

VOLKSWAGEN FINANCE

PRIVATE LIMITED

Directors' Report
For the Financial Year ended March 31, 2019

DIRECTORS' REPORT

To
The Members,
Volkswagen Finance Private Limited

Your Directors have pleasure in presenting Directors Report of the Company together with the Audited Financial Statements for the year ended 31st March, 2019.

FINANCIAL PERFORMANCE

The Company's performance during the financial year 2018-19 as compared to the previous Financial Year is summarized below:

Particular	Financial year ended March 31, 2019 (Rs. In lacs)	Financial year ended March 31, 2018 (Rs. In lacs)
Total Income	59,263.94	61,459.57
Less: Expenditure	65,108.38	52,231.18
Profit / (Loss) before tax	(5,844.44)	9,228.39
Less: Tax expense	(2,030.55)	3,566.10
Profit / (Loss) after Tax	(3,813.89)	5,662.29
Other Comprehensive Income (net of tax)	20.38	1.93
Total Comprehensive Income as per Ind AS	(3,793.51)	5,664.22

OPERATIONAL PERFORMANCE

For the Financial Year ended March 31, 2019, your Company incurred Loss before Tax of Rs. 5,844.44 lacs as against Profit of Rs. 9,228.39 lacs in the previous Financial Year and the Loss after Tax of Rs. 3,813.89 lacs as against Profit of Rs. 5,662.29 lacs in the previous Financial Year. The main reason for loss for the year is higher provisioning requirements on Non-Performing Assets (NPA) due to delinquency of dealers in brand network. The Total Income for the year under consideration was Rs. 59,263.94 lacs and total expenditure was Rs. 65,108.38 lacs. The tax expense for the year was Rs. (2,030.55) lacs comprising of current tax of Rs. 4,138.41 lacs and deferred tax of Rs. (6,168.96) lacs. The Company has adopted Indian Accounting Standard (Ind AS) notified under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 from April 1, 2018. Accordingly, the impact of transition has been recorded in the opening reserves as at April 1, 2017 and the corresponding figures presented in these financials have been restated/ reclassified.

The Company has also made foray into new business avenues like Loan Against Property and NBFC Funding apart from its core business of wholesale and retail finance during the financial year. The Company has maintained steady performance in insurance intermediary and operating lease business.



During the year under review, the Company met its funding requirements through issue of Commercial Papers ("CPs") and Bank borrowings. The aggregate debt (NCDs, CPs and Bank borrowings) outstanding as on March 31, 2019 was Rs. 3,54,050.72 lacs.

CAPITAL ADEQUACY RATIO

Your Company's total Capital Adequacy Ratio (CAR), as of March 31, 2019, stood at 24.73% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%.

COMPANY PERFORMANCE

Considering the challenges faced by the Indian automobile industry, rate competitiveness in market and increase in dealer default, the Company has booked losses for the year under review. The Company continued its focus on financing of Volkswagen Group Cars and Commercial Vehicles. During the Financial Year 2018-19, the Volkswagen Group was present via the brands Volkswagen, Skoda, Audi, Porsche, Lamborghini, Ducati and Scania. The Loan book (Retail and Wholesale) has reduced by 9.2% during the F.Y. 2019, primarily due to lower penetration as an impact out of lack of exclusive subvention.

Brand wise performance at a glance (as at March 31, 2019)

Brand	Retail Earning Assets (Rs. In lacs)	Wholesale Earning Assets (Rs. In lacs)
Volkswagen	122,703	51,447
Audi	103,629	55,306
Skoda	65,286	23,248
Porsche	3,599	11,819
Lamborghini	573	3,668
Ducati	394	124
Man	3,215	-
SCANIA	5,495	50,326
Used Car	5,346	-
Others	338	11,591
Grand Total	310,578	207,529

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report is enclosed as Annexure 'A' to this Report.

REPORT ON PERFORMANCE OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

During the year under review, the Company did not have any subsidiary, associate or joint venture company. Disclosures as specified in para A of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company.

DIVIDEND



With a view to conserve resources and to allow further growth of Single and Group Borrowing Limit and to support growth of lending to VW Group dealers, your Directors do not recommend any dividend for the year under review.

TRANSFER TO RESERVES

There being no profits during the year, the Company has not transferred any amount to the Special Reserve under section 45 IC of the Reserve Bank of India Act, 1934.

DEPOSITS

The Company is registered as Non-Deposit Accepting Non-Banking Financial Company (NBFC ND) with Reserve Bank of India. The Company did not hold any public deposits at the beginning of the year nor has it accepted any public deposits during the year under review. Further, the Company is exempt from the provisions of Chapter V of the Companies Act, 2013 read with the relevant Rules pertaining to public deposits.

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and commitments which could affect the Company's financial position between the end of the financial year of the Company and the date of this Report.

DISCLOSURE OF INTERNAL CONTROLS / INTERNAL FINANCIAL CONTROLS

As part of the internal control framework, the management has developed extensive policies and procedures through the Local Organizational Hand Book (L-OHB) for ensuring the orderly and efficient conduct of its business. The Company has set up Process Management function to design processes and workflow that maximize efficiency, maintain high levels of customer experience, and comply with regulatory and audit requirements. The Company has established risk measurement and evaluation procedures in line with Volkswagen Group guidelines. In order to mitigate operational risks, the Company has put in place extensive internal controls which includes audit trails, appropriate segregation of operations to ensure maker-checker concept at each stage, post transaction monitoring processes at the back end to ensure independent checks and balances, adherence to the laid down policies and procedures of the Company and to all applicable regulatory guidelines. The Company is in the final stage of adopting new software for Loan Origination and Management system which would enable operational efficiency by automation of processes and migration of manual internal controls to system integrated controls. The monitoring and reporting of frauds is undertaken by Risk Management department and the Board reviews the fraud report on quarterly and annual basis recommending various measures for system and process corrections. The fraud cases involving Rs.25 lacs and above are monitored and reviewed by the Audit Committee of the Board to ensure adequate assessment of punitive or preventive aspects of frauds. The Company has internal financial control system that was generally operating effectively.

The Internal Audit function of the Company acts as an independent appraisal function by examining and evaluating the adherence to Company's policies, safeguarding of its assets, controls over accuracy and completeness of the accounting records. Internal Audit assists



the Management and the Board of Directors in assessing and assuring the adequacy and effectiveness of internal controls and risk management by performing regular audits within the Company according to its annual plan.

Further, Internal Control and Assurance department conducts regular process audits on an on-going basis and carries out the internal control framework review for the Company on an annual basis. Adequate Financial Controls are operative for all the business activities of the Company and remedial measures have been undertaken by the Management for the control gaps observed during the review. The Company has also implemented Compliance Management System for effective monitoring of applicable regulatory requirements.

The Board is of the view that the aforesaid system of Internal Control over Financial Reporting is sound and adequate to provide reasonable assurance regarding the timely preparation and reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting standards and regulatory requirements.

REGULATORY ACTION

No orders have been passed by any Regulator or Court or Tribunal which can have impact on the going concern status of the Company and its future operations.

PARTICULARS OF CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES

All related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Policy on Related Party Transactions. Pursuant to section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013.

