 20% (previous year: 20%) for health business is applied.

(h) Free look cancellation:
Provisions are made for the strain that may arise in the event of cancellation during the free look period. The free look cancellation assumption is 7.0% (previous year: 7.0%) for participating business, 4.0% (previous year: 4.0%) for non participating business and 7.5% (previous year: 7.5%) for the unit linked business. The assumptions were increased by MAD of 20% (previous year: 20.0%) for participating and non-participating business and 20% (previous year: 20.0%) for unit linked business.

(i) Future bonuses:
Provision is made for future bonuses based on expected bonus payouts consistent with the valuation assumptions and policyholders' reasonable expectations.

(j) Linked Liabilities:
Liabilities under unit linked policies comprise of a unit liability representing the fund value of in force policies, the amount payable to discontinued policies; and, a non unit liability for meeting future claims and expenses in excess of future charges. In respect of the fund value and the amount payable for the discontinued policies component, the question of assumptions does not arise and in respect of the non unit liability the assumptions used are consistent with the comments above.

37. Additional information as required by paragraph 2 of the general instructions for preparation of Consolidated financial statements to Schedule III of the Companies Act, 2013

Name of subsidiary	Net Assets i.e total assets - total liabilities		Share in profit or loss	
	Amount (Rs. in lakhs)	As % of consolidated net assets	Amount (Rs. in lakhs)	As % of consolidated profit or loss
Parent				
Max Financial Services Limited	265,814.89	78.58%	(6,960.98)	(15.45%)
Subsidiary				
Max Life Insurance Company Limited	72,445.24	21.42%	52,012.00	115.45%
Total	**338,260.13**	**100.00%**	**45,051.02**	**100.00%**

Notes forming part of the consolidated financial statements

38. Derivative contract

In accordance with the IRDAI master circular for Investment Regulations, 2016 allowing insurers to deal in rupee denominated interest rate derivatives, the Company has Board approved policy covering various aspects related to functioning of the derivative transactions which are undertaken to mitigate interest rate risk as per the hedge strategy, thereby managing the volatility of returns from future fixed income investments, due to variations in market interest rates.

MLIC has Guaranteed products where the returns to the policy holders are fixed and the Company is exposed to interest rate risk on account of investment from receipt of subsequent premiums and sum of interest and maturity from investment made out of premiums received.

MLIC has during the year, as part of its Hedging strategy, entered into Interest rate swaps (IRS) transactions to hedge the interest rate sensitivity for highly probable forecasted transactions as permitted by the IRDAI circular on Interest Rate Derivatives.

An IRS transaction is that whereby MLIC receives at a pre-determined fixed rate and pays a floating rate to the bank based on the underlying index. In accordance with the Regulations the Company has executed International Swaps and Derivatives Association (ISDA) master agreements and two way Credit Support Annexure (CSA) with the banks. The Company uses Value at Risk (VAR) to measure and monitor risk of its derivatives portfolio. Derivatives are undertaken by MLIC solely for the purpose of hedging interest rate risks on account of following:

a. Reinvestment of maturity proceeds of existing fixed income investments;

b. Investment of interest income receivable; and

c. Expected policy premium income receivable on insurance contracts which are already underwritten in Life and Pension & General Annuity business.

The Company uses hedge accounting as per the accounting standards 30 issued by the Institute of Chartered Accountants of India.

The following table sets forth, for the period indicated, the details of derivative positions.

Particulars	At March 31, 2018	At March 31, 2017
	Interest rate derivatives	Interest rate derivatives
Cash Flow Derivatives		
1 Derivatives (Notional principal amount)	89,563,300	68,307,609
2 Marked to market positions		
a) Asset (+)	390.00	-
b) Liability (-)	(261,770)	(80,685)
3 Credit exposure		
a) Current Credit Exposure	(261,380)	(80,685)
b) Potential Future Credit Exposure	1,474,751	1,474,751

Notes forming part of the consolidated financial statements

Benchmark wise derivative position

Nature of the Derivative Contract	Benchmark	Number of deals	Notional amount of Derivative Contract outstanding at the beginning of the year	Fresh derivative contracts/ position taken during the Year	Derivative contracts/ positions terminated/ matured/ expired during the year	Notional amount of Derivative Contract outstanding at the end of the year
a) Forward Rate Agreements (FRA	MIBOR/OIS/ INBMK	-	NA	-	-	-
b) Interest Rate Swaps (IRS)	MIOIS/ MIBOR	37	68,307,609	21,255,691	-	89,563,300
c) Interest Rate Futures (IRF)	GOI	-	NA	-	-	-

39. Payment to auditor (excluding GST/service tax) (included in legal and professional)

(Rs. in Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
To statutory auditor:		
For audit	18.00	18.00
For other services	3.00	5.00
Reimbursement of expenses	1.09	1.47
	22.09	**24.47**

40. Disclosures as per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

(Rs. in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) the principal amount remaining unpaid to any supplier	33.90	-
(ii) interest due thereon	-	-
(iii) interest paid in terms of section 16 of the Micro,Small and Medium Enterprises Development Act, 2006 and the amount of payment made to the supplier beyond the appointed day.	-	-
(iv) interest due and payable for the period of delay in making payment other than the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(v) interest accrued and remaining unpaid	-	-
(vi) further interest remaining due and payable even in the succeeding years for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Notes forming part of the consolidated financial statements

41. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

42. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group.

43. At the year end, unhedged foreign currency exposures are as follows:

Particulars	As at March 31, 2018			As at March 31, 2017		
	Foreign Currency (in lakhs)	Exchange Rate (Rupee)	Indian Rupee (in lakhs)	Foreign Currency (in lakhs)	Exchange Rate (Rupee)	Indian Rupee (in lakhs)
Trade payables (USD)	-	-	-	0.01	64.84	0.88
Trade payables (GBP)	1.52	92.28	140.27	1.41	80.88	114.04

44. The previous year's figures have been regrouped / reclassified, wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

Naina Lal Kidwai
(Chairman)
DIN - 00017806
Place : New Delhi

Mohit Talwar
(Managing Director)
DIN - 02394694
Place : Gurugram

Sujatha Ratnam
(Chief Financial Officer)
Place : New Delhi

Sandeep Pathak
(Company Secretary)
M.No - FCS-5351
Place : New Delhi

Date : May 25, 2018