The policy on Related Party Transactions as approved by the Board is annexed as Annexure 'B' and is also uploaded on the Company's website.

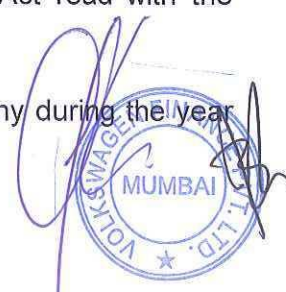
PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES

For the financial Year ended March 31, 2019, the provisions of section 186 of the Act, except sub section 1, are not applicable to the loans, guarantees and securities made by the Company as it is engaged mainly in the business of financing. The Company has not made any Investment in the securities.

DISCLOSURE UNDER OTHER SECTIONS OF THE COMPANIES ACT, 2013

During the year under review, the Company has not issued any shares under Section 43, 54 and 62 of the Act and hence no information as per provisions of the Act read with the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

Further, there has been no change in the capital structure of the Company during the year under review.



DISCLOSURE UNDER RBI DIRECTIONS ON CORPORATE GOVERNANCE

The disclosure requirement including credit rating, under Sub-regulation 2 of Regulation 70 of the Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 are forming part of the notes to accounts.

MATTERS RELATED TO DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company consists of judicious mix of Independent and Non Independent Directors who collectively steer the Company in attaining its corporate objectives.

Following is the composition of the Board of Directors as on March 31, 2019:

Sr. No	Name of Directors	Designation
1.	Mr. Ashish Deshpande	Managing Director and Chief Executive Officer
2.	Mr. Gokhan Cinar	Managing Director and Chief Financial Officer
3.	Mr. Norbert Dorn	Non-Executive Director
4.	Ms. Rupa Vora	Independent Director
5.	Mr. Mrinal Chandran	Independent Director

None of the Non-Executive Directors and Independent Directors had any pecuniary relationships or transactions with the Company during the year under review except receipt of sitting fees.

During the year under review, the following changes took place in composition of the Board of Directors & Key Managerial Personnel of the Company:

a. Board of Directors

Mr. Ashish Deshpande (DIN 08314277) was appointed as Additional Director of the Company with effect from March 1, 2019. Upon recommendation of Nomination & Remuneration Committee and the Board of Directors, Members at their Extra-Ordinary General Meeting held on March 05, 2019, appointed him as Managing Director (MD) and Chief Executive Officer (CEO) for a period of 3 years with effect from March 01, 2019 until February 28, 2022. The Reserve Bank of India vide its letter dated January 30, 2019 had granted prior approval for the said appointment.

Mr. Hans Patrik Riese (DIN 07823008) resigned as Managing Director and Chief Executive Officer (CEO) with effect from February 28, 2019.

The Board of Directors places on record its sincere appreciation for contribution made by Mr. Hans Patrik Riese during his tenure as Director of the Company.

All Independent Directors have given declarations that they meet the criteria of Independence as laid down under Section 149(6) of the Companies Act, 2013.



b. Key Managerial Personnel

Mr. Hans Patrik Riese (DIN 07823008) resigned as Managing Director and Chief Executive Officer (CEO) with effect from February 28, 2019.

At the Meeting of the Board of Directors held on February 05, 2019, Mr. Ashish Deshpande (DIN 08314277) was appointed as Managing Director, Chief Executive Officer and Key Managerial Person of the Company with effect from March 01, 2019 for a period of 3 years until February 28, 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(3)(c) of the Companies Act, 2013, your Directors confirm that to the best of their knowledge and belief and according to the information and explanations obtained by them -

- (i) in the preparation of the annual accounts for the year ended March 31, 2019, the applicable accounting standards have been followed and there are no material departures in adoption of these standards;
- (ii) appropriate accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the loss of the Company for that year;
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act have been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts for the year ended March 31, 2019 have been prepared on a going concern basis;
- (v) the internal financial controls to be followed by the Company have been laid down and that such internal financial controls are adequate and were operating effectively; and
- (vi) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DISCLOSURES RELATED TO BOARD, COMMITTEES AND POLICIES

Board Meetings

The Board of Directors met 4 times during the financial year ended 31st March 2019 in accordance with the provisions of the Act and rules made there under and the dates on which they met during the financial year under review are as under:

Sr. No	Date of the Board Meeting
1.	May 29, 2018
2.	July 19, 2018
3.	October 25, 2018
4.	February 05, 2019



Sr. No	Name of Directors	Number of Meetings attended
1	Mr. Gokhan Cinar	4
2	Mr. Hans Patrik Riese@	4
3	Ms. Rupa Vora	4
4	Mr. Mrinal Chandran	4
5	Mr. Norbert Dorn*	3
6	Mr. Ashish Deshpande#	0

@ resigned as Managing Director & CEO w.e.f. February 28, 2019.

appointed as Managing Director & CEO w.e.f. March 01, 2019.

*attended the Meeting held on July 19, 2018 through video conference.

Committees of the Board

The Company has various Committees which have been constituted with specific terms of reference/scope to focus effectively on issues and ensure expedient resolution of diverse matters and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Composition and other details of statutory Committees are as follows:

a. Audit Committee:

The Company has a duly constituted Audit Committee in compliance Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The scope of the Audit Committee *inter alia* includes, examination of the financial statement and the auditors' report thereon, approval or any subsequent modification of transactions of the Company with related parties; recommending to the Board the appointment, remuneration and terms of appointment of auditors of the Company, oversight of the Company's financial reporting process and vigil mechanism and review of Internal Audit Reports.

Composition of the Audit Committee as on March 31, 2019:

1. Mr. Gokhan Cinar, Managing Director & CFO
2. Ms. Rupa Vora, Independent Director
3. Mr. Mrinal Chandran, Independent Director

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	May 29, 2018
2.	October 25, 2018
3.	February 05, 2019

Attendance record:

Sr. No	Name of Directors	Number of Meetings attended
1.	Mr. Gokhan Cinar	3
2.	Ms. Rupa Vora	3
3.	Mr. Mrinal Chandran	3



b. Nomination and Remuneration Committee:

The Company has constituted Nomination and Remuneration Committee in accordance with Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 which has been authorized to establish the criteria for selection to the Board, to evaluate the proposed candidate on fit and proper criteria as may be prescribed by RBI, and to carry out the evaluation of performance of Board, its Committees and individual Directors.

Composition of the Nomination & Remuneration Committee as on March 31, 2019:

1. Mr. Norbert Dorn, Non-Executive Director
2. Ms. Rupa Vora, Independent Director
3. Mr. Mrinal Chandran, Independent Director

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	May 29, 2018
2.	July 19, 2018
3	February 05, 2019

Attendance record:

Sr. No	Name of Directors	Number of Meetings attended
1	Mr. Norbert Dorn*	2
2	Ms. Rupa Vora	3
3	Mr. Mrinal Chandran	3

* attended Meeting held on July 19, 2018 via Video Conference.

The Company has followed the procedure where evaluation of Directors' individual performance is carried out by Nomination and Remuneration Committee and evaluation of performance of Board and its Committees is carried by the Board. Additionally, evaluation of performance of Non-Independent Directors is carried out by Independent Directors at their separate meeting.

The Remuneration Policy sets out the guidelines for the Remuneration of the Directors and Key Managerial Persons of the Company. Guideline on Director's Appointment and Remuneration defines the overall framework for determining appointment of Directors, which includes qualifications, positive attributes, fit and proper criteria and Independence and evaluation methodology. After the notification of the Companies (Amendment) Act, 2017, the Board has decided to centralize the evaluation process of performance of Board, its committees and individual directors at Board level instead of 2 layered approach followed earlier. Accordingly, the Company's existing policies i.e., Remuneration Policy and Guideline on Director's Appointment and Remuneration has been amended to align with these statutory amendments.

The said policies are available on the website of the Company at following link:



c. Corporate Social Responsibility Committee:

The Corporate Social Responsibility Committee monitors the Corporate Social Responsibility Policy of the Company and allocates the amount of expenditure to be incurred on CSR activities as enumerated in Schedule VII to the Companies Act, 2013. The Committee was reconstituted w.e.f March 01, 2019 to appoint Mr. Ashish Deshpande, Managing Director and CEO as member of the Committee in place of Mr. Hans Patrik Riese who had resigned as Managing Director and CEO of the Company with effect from February 28, 2019.

Composition of the Corporate Social Responsibility Committee as on March 31, 2019

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Ms. Rupa Vora, Independent Director
3. Mr. Mrinal Chandran, Independent Director

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	May 29, 2018
2.	July 19, 2018
3.	October 25, 2018

Attendance record:

Sr. No	Name of Directors	Number of Meetings attended
1	Mr. Ashish Deshpande [#]	0
2	Mr. Hans Patrik Riese [*]	3
3	Ms. Rupa Vora	3
4	Mr. Mrinal Chandran	3

[#] appointed as Managing Director & CEO w.e.f. March 01, 2019.

^{*}resigned as Managing Director & CEO w.e.f February 28, 2019.

Update on CSR activities of the Company for F.Y. 2018-19

The Company was required to spend Rs. 22,866,939/- on CSR activities for the financial year 2018-19 and the unspent CSR amount of Rs. 9,42,064/- from previous years.

During the year, the Company has spent Rs. 16,682,153/- on CSR activities in F.Y. 2018-19. Out of total unspent amount of Rs. 7,126,850/- in F.Y. 2018-19, Rs. 5,351,918 has already been paid until May 28, 2019 and Rs. 1,412,717 is committed to NGO (WOTR) and will be utilized in F.Y. 2019-20. Rs. 362,215 remain unspent due to savings & variation in commitments.

The Company is committed towards undertaking CSR activities in furtherance of the objectives of its CSR Policy with the help of NGO partners and CSR Team consisting employee volunteers.



The Annual Report on CSR activities has been enclosed as Annexure 'C'.

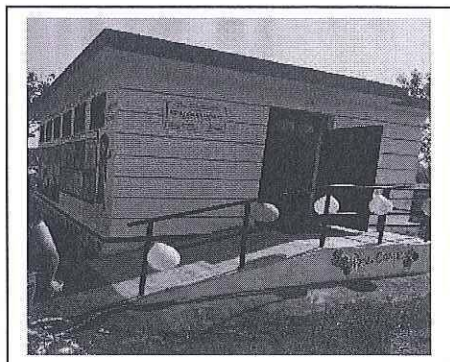
The Policy is also available on the website of the Company at following link:
<http://www.volkswagen-finance-india.co.in/content/sites/vwcorporate/volkswagen-financeindiaco.in/en/home/compliance.html>

Social impact and Employee Engagement of CSR Activities of the Company

I. Habitat for Humanity

The Company has partnered with Habitat for Humanity, India for construction of School sanitation infrastructure in Chennai & Dahanu.

During the year 2018-19, two sanitation units were built in identified Government Schools located in Dahanu, Maharashtra benefiting more than 470 students. A sanitation complex was also built for the differently abled students at the CSI School for the Deaf in Chennai. The School students now have access to safe and adequate sanitation facility.



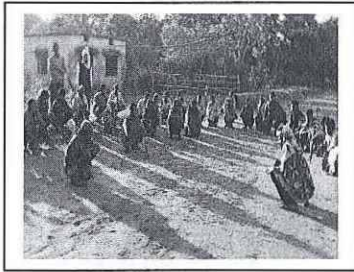
II. Watershed Organization Trust (WOTR)

The Company has partnered with Watershed Organization Trust (WOTR) – Maharashtra for participatory watershed development and eco-systems restoration, adaptive sustainable agriculture, integrated and efficient water management, and climate change adaptation, with a special emphasis on vulnerable communities, farmers, and women. The project was implemented in 4 locations in the states of Jharkhand, Rajasthan & Maharashtra.

The objectives of the project are:

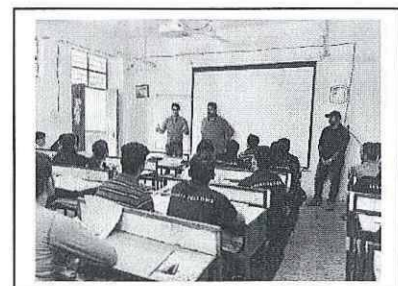
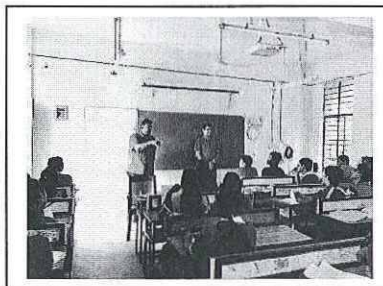
- Sustainable and inclusive approaches for soil conservation, regeneration of degraded lands and
- improved soil health, availability of water for irrigation and better livestock management are being planned for enhanced overall productivity; Enhance the capacities of the village level institution to become proactive catalyst in the development endeavors of their own village through training and awareness generation.





III. Avanti Fellows

The Company has partnered with Avanti Fellows to provide equal opportunity to every child who has talent and will; but does not have enough means to pursue a career of their choice and to provide access of resources to each child, thereby helping them to reach university. During the Year 2018-19, the Company has helped to provide coaching for IIT and NIT exams to bright students from 4 JNV Schools in Odisha in low income bracket of the society.



d. Asset and Liability Management Committee:

The Company has duly constituted the Asset and Liability Committee to monitor the asset liability framework of the Company in accordance with RBI guidelines in this regard. The Minutes of the Asset and Liability Committee are regularly placed before the Board for oversight.

Composition of the Asset Liability Management Committee as on March 31, 2019:

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Mr. Gokhan Cinar, Managing Director & CFO
3. Mr. Samrat Ghosh, Head of Risk Management
4. Mr. Dinesh Kulkarni, Head of Treasury
5. Mr. Rahul Pimpale, Head of Credit Assessment
6. Ms. Harshada Pathak, Company Secretary & Compliance Officer

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	June 20, 2018
2.	September 24, 2018
3.	December 18, 2018
4.	March 20, 2019



Attendance record of Board Members:

Sr. No	Name of Directors	Number of Meetings attended
1.	Mr. Ashish Deshpande [#]	1
2.	Mr. Gokhan Cinar	3
3	Mr. Hans Patrik Riese [*]	2

[#] appointed as Managing Director & CEO w.e.f. March 01, 2019.

^{*}resigned as Managing Director & CEO w.e.f February 28, 2019.

e. Risk Management Committee & Framework:

The Company as part of its Risk Management Framework continuously identifies, assesses and manages its strategic/market, equity, credit, liquidity, operational, compliance, legal and reputational risk etc., also ensures that appropriate frameworks for risk management operate in the Company. Thereby, it adequately identifies and addresses the elements of risk faced by the business.

The said Risk Management Framework has been adopted by the Board of Directors as the Risk Management Policy of the Company under the regulatory requirement.

The Company has constituted a Risk Management Committee in accordance with RBI directions in this regard.

Composition of the Risk Management Committee as on March 31, 2019:

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Mr. Gokhan Cinar, Managing Director & CFO
3. Mr. Samrat Ghosh, Head of Risk Management
4. Mr. Rahul Pimpale, Head of Credit Assessment
5. Ms. Harshada Pathak, Company Secretary & Compliance Officer

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	July 16, 2018
2.	October 26, 2018
3.	January 29, 2019

Attendance record of Board Members:

Sr. No	Name of Directors	Number of Meetings attended
1.	Mr. Gokhan Cinar	3
2.	Mr. Hans Patrik Riese [#]	3
3.	Mr. Ashish Deshpande [*]	0

[#] resigned as Managing Director & CEO w.e.f. February 28, 2019.

^{*}appointed as Managing Director & CEO w.e.f March 01, 2019.

The Minutes of the Risk Management Committee are regularly placed before the Board for oversight.



f. Information Technology (IT) Strategy Committee:

The Reserve Bank of India has issued Master Directions - Information Technology Framework for the NBFC Sector, 2017 (Master Directions) on June 08, 2017, with the objective of benchmarking various aspects of the Information Technology to the best practices and enhancing safety, security, efficiency in processes leading to benefits for NBFCs and their customers. The focus areas of the Master Directions are IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing.

In line with the Master Directions issued by RBI, the Board at its Meeting held on July 20, 2017 has formulated the IT Strategy Committee and approved the Charter (terms of reference) enlisting its roles and responsibilities.

The Committee was reconstituted w.e.f March 01, 2019 to appoint Mr. Ashish Deshpande, Managing Director and CEO as member of the Committee in place of Mr. Hans Patrik Riese who had resigned as Managing Director and CEO of the Company with effect from February 28, 2019.

Composition of the IT Strategy Committee as on March 31, 2019:

1. Ms. Rupa Vora, Independent Director and Chairperson of the Committee
2. Mr. Ashish Deshpande, Managing Director and CEO
3. Mr. Gokhan Cinar, Managing Director and CFO
4. Mr. Kundan Patil, Chief Information Officer

Meetings held during the Financial Year 2018-19:

Sr. No	Date of the Meeting
1.	July 19, 2018
2.	January 18, 2019

Attendance record of Board Members:

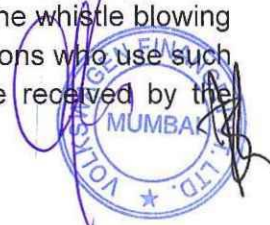
Sr. No	Name of Directors	Number of Meetings attended
1.	Mr. Gokhan Cinar	1
2.	Mr. Hans Patrik Riese [#]	2
3.	Mr. Ashish Deshpande [*]	0

[#] resigned as Managing Director & CEO w.e.f. February 28, 2019.

^{*}appointed as Managing Director & CEO w.e.f March 01, 2019.

VIGIL MECHANISM

The Company encourages a free and open culture in its dealings with its employees, vendors, business partners and hence has established Whistle Blowing system which serves as vigil mechanism as envisaged in section 177 (9) of the Companies Act, 2013, for the directors and employees to report their genuine concerns or grievances. The whistle blowing mechanism provides for adequate safeguards against victimization of persons who use such mechanism and is monitored by the Audit Committee. Two alerts were received by the



Company through Whistle Blowing system during the Financial Year 2018-19 which were duly addressed and reported to the Audit Committee.

ANNUAL EVALUATION OF DIRECTORS, COMMITTEES AND BOARD

The formal annual evaluation of the performance of the Board and that of its Committees has been carried out through a structured evaluation process covering various aspects of the Board's functioning such as the Board structure & composition, effectiveness of Board processes, information flow and functioning, quality of relationship between the Board and the Management, establishment and delineation of the responsibilities to Committees etc. The performance of individual Directors was evaluated on parameters such as professional conduct, performance of duties, role and function, contribution to the Board/Committees/Senior management etc. by peer review and self-evaluation process.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

DISCLOSURE UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 AND OTHER DISCLOSURES AS PER RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:

The disclosures as required under Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms a part of this Report and the details are mentioned below:

Details under Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- (i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year is given as Annexure 'D'. Independent Directors do not receive any remuneration from the Company apart from sitting fees.
- (ii) The percentage increase in remuneration of Chief Financial Officer is **17%** and that for Company Secretary is **8%**. Owing to change in the office of Chief Executive Officer during the year, the percentage increase in remuneration of Chief Executive Officer is not provided.
- (iii) The percentage increase in the median remuneration of employees in the financial year is **7%**.
- (iv) The number of permanent employees on the rolls of Company as on March 31, 2019: **243**.
- (v) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration. The average percentile increase made in the salaries of employees other than Managerial Personnel in the last financial year was **7.96%** as compared to an average of **17%** for

Managerial Personnel.

- (vi) It is hereby confirmed that the remuneration paid to Directors and KMPs is as per the Remuneration Policy approved by the Nomination & Remuneration Committee.

Details under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Please refer table in Annexure 'D' for the details under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Payment of Remuneration / Commission to Directors from holding company

The Managing Directors of the Company are not in receipt of remuneration/commission from the holding Company.

AUDITORS AND REPORTS

The matters related to Auditors and their Reports are as under:

Appointment of Auditors

The existing Statutory Auditors of the Company M/s Price Waterhouse have completed two terms of 5 years as Statutory Auditors of the Company and hence are ineligible to continue as Statutory Auditors as per section 139 of the Companies Act, 2013

The Audit Committee and the Board recommend the appointment of M/s S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005) for appointment as Statutory Auditors of the Company for a period of 5 years from the conclusion of Tenth Annual General Meeting until conclusion of Fifteenth Annual General Meeting. The same shall be considered by the shareholders at the upcoming Annual General Meeting.

Observations of Statutory Auditors on Accounts for the year ended March 31, 2019

The Statutory Auditors report does not contain any observation or qualification requiring explanation or comments from the Board under Section 134(3) of the Act.

The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

SECRETARIAL AUDIT REPORT FOR THE YEAR ENDED MARCH 31, 2019

Provisions of Section 204 read with Section 134(3) of the Act, mandates to obtain Secretarial Audit Report from Practicing Company Secretary. M/s. Aashish K. Bhatt & Associates, Practicing Company Secretaries had been appointed to carry on the Secretarial Audit and provide a Secretarial Audit Report for the financial year 2018-19.



Secretarial Audit Report issued by M/s. Aashish K. Bhatt & Associates, Practicing Company Secretaries in Form MR-3 for the financial year 2018-19 forms part to this report and is enclosed as Annexure 'E'.

The observations made in the Secretarial Audit Report pertaining to non-compliance with section 173(1) of the Companies Act, 2013 and non-disclosure in the Directors Report for the financial year 2017-18 are due to inadvertent mistake. The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India during the financial year 2017-18. The reason for the unspent CSR expenditure is mentioned in the CSR Annual Report enclosed as Annexure C. As regards observations made in the Secretarial Audit Report pertaining to compliance with applicable Circulars and Directions issued by the Reserve Bank of India, the copies of loan agreement in vernacular languages are made available on the website of the Company for the information of customers. The Company has already initiated the process for registration on NeSL portal and Central KYC Records Registry which is pending due to technical difficulties. As regards observations made in the Secretarial Audit Report pertaining to Guidelines on Motor Insurance Service Provider (MISP), the Company has already launched Insurance portal for effective monitoring of activities of MISP during F.Y. 2018-19 and onboarding of all the MISPs on the portal would be completed during current financial year.

Apart from the observations as mentioned in the Secretarial Audit report, the Company has complied with the applicable Secretarial Standards viz. SS-1 and SS-2 during the year 2018-19.

The Secretarial Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

COST RECORDS

Maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, is not required by the Company as the Company does not fall under the ambit of prescribed class of Companies who are required to make and maintain cost records.

OTHER DISCLOSURES

Other disclosures as per provisions of Section 134 of the Act read with Companies (Accounts) Rules, 2014 and allied laws are furnished as under:

EXTRACT OF ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) of the Act, extract of the Annual Return for the financial year ended March 31, 2019 made under the provisions of Section 92(3) of the Act in Form MGT-9 is available on the website of the Company at following link:

http://www.volkswagen-finance-india.co.in/content/sites/vwcorporate/volkswagen-finance-indiacoin/en/home/investor_information/financial-results.html



CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

There are no details to be disclosed under the provisions of Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 in respect of conservation of energy and technology absorption having regard to the nature of activities undertaken by the Company during the year under review.

During the year under review, the Company has incurred foreign exchange Gain (Net) of Rs. 71.88 lacs. Refer note no. 31 of the notes to Financial Statements for details on use of foreign exchange.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has set up an Internal Complaints Committee to redress the complaints received regarding sexual harassment and has complied with all the provisions relating to its constitution under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (Permanent, contractual, temporary, trainees) are covered under this policy. The Internal Complaints Committee reports to the Audit Committee of the Company, which in turn reports to Board of Directors of the Company.

The Company has received one sexual harassment complaint during the year 2018-19 which was duly resolved.

DISCLOSURE PERTAINING NON CONVERTIBLE DEBENTURES

The Secured, Redeemable, Non-convertible Debentures issued by the Company are listed on BSE Limited. During the financial year under review, the Company has not issued any fresh Secured, Redeemable Non-Convertible Debentures. The Company has, during the year, redeemed 1,500, 2,000, 2,000, 1,000 and 1,500 Secured, Redeemable Non-Convertible Debentures of Rs. 10,00,000 each respectively on June 28, 2018, July 30, 2018, September 20, 2018, October 10, 2018 and December 28, 2018. Vistra ITCL (India) Limited (formerly known as IL&FS Trust Company Limited) has been appointed to act as the trustee for the Debenture holders for these issues.

The contact details of the debenture trustees are mentioned below:

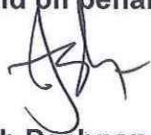
Vistra ITCL (India) Limited
(formerly known as IL&FS Trust Company Limited)
ILFS Centre, Plot C-22, G-Block, 7th Floor
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051
Contact No 022-2659 3612
Website: www.vistraitcl.com



ACKNOWLEDGEMENTS AND APPRECIATION

Your Directors take this opportunity to thank the customers, employees, shareholders, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company.

For and on behalf of the Board



Ashish Deshpande
Managing Director & CEO
DIN: 08314277



Gokhan Cinar
Managing Director & CFO
DIN: 07649354

Date: June 28, 2019

Place: Mumbai

Registered Office

3rd Floor, Wing - A, Silver Utopia
Cardinal Gracious Road, Chakala, Andheri 400099
CIN : U65999MH2009FTC189640
Tel No. +91 22 39521000; Fax No. +91 3952 1001



MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Since the Company is in captive finance segment catering to finance of vehicles manufactured by Volkswagen Group, its progress is closely aligned to the development of automobile industry unlike other NBFCs.

Business Environment for Automobile Industry

Production

The industry produced a total 30,915,420 vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle in April-March 2019 as against 29,094,447 in April-March 2018, registering a growth of 6.26 percent over the same period last year.

Domestic Sales

The sale of Passenger Vehicles grew by 2.70 percent in April-March 2019 over the same period last year. Within the Passenger Vehicles, the sales of Passenger Cars, Utility Vehicle & Vans grew by 2.05 percent, 2.08 percent and 13.10 percent respectively in April-March 2019 over the same period last year.

The overall Commercial Vehicles segment registered a growth of 17.55 percent in April-March 2019 as compared to the same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) increased by 14.66 percent and Light Commercial Vehicles grew by 19.46 percent in April-March 2019 over the same period last year.

Two Wheelers sales registered a growth at 4.86 percent in April-March 2019 over April-March 2018. Within the Two Wheelers segment, Scooters declined by (-) 0.27 percent, whereas Motorcycles and Mopeds grew by 7.76 percent and 2.41 percent respectively in April-March 2019 over April-March 2018.

Automobile Domestic Sales Trends

Category	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Passenger Vehicles	25,03,509	26,01,236	27,89,208	30,47,582	32,88,581	33,77,436
Commercial Vehicles	6,32,851	6,14,948	6,85,704	7,14,082	8,56,916	10,07,319
Three Wheelers	4,80,085	5,32,626	5,38,208	5,11,879	6,35,698	7,01,011
Two Wheelers	1,48,06,778	1,59,75,561	1,64,55,851	1,75,89,738	2,02,00,117	21,181,390
Quadricycle#			0	0	0	627
Grand Total	1,84,23,223	1,97,24,371	2,04,68,971	2,18,63,281	2,49,81,312	2,62,67,783

Source: Society of Indian Automobile Manufacturers #Only Aug-18 to March-19 data available for 2018-19



PRODUCT WISE PERFORMANCE

The Product wise performance of the Company is elaborated in the Directors Report.

OUTLOOK, OPPORTUNITIES AND THREATS

Growth in India is projected to be stable at current levels of ~ 7.3% in 2019, to be driven by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national goods and services tax. Over the medium term, growth is expected to decline due to phasing out of current models in 2020 and then it is expected to re-bound with the increase in market share for Brands from 2021 onwards on account of launch of new models under India 2.0 project

India has made progress on structural reforms in the recent past and the implementation of the goods and services tax will help reduce internal barriers to trade, increase efficiency and improve tax compliance. The corporate debt overhang and associated banking sector credit quality concerns have exerted a drag on investment in India, adding that recapitalization will improve the banking sector's ability to support growth but more measures are needed.

Recapitalization should be part of a broader package of financial reforms to improve the governance of public sector banks and lenders' debt recovery mechanisms should be further enhanced. While the medium-term growth outlook for India is strong, an important challenge is to enhance inclusiveness.

Your directors expect that with a strong and stable government in center, stable economy, the Company's inherent strong business model with upcoming models, focus on digitalization and automation to provide enhanced customer experience, the continued confidence of investors and support of the lending institutions to the Company's fund mobilization activities on account of good track record of debt servicing, your Company should achieve satisfactory performance in the coming years

RISKS AND CONCERNS

Credit risk, Market risk, Operational risk, Compliance Risk and Liquidity risk are the key risks inherent to the business of the Company. The Company has established a robust risk management framework to manage these risks and is continuously engaged in reinforcing risk management practices.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems and their adequacy is more elaborately discussed in the Directors' Report.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial Performance and operational performance form part of the Directors' Report.



MATERIAL DEVELOPMENTS IN HUMAN RESOURCES FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

There has been no material development in human resources front apart from changes in Key Managerial Persons as stated in the Directors' Report and there were 243 (including Expatriates) Employees on the rolls of the Company as on March 31, 2019.



Policy for Related Party Transactions

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1. Area of application

This Policy is applicable to all employees of Volkswagen Finance Pvt. Ltd. (VWFPL).

2. Basis

This policy is based on the requirements of the Circular on Revised Regulatory Framework for NBFCs dated November 10, 2014, New Companies Act 2013 and Accounting Standard 18.

3. Purpose

This Objective of this Policy is to establish requirements for the disclosure of:

- Related party relationships and
- Transactions between Volkswagen Finance Pvt Ltd. and its related parties

4. Responsibility

RACI Matrix

Task/ Position	All Depts	Compliance	Legal	Controlling	Accounting	Both MDs	Board of Directors and Shareholders
Initiation of New transaction	R	I	I	I	I	A	NA
Identification of Related Party and nature of relationship with VWF	I	R	I	I	I	I	NA
Nature of transaction and contract duration	R	I	I	I	I	I	NA
Contract Value	R	I	I	I	I	I	NA
Method of pricing and commercial terms	R	I	I	A	A	I	NA
Justification of Arms Length Transaction and Ordinary course of business	R	I	I	I	A	I	NA
Quarterly reporting on the Related Party Transactions	I	R	I	I	R	I	A
Presentment and approval of all new related party transactions to Board and Shareholders	NA	R	NA	NA	NA	NA	A
Change in Policy	NA	I	NA	NA	R	A	I

R- Responsibility, I- Information, A-Approval

5. Definition of 'related party' as per Companies Act, 2013

'Related Party' with reference to a company means-

- (1) a director or his relative;
- (2) a key managerial personnel or his relative;
- (3) a firm, in which a director, manager or his relative is a partner;
- (4) a private company in which a director or manager or his relative is a member or director;
- (5) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (6) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (7) any person on whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in clauses (6) and (7) shall apply to the advice, directions or instructions given in a professional capacity.

- (8) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party;

'relative', with reference to any person, means anyone who is related to another, if-

- (a) they are members of a Hindu Undivided Family;
- (b) they are husband and wife; or
- (c) Father including step-father.
- (d) Mother including step-mother
- (e) Son including step-son
- (f) Son's wife
- (g) Daughter
- (h) Daughter's husband
- (i) Brother including step-brother
- (j) Sister including step-sister

6. Definition of 'related party' as per Accounting Standard 18

'Related Party' with reference to a company means-

- (a) enterprises that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Volkswagen Finance Private Limited (this includes holding companies, subsidiaries and fellow subsidiaries;
- (b) associates and joint ventures of Volkswagen Finance Private Limited and the investing party or venture in respect of which Volkswagen Finance Private Limited is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of Volkswagen Finance Private Limited that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of Volkswagen Finance Private Limited and enterprises that have a member of key management in common with Volkswagen Finance Private Limited

7. Related Party Transactions as per Companies Act, 2013

Section 188 of the Companies Act, 2013 describes in detail the related party transactions as follows:

- (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to -
- (a) sale, purchase or supply of any goods or materials;
 - (b) selling or otherwise disposing of, or buying, property of any kind;
 - (c) leasing of property of any kind;
 - (d) availing or rendering of any services;
 - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company
- Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as maybe prescribed, shall be entered into except with the prior approval of the company by a resolution:
 - Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an *arm's length basis*.
 - Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation-

In this sub-section-

- the expression “office or place of profit” means any office or place—
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- the expression “arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

8. Related Party Transactions as per Accounting Standard 18

The following are examples of the related party transactions in respect of which disclosures need to be made by Volkswagen Finance Pvt. Ltd.:

- (a) purchases or sales of goods (finished or unfinished);
- (b) purchases or sales of fixed assets;
- (c) rendering or receiving of services;
- (d) agency arrangements;
- (e) leasing or hire purchase arrangements;
- (f) transfer of research and development;
- (g) licence agreements;
- (h) finance (including loans and equity contributions in cash or in kind);
- (i) guarantees and collaterals; and
- (j) management contracts including for deputation of employees.

9. 'Arm's Length Transaction' as per Companies Act, 2013

Arm's length transaction" has been defined under section 188 of the Companies Act 2013, to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

10. 'Arm's Length Transaction' as per Accounting Standard 18

There is a general presumption that transactions entered into are consummated on an arm's length basis between independent parties. However, that presumption may not be valid when related party relationships exist because related parties may enter into transactions which unrelated parties would not enter into. Also, transactions between related parties may not be effected at the same terms and conditions as between unrelated parties.

11. Process for obtaining Omnibus approval from Audit Committee on annual basis

The approval or any subsequent modification of transactions of the company with related parties is included in the terms of reference of Audit Committee as per Section 177(4)(iv) of the Companies Act, 2013.

Omnibus approval for related party transactions on annual basis:

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely

(1) The Audit Committee shall at the first Board Meeting of the Company held in every Financial Year, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval for transactions with related parties (as defined in point no. 5 above) proposed to be entered for that financial year. The criteria shall include the following, namely:-

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: -
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Audit Committee may put such other condition as it may deem fit while granting omnibus approval.
- (8) Prior approval of Audit Committee is required in case the transaction with related party (as defined under Companies Act, 2013) is not covered under omnibus approval or is exceeding the limits/conditions imposed while granting such omnibus approval.

12. Process for approval and determining 'Arm's Length'

- (1) Compliance department shall at the starting of every year or on account of any change during the year share the list of related party with the Finance dept.
- (2) Finance Department shall at the starting of every year or on account of any change during the year present a list of all the transactions proposed to be entered into by the Company with related parties on estimate basis. The Compliance department would in turn present the same to the Audit Committee who would deliberate and discuss on the nature of the above transactions and provide approval.
- (3) Any employee/ department intending to enter into a contract or arrangement shall present to Finance dept. for prior approval along with the justification for entering into such contract(s) or arrangement(s). If the Finance dept. arrives at a conclusion that the transaction is not in the ordinary course of business and / or not at arm's length then the said employee/ department intending to enter into a contract or arrangement shall present to Compliance department disclosures in the following format BEFORE entering into the contract or arrangement:
 - a) the name of the related party and nature of relationship
 - b) the nature, duration of the contract and particulars of the contract or Arrangement
 - c) the material terms of the contract or arrangement including the value, if any
 - d) whether the transaction is in the ordinary course of business
 - e) any advance paid or received for the contract or arrangement, if any
 - f) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
 - g) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors
 - h) any other information relevant or important for the Board to take a decision on the proposed transaction

The Compliance department would in turn present the same to the Audit Committee and the Board of Directors who would deliberate and discuss on the nature of the above transactions and provide approval.

Any employee/ department except with the PRIOR approval of the company by a resolution in the shareholders meeting shall not enter into a transaction or transactions, where the transaction or transactions to be entered into -

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below –

- (i) sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to ten per cent. or more. of the turnover of the company or rupees one hundred crore, whichever is lower as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to ten per cent. or more. of the turnover of the company or rupees one hundred crore, whichever is lower as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property of any kind amounting to ten per cent. or more of the net worth of the company or ten per cent. or more of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services directly or through appointment of agents amounting to ten per cent. or more of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

Explanation:-

The limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:-

- (1) The Turnover or Net Worth referred in the above clauses shall be on the basis of the Audited Financial Statement of the preceding Financial year.
- (2) In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
- (4) This document would need to be duly authorised by the Head of Department who is initiating the transaction and approved by Finance dept. to confirm whether the party is a related party.
- (5) Finance department shall provide on quarterly basis the list of related party transactions pursuant to AS -18 to the Compliance dept. to be placed before the Audit Committee/ Board of Director / Shareholders Meeting for its review with the comment that the contract or arrangement is/ is not in the ordinary course of business and/ or at / at not Arm's Length and/or exceeding the prescribed limits. Finance department shall also provide for review at such interval as the Audit

Committee may direct, update on transactions entered during the period pursuant to each of the omnibus approval granted by the audit committee

- (6) The employee/ department would need to document and justify as to how the pricing of the transaction is at 'Arm's Length'.

The pricing at 'Arm's Length' can be supported by:

- Comparing the terms of the related party transaction to those of an identical or similar transaction with one or more unrelated parties.
- Engaging an external expert to determine a market value and to confirm market terms and conditions for the transaction.

13. Disclosure Requirements

The Company shall disclose the details of related party transactions in its Annual Report as per requirements of applicable accounting standards and applicable provisions of Companies Act, 2013.

14. Amendment to the Policy

Any amendment to this policy shall be approved by Managing Director (Back Office) and Managing Director (Front Office) and shall be disseminated to the employees and noted by the Board of Directors.

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to be web-link to the CSR policy and projects or programs.	The Company has framed its CSR Policy including the projects to be undertaken by the CSR Committee. The members have further formed a CSR team consisting of efficient members to evaluate the projects and NGOs for a better cause. The Company would undertake the projects mainly into promoting education and rural development. The detailed information is available in the CSR Policy framed by the Board of Directors and also available at the below web link: http://www.volkswagen-finance-india.co.in/content/sites/vwcorporate/volkswagen-finance-indiacoin/en/home/compliance.html
The Composition of CSR Committee	Mr. Patrik Riese (till 28.02.2019) Mr. Ashish Deshpande (01.03.2019 onwards) Mr. Mrinal Chandran Ms. Rupa Vora
Average net profit of the company for the last three financial years	
Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	Carry Forward (Surplus)from past Years = Rs. 942,064 Budget FY 2018-19 = Rs. 22,866,939 Total available CSR Budget = Rs. 23,809,003
Details of CSR spent during the financial year	
a)Total amount to be spent for the financial year;	Rs. 23,809,003
b)Amount unspent, if any;	Rs. 7,126,850/- F.Y. 2018-19
c)Manner in which the amount spent during the financial year is detailed below:	



Sr No	CSR projects or activity identified	Sector in which the project is covered	Projects or programs		Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads:		Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
			(1) Local are or other	(2) Specify the state and district where projects or programs was undertaken		(1) Direct expenditure on projects or programs (INR)	(2) Overheads		
1	Watershed Development & Sustainable agriculture practices	Community development	Local	Pasodi Maharashtra -	8,97,000	358,800		358,800	Through Implementing Agency - Watershed Organization Trust
2	Watershed Development & Sustainable agriculture practices	Community development	Local	Jharkhand	47,09,060	1,883,624		1,883,624	Through Implementing Agency - Watershed Organization Trust
3	Watershed Development & Sustainable agriculture practices	Community development	Local	Karauli Rajasthan -	48,21,000	2,400,000		2,400,000	Through Implementing Agency - Watershed Organization Trust
4	Watershed Development & Sustainable agriculture practices	Community Development	Local	Kauchalwadi Maharashtra -	46,87,000	11,50,000		46,87,000	Through Implementing Agency - Watershed Organization Trust
5	Construction of School Toilets	Community Development	Local	Chennai Maharashtra -	7,80,276	7,80,276	-	7,80,276	Through Implementing Agency - Habitat for Humanity



Sr No	CSR projects or activity identified	Sector in which the project is covered	Projects or programs		Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads:		Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
			(1) Local are or other	(2) Specify the state and district where projects or programs was undertaken		(1) Direct expenditure on projects or programs	(2) Overheads		
6	Construction of School Toilets	Community Development	Local	Dahanu Maharashtra -	28,00,000	1,820,000	-	1,820,000	Through Implementing Agency - Habitat for Humanity
7	Jawahar Navodaya Vidyalaya	Education	Local	Odisha	7,439,000	7,439,080		7,439,080	Through Implementing Agency - Avanti Fellows

In addition, Rs.850,373 has been spent towards overheads (Employee Engagement and Audit Fees)



***Give details of implementing agency:**

<p>In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.</p>	<p>The Company was required to spend Rs. 22,866,939/- on CSR activities for the financial year 2018-19 and the unspent CSR amount of Rs. 9,42,064/- from previous years.</p> <p>During the year, the Company has spent Rs. 16,682,153/- on CSR activities in FY 2018-19. Out of total unspent amount of Rs. 7,126,850/- in F.Y. 2018-19, Rs. 5,351,918 has already been paid until 28.05.2019 and Rs. 1,412,717 is committed to NGO (WOTR) and will be utilized in FY 2019-20</p> <p>Rs. 362,215 unspent due to savings & variation in commitments.</p> <p>The Company is committed towards undertaking CSR activities in furtherance of the objectives of it's CSR Policy with the help of NGO partners and CSR Team consisting employee volunteers.</p>
<p>A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.</p>	<p>The CSR Committee shall undertake the CSR activities in compliance with the guidelines framed in the CSR Policy and meet the CSR objectives of the Company</p>

 Gokhan Cinar (Managing Director & Chief Financial Officer)	 Ashish Deshpande (Managing Director & Chief Executive Officer and Chairman of CSR Committee)
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Annexure 'D'

The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year 2018-19

Sr No	Name of Director	Designation	Remuneration	Median Remuneration of Employees of the company	Ratio of Directors Remuneration to Median
1	Patrik Riese *	Managing Director & CEO	₹ 26,419,042	₹ 963,000	27.43
2	Gokhan Cinar	Managing Director & CFO	₹ 27,866,279	₹ 963,000	28.94
3	Ashish Deshpande #	Managing Director & CEO	₹ 9,000,000	₹ 963,000	9.35

Details under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sr No	Name of Employees	Designation	Remuneration as on March 31, 2019 (GAC)	Nature of Employment, whether contractual or otherwise	Qualifications and experience	Date of commencement of employment	Age	Last employment before joining the company	% of Equity Shares held, incase more than 2%	Name of Director or manager who is relative
1	Patrik Riese *	Managing Director & CEO	₹ 26,419,042	Contractual	Bachelor in Business Administration 27 years	1-Jul-17	51 Years	VWFS, South Africa	NA	NA
2	Gokhan Cinar	Managing Director & CFO	₹ 27,866,279	Contractual	Post Graduate in International Finance, 18 years	1-Dec-16	42 Years	Volkswagen Doğuş Finansman A.Ş., Turkey	NA	NA
3	Alexander Bargstaedt	Head of Business Transformation	₹ 22,078,095	Contractual	Masters of Art 17 Years	1-Oct-15	37 Years	VWFS AG, Germany	NA	NA
4	Praafull Bakshi **	Head Risk Management	₹ 12,029,666	Contractual	Post Graduate in Business Administration & Finance, MBA Finance 13 Years	1-Mar-17	36 Years	HSBC Data Processing India	NA	NA
5	Ashish Deshpande #	Managing Director & CEO	₹ 9,000,000	Contractual	MBA 21 years	1-Feb-15	43 Years	Skoda Auto India Pvt Ltd	NA	NA
6	Abhai Mirakhur	Head - Insurance	₹ 5,589,000	Permanent	B.E 22 years	1-Feb-11	50 Years	Future Generali India Insurance Co. Ltd	NA	NA
7	Rahul Prasad	Head Human Resources, Administration & Procurement	₹ 5,742,000	Permanent	MBA 13 years	1-Jun-15	37 Years	PPG Asian Paints	NA	NA
8	Kirti Maheshwari ***	Head Sales and Distribution	₹ 5,522,000	Permanent	MBA 22 years	20-Dec-10	46 Years	ICICI Bank Ltd	NA	NA
9	Minal Shah	Head Controlling & Process Management	₹ 4,949,000	Permanent	MBA 22 years	20-Dec-10	40 Years	Deloitte	NA	NA
10	Rahul Pimpale	Head Credit Assessment	₹ 4,448,000	Permanent	MBA 15 years	8-Feb-11	40 Years	Citi Group	NA	NA

appointed as Managing Director and CEO w.e.f. Mar 1, 2019

* Last Working Day of Patrik Riese is Feb 28, 2019

** Last Working Day of Praafull Bakshi is Aug 31, 2018

*** Last Working Day of Kirti Maheshwari is Dec 31, 2018





AASHISH K. BHATT & ASSOCIATES

Practising Company Secretaries

Aashish K. Bhatt
B.Com., A.C.S., PGDSL

Form no. MR -3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To

The Members,

Volkswagen Finance Private Limited

3rd Floor, Wing-A, Silver Utopia,
Cardinal Gracious Road, Chakala,
Andheri, Mumbai - 400099.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate governance practice by **Volkswagen Finance Private Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended March 31, 2019, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company, for the financial year ended on March 31, 2019, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;



- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment. No overseas Direct Investment and External Commercial Borrowings were pursued;
- v. The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 – Not Applicable;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – Not Applicable;
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not Applicable;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client – Not Applicable;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – Not Applicable;
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – Not Applicable;



I have also examined compliances with applicable clauses of:

- i. Secretarial Standards issued by the Institute of the Company Secretaries of India for General Meetings, Board and Committee Meetings (i.e Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee);
- ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and The Listing Agreement entered by the Company with BSE Limited for listing of Non Convertible Debentures (NCDs).

During the financial year under report, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above *except for the followings*:

1. *Conducting the Board meeting within the time prescribed under section 173(1) of the Companies Act, 2013*
2. *Disclosure about the compliance of Secretarial Standard issued by ICSI in the Board's Report for the Financial Year 2017-2018.*
3. *CSR expenditure is committed but yet to be spent for the Financial Year 2018-19*

Based on the compliance mechanism established by the Company, which has been verified on test checked basis and the Compliance Report submitted to and taken on record by the Board of Directors of the Company, I am of the opinion that the Company has complied with the following laws applicable specifically to the Company:

- i. Reserve Bank of India Act, 1934 and its circulars, Master Circulars, notifications and its Directions as prescribed for NBFCs except:
 - a. *Reserve Bank of India Guidelines on Fair Practices Code for NBFCs on compliance pertaining to communications in vernacular language with the customers*
 - b. *Reserve Bank of India circular dated December 19, 2017 on registration on NSeL portal and submit details of financial Information in Form C relating to assets on which security has been created.*
 - c. *Reserve Bank of India Master Direction - Know Your Customer (KYC) Direction 2016 (updated as on July 12, 2018) pertaining to uploading of customer KYC data/documents on Central KYC Records Registry*
- vi. Prevention of Money Laundering Act, 2002;



- vii. Insurance Regulatory Development Authority of India (Registration of Corporate Agents) Regulations, 2015
- viii. Guidelines on Motor Insurance Service Provider issued on August 31, 2017 except *monitoring of daily MIS for each MISPs.*

I further report that:

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

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

Based on the representation made by the Company and relied upon, I report that there are adequate systems and processes in the Company commensurate with its size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the year under report, the Company has undertaken event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above viz.

- (i) Approval of Board for revision in limit of remuneration to Managing Director and payment of Bonus;
- (ii) Revision of policies of the Company;
- (iii) Approval of Board and Members for appointment of Mr. Ashish Deshpande as Managing Director and Chief Executive officer (CEO) w.e.f March 1, 2019



- (iv) Resignation of Mr. Hans Patrik Riese as a Managing Director and Chief Executive officer (CEO) w.e.f February 28, 2019
- (v) The Company has obtained Board and Members approval for issuance of Non-convertible debentures (NCD's).
- (vi) Re-constitution of various Board committees

For Aashish K. Bhatt & Associates

Company Secretaries

(ICSI Unique Code S2008MH100200)



A handwritten signature in black ink, appearing to read "Aashish Bhatt".

Aashish Bhatt

Proprietor

ACS No.: 19639

COP No.: 7023

Place: Mumbai

Date: 29/05/2019

This Report is to be read with my letter annexed as Appendix A, which forms integral part of this report.

To,

The Members,

Volkswagen Finance Private Limited.

3rd Floor, Wing-A, Silver Utopia Cardinal Gracious Road, Chakala, Andheri, Mumbai - 400099.

My report of even date is to be read along with this letter.

1. The responsibility of maintaining Secretarial record is of the management and based on my audit, I have expressed my opinion on these records.
2. I am of the opinion that the audit practices and process adopted to obtain assurance about the correctness of the secretarial records were reasonable for verification on test check basis.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
5. The management is responsible for compliances with corporate and other applicable laws, rules, regulations, standards etc. My examination was limited to the verification of procedure on test basis and wherever required, I have obtained the Management Representation about the compliance of laws, rules and regulations etc.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Aashish K. Bhatt & Associates

Company Secretaries

(GST Unique Code S2008MH100200)



Aashish Bhatt

Proprietor

ACS No.: 19639, COP No.: 7023

Place: Mumbai

Date: 29/05/2019